

STATE OF INDIANA)
) SS:
COUNTY OF LAKE)

BEFORE THE INDIANA GAMING COMMISSION
PRESENTATION BY LAKE MICHIGAN CHARTERS, LTD.

October 18, 1995
Commencing at 9:15 a.m.

BE IT REMEMBERED that the following proceedings
were had before me, RUTH GRISSMAN, Court Reporter, on
Wednesday, October 18, 1995, at the Hammond Civic Center,
5825 Sohl Avenue, Hammond, Indiana.

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APPEARANCES:On Behalf of the Indiana Gaming Commission:

ALAN I. KLINEMAN, Chairman

ANN MARIE BOCHNOWSKI, Vice-Chairperson

DONALD VOWELS, Secretary

THOMAS F. MILCAREK

ROBERT W. SUNDWICK

ROBERT SWAN

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

JOHN J. THAR, Executive Director

1 MR. KLINEMAN: We're expecting Dr. Ross
2 momentarily, so why don't we just wait. We'll get started
3 as soon as Dr. Ross enters.

4 (Discussion was held off the
5 record among Commission. The
6 proceedings were then
7 commenced at 9:30 a.m.
8 without Dr. Ross present.)

9 MR. KLINEMAN: Why don't we go ahead. I guess
10 Dr. Ross might have gotten involved in some medical problem
11 or something. So if it's all right with you, Phil, we'll
12 go ahead. And I'm sure if there's information that he
13 doesn't receive, we can catch him up.

14 MR. THAR: Are they filming their presentation?

15 MR. KLINEMAN: And the presentation is being
16 taped?

17 MR. BAYT: Yes, it is.

18 MR. KLINEMAN: Okay. Well, we can always make a
19 copy available to Dr. Ross. Why don't you go ahead and
20 proceed. Good morning everyone.

21 MR. BAYT: Good morning, Chairman Klineman,
22 members of the Commission, Mr. Thar, Mr. Hannon, members of
23 the staff. I'm Phil Bayt from the Ice, Miller law firm,
24 and I'm glad to be here today to introduce you to Lake
25 Michigan Charters. I've spoken to you before on behalf of

1 local governments. And as part of that work, I've been
2 able to participate in this process and to observe many of
3 the applicants around the State. During that same time, I
4 worked with the Lake Michigan Charters team to get ready
5 for gaming in Hammond. I can tell you that I think that
6 Lake Michigan Charters is as qualified as any applicant
7 you've seen so far.

8 But you've seen a lot of qualified applicants, and I
9 think what sets Lake Michigan Charters apart is that for
10 two and a half years, we've listened to the community to
11 craft a project that fits for Hammond. We've done our
12 homework to prepare a difficult site for gaming, and we've
13 focused only on Hammond. We've structured a local benefits
14 package and a capital investment program that will be a
15 tremendous opportunity for the citizens of Hammond and for
16 the State of Indiana. And we've got the financial
17 resources to back up those promises. We started early,
18 we've got momentum, and we're ready. And we're ready with
19 experience, the kind of experience that comes from proven
20 success. The Empress River Casino in Joliet, a sister
21 company to Lake Michigan Charters, is the model for
22 riverboats throughout the industry. It sets the standards
23 that others follow.

24 And here to tell you about that success story is Bill
25 Sabo, the Vice-Chairman of the Empress River Casino

1 Corporation and the Chairman of the Illinois Riverboat
2 Council, the association for riverboat gamers in the State
3 of Illinois. Before Bill helped to found the Empress, he
4 was a career banker, serving for 25 years as the Chairman
5 and CEO of the First National Bank of Lockport, one of
6 Illinois' leading financial institutions. Bill and the
7 owners of Lake Michigan Charters and the Empress call this
8 region home. They employ thousands of people and they
9 spend millions of dollars in the local economy each year,
10 and they feel a part of the social and business community
11 that is northern Illinois and northwest Indiana. It's my
12 pleasure to introduce to you today Bill Sabo.

13 MR. SABO: Thank you, Phil. Thank you members of
14 the Commission. Very shortly, you're going to meet a group
15 of vibrant, dynamic, aggressive young people who have
16 courteously allowed the senior citizen among them to be the
17 first to address you this morning. I'm not sure that that
18 should call for a celebration with cyanide or champagne.
19 Nevertheless, I'm here, and my comments will be brief. And
20 I'm very pleased. You're going to be viewing a production,
21 a video production, about what has emerged to be the most
22 successful riverboat gaming company in the United States
23 over the past three years. Along with my partners that are
24 seated here today, we were there from the first day and
25 understood and saw all the problems that we had to face. I

1 was privileged to serve as the first president of that
2 company.

3 And I think to truly tell the story of what the
4 Empress was in some perspective, I'd like to take the
5 Commission back to 1990 and 1991 where our company faced a
6 litany of problems very similar to what we perceive to be
7 the issues that your ultimate licensee in the City of
8 Hammond are going to have to face today in the marina
9 project. Back in Joliet, we had issues pertaining to
10 property acquisition, property access, technical
11 engineering issues, annexation issues, environmental
12 issues. All of those were things that had to be
13 accomplished and had to be accomplished with some
14 expedition. We had a very limited staff of facilities
15 support people, and I proudly say that my partners, along
16 with our limited staff, dove into these problems and
17 dedicated ourselves to getting them resolved.

18 About fourteen months prior to the day that we opened,
19 we advised our regulatory agency that we would in fact be
20 ready to launch the Empress on July 1 of 1992. We in fact
21 launched the Empress a week before that. Those
22 accomplishments were not without a lot of concerns and
23 fears, frankly. A lot of my partners and I had friends of
24 ours that were collectively calling us a bunch of nuts for
25 putting that kind of money into what was somewhat referred

1 to as a putt-putt on the Des Plaines River in Joliet.
2 Well, the Empress just kept on putting, and we survived
3 those early days and survived them very comfortably.

4 Today, the accolades of the business community and the
5 investment banking community have been heard. We
6 successfully placed a public debt offering of 150 million
7 dollars, I believe, in April of '92. And through the
8 course of that time, our business associates began to say,
9 "Boy, you guys really hit a home run." The civic and
10 community leaders that we worked with extended their
11 congratulations. And, you know, being entrepreneur types,
12 we took some pride in those accomplishments.

13 But I think I speak accurately, certainly for my
14 partners, myself, and our management, that what we really
15 took pride in was the fact back in the middle 80's, Joliet,
16 Illinois had one of the highest unemployment rates in the
17 nation. And thanks in part to the Empress and to our
18 competitive colleague Harrah's that came into that market
19 about a year later, today Joliet, Illinois, has one of the
20 lowest unemployment rates in the nation. The fact that I
21 go in every day and I watch 2,000 people come into that
22 environment and call the Empress their work home and I see
23 how they've seasoned and matured, it's truly an exciting
24 and rewarding experience.

25 So without further ado, members of the Commission, may

1 I present the story of the Empress Casino.

2 (Video presentation was shown
3 at this time. Dr. Ross
4 joined the proceedings at the
5 end of the video presentation
6 and was present for the
7 remainder of the
8 proceedings.)

9 MR. SABO: That's a thrilling story. I confessed
10 to a couple of my partners last week after I viewed this
11 recollection of several days before the casino opened of
12 laying in bed and watching the fan, worrying about whether
13 or not we were going to have any guests. We had a
14 reservation system and not one reservation. And I was
15 concerned about whether the house that was attached to the
16 fan would still be mine six months down the road. And I am
17 pleased to report that I still own the home and have put an
18 addition on it.

19 Very soon after we opened, it became apparent that we
20 needed to seek and augment our executive staff. What
21 started out to be a trickle of guests emerged into a daily
22 routine where we were looking at 10,000 people a day, and
23 we needed somebody to help us to grow the company and grow
24 it very quickly.

25 One of my colleagues suggested that I seek out and

1 talk with a young man who was serving on the executive
2 committee of the Alton Belle, and I in fact went down to
3 Alton and spent a couple of days with Kevin Larson. We
4 found we had some interesting relationships, some
5 similarities in fact. Both of us came from the banking
6 fraternity, Kevin from Money Center Bank in Chicago, First
7 and Boulevard, and me over in Lockport with my little
8 community bank. We also found we had some similar
9 backgrounds. I grew up in Pennsylvania in a steel town.
10 Kevin grew up -- if you could hit a good driver on a three
11 wood from the Hammond Marina, you'd come close to hitting
12 where he grew up on the southeast side of Chicago.

13 And over a period of a couple of months -- well,
14 actually shorter than -- perhaps a month or so, I sought
15 Kevin out and asked his advice on any number of things that
16 I was confronted with and always found him to be wise and
17 sage with his comments. And the long and short of it was
18 before the end of the summer, Kevin in fact did accept the
19 proposal from us and came to be associated with the
20 Empress. And I want to make the point that what you've
21 seen on that tape today was really architected, if that's a
22 right word, from Kevin's office.

23 I am very pleased and privileged to present to the
24 Commission our leader and my friend, our President, Kevin
25 Larson.

1 MR. LARSON: Good morning. I am Kevin Larson,
2 President of Lake Michigan Charters. It's my privilege to
3 stand before you today to demonstrate that Lake Michigan
4 Charters and our casino development, the Empress Casino
5 Hammond, is ready. We're ready to transform the best
6 gaming development proposal for Hammond, Indiana, into a
7 reality. We've talked one on one with many of the people
8 in this community. We've chosen "We're Ready" as the theme
9 for our presentation today for a number of important
10 reasons. We have met with community leaders. We've
11 attended numerous community meetings. And in attending
12 those meetings, people had a lot to say. They shared with
13 us what their expectations are for this development.
14 They've told us what they want from it. And just as
15 important, they've told us what they don't want. We've
16 listened. In fact, Lake Michigan Charters has taken a
17 leadership role, encouraging the community to help mold the
18 vision along with us.

19 We're confident that the proposal that we'll present
20 to you today will not only meet the needs and the goals of
21 the statute that's been established, but also address those
22 things that have been established locally as needs. I
23 submit to you that the decision that will be made for
24 Hammond is substantially different than other decisions
25 that have been made in Indiana so far. Upon opening, the

1 Hammond casino will face the most competitive marketplace
2 of any other location that the Commission has addressed to
3 this point. Lake Michigan Charters is prepared to hit the
4 ground running. Over the course of the past two years,
5 we've laid a foundation. We've taken measured risk at
6 critical stages of the process, all to ensure that there
7 was a positive momentum for this project for the benefit of
8 the City of Hammond.

9 Our commitment was made early on. Going back to
10 September, 1993, we earned the endorsements of the Mayor
11 and the City Council. A letter of intent was signed that
12 outlined what the terms of our commitment would be. We
13 believe that we've lived up to that commitment. And in
14 fact, we feel that we've exceeded it. We've worked hard
15 since then to continue to earn the confidence of the Mayor,
16 the City Council, the Hammond Port Authority, and this
17 community. We stand before you today hoping to demonstrate
18 that we deserve your trust and your confidence and the
19 opportunity to continue to build upon this strong, positive
20 momentum that we've helped to create here. We also hope to
21 demonstrate that only Lake Michigan Charters can in fact
22 continue to build upon this strong, positive momentum.

23 I would now like to present to you our vision for the
24 Empress Casino Hammond.

25 (Video presentation was shown)

1 at this time.)

2 MR. LARSON: Yes, we are ready to bring a gaming
3 success story to Hammond, Indiana. What does this success
4 story mean for Hammond? It means jobs, economic
5 development, and community benefits, benefits that can
6 begin immediately if Lake Michigan Charters is given a
7 Certificate of Suitability. The construction of the
8 Empress Casino Hammond will quickly bring new jobs and
9 capital investment to northwest Indiana.

10 We've made a commitment to the local building trades
11 council that we will use local union labor to construct our
12 project. This will be a union job. Our commitment to use
13 local contractors and suppliers is backed by a resolution
14 of our board of directors. A contractor and supplier
15 preference has been established; first for Hammond, second
16 for Lake County, and third for the rest of Indiana. We
17 expect our construction activity will provide 345 jobs and
18 at least 61 million dollars of local trade for Indiana
19 businesses. Our commitment to use local suppliers will
20 continue after we open. We expect purchases from local
21 businesses to exceed 20 million dollars each year, and we
22 will actively cultivate supplier relationships with both
23 minority and women owned businesses.

24 We expect employment of the Empress Casino Hammond to
25 reach 1,234 full-time positions, representing an annual

1 payroll in excess of 34 million dollars each year,
2 including tip income. At these levels of employment, the
3 Casino would become Hammond's third largest employer. Most
4 important, we expect the vast majority of our employees
5 will be Hammond residents, newly trained with new skills in
6 an exciting new industry. Best of all, we feel confident
7 that this can occur in an eight- to ten-month period if
8 Lake Michigan Charters is allowed to build upon the strong,
9 positive momentum that we've helped to create over the past
10 two years.

11 We will provide the community with the largest package
12 of economic benefits through our capital investment and
13 local sharing programs. As detailed on the screen
14 (indicating), we expect to provide direct economic benefits
15 of 29 million dollars each year to the City, the Port
16 Authority, and other local interests. In addition to these
17 benefits, if Lake Michigan Charters is licensed, we will
18 agree to contribute 1 million dollars to fund a foundation
19 for the benefit of local not-for-profit organizations. We
20 will fund the purchase of the two and three-quarter million
21 dollar piece of lakefront property from NIPSCO by the City.
22 This property, which is commonly referred to as the bird
23 sanctuary, is located on the lakefront to the west of the
24 marina. We have agreed to fund this purchase so it can
25 remain as green space. We will also establish a unique

1 WBE/MBE incubator program with an initial contribution of a
2 million dollars, with the hopes being to foster economic
3 development throughout the city.

4 Lake Michigan Charters' economic package will provide
5 economic benefits of 163 million dollars over the course of
6 the initial five-year licensing period. These economic
7 benefits will enable the City of Hammond to address its
8 infrastructure, to fund education, to meet the needs of the
9 less fortunate, and cultivate an atmosphere for economic
10 development from one end of Hammond to the other. We're
11 confident that the community benefits package that we have
12 proposed will benefit more individuals more significantly
13 than any other proposal before you. Best of all, we're
14 ready to deliver.

15 I'd now like to direct your attention to our site
16 development plan. We believe that the design concept for
17 the Empress Casino Hammond is one that is in harmony with
18 its surroundings; earth, wind, and water. There's
19 something magical about a place where all these elements
20 come together. In Hammond, that magical place is the
21 lakefront. It's where visitors will enjoy the timeless
22 feeling of the waves, the breeze, and the wide expanse of
23 Lake Michigan.

24 Earth, wind, and water: These are also the elements
25 of myth and mythical figures; Atlas, Poseidon, and

1 Atlantis. The myth will come alive at the Empress Casino
2 Hammond. Picture this: A sculpture of Atlas bearing the
3 weight of the world greeting Empress guests in the portico.
4 This wire mesh creation becomes a stunning ice sculpture in
5 the winter. Upon entering the guest center, marvel at the
6 sight of Poseidon, trident in hand, harnessing the mighty
7 power of his steeds atop a waterfall in the midst of the
8 grand atrium. Wandering through the guest center, you'll
9 encounter the remains of an undersea volcano, listening to
10 the calming influence of falling water, and always be
11 struck by a breathtaking view of the lake. There are
12 windows everywhere.

13 Our guests will be able to choose from three dining
14 options. Our signature restaurant will be the Harborside
15 Steakhouse. Again with broad window views of the lake, the
16 Harborside will offer prime steaks and chops, very much in
17 the tradition of the fine Chicago steakhouses. With
18 signature salads and outstanding desserts that have become
19 an Empress tradition, the Harborside will quickly find its
20 place as one of northwest Indiana's exciting new
21 restaurants. The third floor of the guest center will host
22 the Empressive Buffet; that's "Empressive" with an "E".
23 The Empressive Buffet will serve all-you-can-eat fare from
24 a series of food stations. Chefs will prepare fresh food
25 throughout the day. Our buffet will deliver Empress

1 quality dining experience for a very reasonable price.
2 Waves will specialize in fast food fare such as Chicago
3 style hot dogs, freshly grilled hamburgers, and the area's
4 best Italian beef sandwich. It will be the perfect spot
5 for our guests to grab a quick bite when they're short on
6 time.

7 For entertainment, there's the Blue Water Lounge. The
8 Blue Water Lounge will offer the hot sounds of Chicago's
9 and northwest Indiana's favorite club entertainers, along
10 with wonderful views of the lakefront. A VIP lounge will
11 provide a private ticketing area in a club-like atmosphere
12 for the casino's most valued guests. In the riverboat
13 industry, this VIP lounge concept is an Empress innovation,
14 and it represents one of the reasons why players who play
15 will continue to play at Empress casinos.

16 The guest center's third floor will contain 2,600
17 square feet of banquet and meeting space. This space will
18 host casino marketing events and also serve the needs of
19 local businesses that are looking for a unique locale to
20 have an off-site meeting or a training session.

21 We believe that the Empress Casino guest center will
22 become a terrific attraction for Hammond. We feel that
23 providing this attraction while not overwhelming the other
24 activities on the lakefront directly responds to the
25 strategic interest the community has expressed to us over

1 the last two years. We're ready to build upon this
2 positive momentum and turn this vision into reality.

3 I'd now like to talk a little bit about additional
4 development for Hammond. As we've told you, we have built
5 and sustained a nationally recognized gaming company in
6 this area, and we know that long-term success will require
7 flexibility. Changes in competition, regulation, and
8 legislation can cause local market needs and customer
9 preferences to shift quite dramatically. What are the keys
10 to being successful long-term? To be observant, anticipate
11 the trends, and be the first with new ideas. We are
12 committed to continue to work closely with the people of
13 Hammond and their leaders to jointly develop a mutually
14 beneficial long-term expansion plan.

15 We know from our discussions with the community that
16 future development must take place away from the lakefront.
17 Towards this end, we have contracted with American Maize to
18 purchase a ten-acre parcel of property south of
19 Indianapolis Boulevard adjacent to the overpass. This site
20 has the advantage of excellent visibility from the Indiana
21 tollway as well as 200 feet of frontage along Indianapolis
22 Boulevard. Most important, development on this site will
23 not mar nor negatively impact the Hammond lakefront. What
24 would we build there? The site offers many options. Based
25 upon the needs of our community and our guests, we feel

1 that we could develop a hotel, an entertainment district
2 perhaps, along the lines of Walt Disney World's Pleasure
3 Island, or possibly, an early idea that we had, a retail
4 center emphasizing boutique shops with a local flavor.

5 In 1993, we committed to facilitate permanent,
6 non-gaming development in Hammond. But we're taking that
7 commitment a step further by assuring you today that we
8 will invest 25 million dollars in Hammond within four years
9 of receiving our license here. We will earmark 5 million
10 of that for market rate housing in the City to help fulfill
11 the vision of the Hammond economic development strategy.
12 Upon licensing, we will begin ongoing research in an effort
13 to learn what type of development will deliver the most
14 positive economic impact. We feel this approach will help
15 us to make a better judgment down the road a bit than
16 anybody can make today based upon what they think is going
17 to happen.

18 As our development is currently figured today, we
19 expect that our Empress Casino Hammond can generate gaming
20 revenues of as much as 193 million dollars in its first
21 full year of operation from approximately 3.2 million
22 admissions. Over the five-year term of our license, we can
23 generate revenues of 965 million dollars from more than 16
24 million admissions. These projections are realistic and
25 reflect our analysis of this competitive marketplace, a

1 marketplace that will only get more competitive over time.
2 The projections reflect the knowledge and the experience of
3 the Lake Michigan Charters Empress team that I represent
4 here today, and I ask that you please remember that it was
5 our team that established the very first and most
6 successful riverboat gaming operation in the Chicago and
7 northwest Indiana market.

8 To gain a fresh perspective of our extensive market
9 knowledge, we commissioned BDO Seidman, a highly respected,
10 nationally prominent consultant, to perform several market
11 studies. The Seidman research indicates that riverboat
12 gaming operations in northwest Indiana will benefit,
13 drawing from a population base of more than 8 million
14 people who reside within 50 miles and more than 11 and a
15 half million people who reside within 100 miles. We know
16 that existing travel patterns and access routes to a site
17 are critically important. Our experience and the Seidman
18 studies both lead us to expect that the vast majority of
19 Hammond guests will come from Chicago and its near north --
20 excuse me; near south suburbs. Unlike other Indiana gaming
21 sites, most Hammond gaming patrons will reside within 15
22 miles of the facility, mere minutes away. This is why we
23 feel that the Hammond decision is far different from the
24 applicant decisions that the Commission has addressed in
25 other locations.

1 Make no mistake. We know this market, and we intend
2 to leverage our knowledge for the benefit of the people of
3 Hammond and the State of Indiana. In fact, we've already
4 begun to develop advertising and marketing campaigns that
5 will leverage the brand equity and the excellent reputation
6 of the Empress for the benefit of Hammond. Billboards are
7 already under contract in strategic locations. They will
8 provide directions to the site and help to create a high
9 level of awareness for the casino. Teaser ads and grand
10 opening messages, like those that we've placed throughout
11 this auditorium today (gesturing), will convey an important
12 message to our guests. "Empress quality gaming
13 entertainment has come to Hammond. Come see for yourself."

14 Now, you may ask: Is the Empress an effective
15 advertiser? You bet we are. Our billboards throughout the
16 Chicago area have become legend. Our current Great Escape
17 advertising campaign directed at first-time visitors has
18 brought more than a hundred thousand new guests to our
19 property in the last four months. Our direct mail
20 campaign, which consists of over 3 million pieces of mail
21 each year, has built customer loyalty and brings guests
22 back time and time again.

23 How will we market the Hammond operation? We've
24 budgeted in excess of 75 million dollars over the five-year
25 initial licensing term. Radio, television, newspapers,

1 billboards, posters, player recognition programs, direct
2 mail, special events, promotional tie-ins with local
3 businesses, all with an objective to create awareness,
4 generate passenger counts, and build guest loyalty for the
5 Empress Casino in Hammond. We know how to drive passengers
6 through our turnstiles, and we're ready to bring a gaming
7 success story to Hammond, Indiana.

8 It's now my pleasure to introduce Michael Hansen.
9 Mike is our Project Coordinator and also acts as General
10 Counsel for the Empress River Casino Corporation. Mike's
11 very familiar with Indiana, having received his
12 undergraduate degree from the University of Notre Dame.
13 He's a near lifetime resident of Joliet. He's married and
14 has four children. It's my pleasure to introduce my good
15 friend, Mike Hansen.

16 MR. HANSEN: Thank you, Kevin. Good morning,
17 Chairman Klineman, members of the Commission, Mr. Thar,
18 Mr. Hannon, and members of the staff. What you have seen
19 today in our presentation reflects countless hours of work
20 and planning, millions of dollars, and not just a little
21 risk taking. You've seen why Lake Michigan Charters chose
22 only to develop the Hammond site. We believed that this
23 site was too important and too challenging. We couldn't
24 delude our focus and resources by considering others. The
25 process of developing our current momentum began over two

1 years ago when Mayor Duane Dedelow and the members of the
2 Hammond City Council selected Lake Michigan Charters as
3 their preferred gaming developer. We're grateful for their
4 continued support. And more importantly, we're grateful
5 for the advice and guidance they've furnished in developing
6 our vision for Hammond. Our first step to build the
7 necessary momentum was both straightforward, yet complex.
8 We needed to determine how the City's designated marina
9 site could accommodate the needs of both the gaming
10 operation, the marina, and the community. Several physical
11 needs had to be addressed, and addressed quickly.

12 The first issue was train traffic. Did you know that
13 nearly 400 trains cross the south boundary of the marina
14 site each week? The first question was how were over 3
15 million guests per year going to safely get to Empress III
16 and our facility? Obviously, it was critical to develop a
17 workable traffic plan. You saw in the video how the
18 traffic solution came together. Let me add here that we
19 worked closely with city engineers and planners, the
20 Hammond Port Authority, three railroads, Amtrak, a pipeline
21 company, a public utility, as well as commercial concerns
22 in the area to answer the traffic questions. The result
23 was a solid solution: An overpass that would divert
24 traffic away from the Calumet Avenue rail crossing.

25 After the plan was completed and approved by the City,

1 we worked with the City's planners and attorneys to acquire
2 the fourteen parcels of land needed to actually build the
3 overpass. To speed up the process, Lake Michigan Charters
4 personally negotiated the purchase of two parcels. As
5 further demonstration of our ongoing commitment, we
6 recently deeded these two parcels to the City of Hammond,
7 while retaining responsibility for the necessary
8 environmental radiation identified in our studies. We also
9 spent more than 2 million dollars for the necessary
10 studies, surveys, plans and reports necessary to support
11 the site plan.

12 I'm happy to stand here before you today and to tell
13 you that the lengthy and costly process of land and
14 right-of-way acquisition is largely completed, all to the
15 efforts of Lake Michigan Charters. As a result of our
16 leadership role, Hammond now has the momentum to actually
17 build the overpass, a critical part of gaming operations.
18 We took the risk of investing all of this time and money
19 without the guarantee of receiving a Certificate of
20 Suitability. Why? Because we are a company of
21 entrepreneurs and calculated risk takers. We made a
22 commitment, and we're living up to that commitment. The
23 result: Gaming can be brought to Hammond sooner with Lake
24 Michigan Charters than with any other of our competitors.

25 But what is important to this Commission and what sets

1 Lake Michigan Charters apart with respect to this very key
2 element of gaming in Hammond, the overpass, are the
3 following points: First, we've completed the plans. In
4 fact, they're actually out to bid already, and it would
5 take our competition a minimum of six months to be in the
6 same position as we are in today. Second, we've ordered
7 H-piles for the three components of the gaming project,
8 materials available from only two sources in the entire
9 United States. In fact, in September, we ordered all of
10 the final capacity of steel that is rolled next month, to
11 be delivered in Hammond at the end of January; such that if
12 we missed this rolling, the next roll is November, with a
13 delivery of August, 1996. And finally, the local company
14 who will actually construct the overpass will work closely
15 with our owners, who are experienced construction
16 contractors, in order to ensure that the overpass will be
17 completed as rapidly as possible and within our estimated
18 time period of six to nine months. The overpass is the
19 most critical component. We're confident of our ability to
20 open our facility on time, and that opening date is July 4,
21 1996. And if we don't meet that date, we will live up to
22 the terms of our letter of intent with the City to pay
23 liquidated damages to the City of 1 million dollars per
24 month if we are not open by that date.

25 While planning for the overpass has certainly been the

1 most costly and time consuming element of our project to
2 date, it represents only one of the ways Lake Michigan
3 Charters has continued to earn its place as Hammond's
4 endorsed applicant and developer. Some of the other
5 initiatives we've undertaken in Hammond are as follows: We
6 funded the Robertsdale neighborhood and lakefront plan. As
7 a result of that plan, we incorporated enhanced public
8 access to the lakefront and designed elaborate landscaping
9 plans that beautify and provide a natural noise buffer
10 between the marina and the nearby residents. Separate and
11 apart from the endorsement process, we were asked to
12 contribute funds for improvements to the Robertsdale lift
13 station, the neighborhood closest to the marina. We
14 agreed, and these improvements helped to alleviate flooding
15 in the Robertsdale area. The members of the Port Authority
16 asked us to curtail icing damage in the marina. We funded
17 a bubbler system, which helps to protect the marina piers
18 from ice damage during harsh Indiana winters. Four million
19 dollars for the Hammond Port Authority to also enable the
20 fund -- the Authority to fund its operating cash shortfalls
21 and remain in good standing with the bond holders. This
22 week we presented the Hammond Port Authority with an
23 additional 500,000 dollars to underscore that commitment.

24 We said it then, and we can say it again today: We're
25 ready to succeed with Hammond and with the State of

1 Indiana. Our commitment started early and has been
2 unwavering over the past two years. We did all of these
3 things, and not one Hammond tax generated dollar has been
4 spent. Again, thanks to the Charters's leadership role,
5 this process is rapidly moving ahead. There is positive
6 momentum, and Lake Michigan Charters is best positioned to
7 ensure that the vision of the Empress Casino Hammond will
8 materialize on time, in time. That momentum is captured by
9 our pride and joy, the Empress III.

10 To introduce her to you is Captain Lisa Streckfus, our
11 Acting Director of Marine Operations. Captain Lisa is
12 licensed as both a master and as chief engineer. In fact,
13 she is a fourth generation marine captain with family
14 interests in the riverboat excursion business on the
15 Mississippi River dating back to 1874. Lisa's management
16 talents were also recently recognized when she was promoted
17 to the position of Director of Corporate Development at the
18 Empress. In her new role, she is responsible for the
19 Empress management development training activities, new
20 hire orientation, and the shepherding of the Empress vision
21 and corporate culture. Members of the Commission, allow me
22 to introduce Captain Lisa Streckfus.

23 MS. STRECKFUS: Thank you, Mike, and good
24 morning. I'm really excited to be here this morning to
25 describe for you our magnificent new casino vessel, the

1 Empress III. Empress III is the most significant
2 expression of our commitment to Hammond and to Indiana, and
3 I'd like to take the next few minutes to describe her to
4 you. I have to say she's a beauty. Lake Michigan Charters
5 commissioned the construction of Empress III two years ago.
6 Our goal was to bring the look and the feel of an exciting
7 Empress Casino to a vessel that would cruise on Lake
8 Michigan and Hammond in waters more challenging than any
9 riverboat casino has yet faced. To say we're pleased with
10 the results would be an understatement. We're proud to
11 call her the flagship of our Empress fleet.

12 Empress III stands 65 feet above the water line.
13 She's 76 feet wide, the maximum width permitted to transit
14 the locks of the St. Lawrence seaway. And she's 288 feet
15 long, a dimension that our design team maximized while
16 remaining cognizant of the maneuvering limitations within
17 the Hammond Marina. At a cost in excess of 4 million
18 dollars, optional modifications were made to the original
19 hull design, and features were added throughout the vessel
20 to ensure passenger comfort and safety. The most
21 significant improvements in this regard were the bilge
22 keels that were added to the hull and the flume tank
23 stabilization system that was added inside the vessel.
24 Both of these design features help to stabilize Empress III
25 and reduce side to side roll. Commissioners, we built her

1 to cruise. We will meet the cruising requirements of the
2 Indiana Gaming Statute.

3 The interior of Empress III is breathtaking. The
4 pictures and the videotape just don't do her justice.
5 Three spacious decks, designed by one of the most
6 experienced riverboat design teams, will offer 34,000
7 square feet of gaming space, including a non-smoking area
8 and a VIP casino. We plan to outfit Empress III with 1,500
9 total gaming positions. The open deck design allows for
10 easy flow and guest circulation about the vessel, and
11 unique lighting schemes will add excitement to the casino
12 floor. Our observation deck will be a major attraction
13 during the warm weather, offering a beautiful view of the
14 lake and of the Chicago skyline.

15 Empress III will depart or dock and leave the marina
16 nine times each day. We intend to continue to work closely
17 with the Coast Guard, the Port Authority, the Army Corp,
18 and the Lake County Sheriff to ensure that the exemplary
19 safety record that we've established in Joliet is continued
20 here in Hammond. As was mentioned in the video, we have
21 preliminary plans developed in cooperation with the Port
22 Authority to remove a relatively small percentage of their
23 slips in order to maintain separate traffic lanes for
24 Empress III and all other recreational boats that use the
25 marina.

1 The best news I have for you concerning Empress III is
2 that she's almost here. We expect her to be in Lake
3 Michigan this Sunday and to be in her winter berthing port
4 this coming Tuesday. As exciting as it is for me to tell
5 you about the magnificence of Empress III and the thrill
6 that guests will feel when they visit our Hammond casino,
7 that's only half of the story. The other half is the story
8 of our people.

9 We're 2,000 strong and growing, proud of what we've
10 accomplished and excited about the challenges that lie
11 ahead. As an organization, we've embraced the concept of
12 the Empress footprint. The footprint signifies our service
13 oriented corporate culture, a culture that finds its
14 foundation in the core values of integrity, caring, and
15 respect. If an individual is honest, cares about
16 themselves and about a job well done, and has the ability
17 to respect others, then they're welcome to work at the
18 Empress.

19 One of the things I appreciate most as an Empress
20 employee and a manager of the company is our corporate
21 philosophy to continually develop our human resources.
22 This enables us to promote from within the organization.
23 We provide training and development opportunities for our
24 employees so that they may reach positions commensurate
25 with their talents and abilities. A common saying at the

1 Empress is "The only limits for achievement are those that
2 are self-imposed."

3 No single group of Empress employees better
4 illustrates the success that one can achieve than the
5 interns of our president's program for casino management
6 development. Established in our second year of existence,
7 the goal of this program is to cultivate the management
8 talents of individuals who have shown leadership skills.
9 Many of the candidates selected for this program never
10 managed people before; but with off-site skills training
11 complementing rotational assignments throughout the
12 organization, we hope to develop well-rounded managers with
13 a full understanding of our company's goals and objectives,
14 who appreciate the concept of superior guest service and
15 who embrace the core values of the Empress footprint.

16 We've worked hard to create an atmosphere that our
17 employees are satisfied and proud to be a part of. We're
18 able to attract and keep our employees by providing them
19 with paid initial training, a broad range of benefits,
20 career development, motivational sessions, and upwardly
21 mobile career paths. See, our employees know that they
22 have a bright future with us, and we're pleased to provide
23 them that opportunity, and the opportunities are there for
24 everyone. 54 percent of our employees are women, and 16
25 percent are minorities. Our Empress management team

1 consists of 47 percent women and 12 percent minorities.
2 Our expectation for the Hammond operation, based on the
3 demographics of this region, are to equal or exceed those
4 Joliet statistics. We believe there is a sufficient
5 available labor pool to meet our hiring goal of 80 percent
6 local residents. We will target potential employees by
7 having job fairs in the community, by working with the
8 State's work force development office, and by coordinating
9 with the local unemployment office. We've already begun
10 planning the details of recruiting our Hammond team.

11 There's another important detail that's unique to the
12 Lake Michigan Charter's plan for Hammond. That's the
13 incubator program that Kevin mentioned earlier, designed to
14 develop certified WBE and MBE vendors. We've determined
15 that currently, there are not enough certified WBE and MBE
16 vendors in Hammond for our company to use to meet the
17 supply contract goals established for us in the Riverboat
18 Gaming Act. We've committed to work with local public
19 benefit groups, governmental units, and financial
20 institutions to formulate and support this program. Should
21 Lake Michigan Charters receive the license, we will fund
22 start-up and emerging businesses in this program through a
23 1 million dollar fund of cash grants. Our vision is that
24 local certified WBE and MBE vendors will emerge from this
25 program to supply a host of goods and services for our

1 operation and other area businesses; things like food and
2 beverages, office supplies, dry cleaning and laundry
3 services, building cleaning supplies and services, marine
4 supplies, and equipment maintenance, just to name a few.

5 But one of the first businesses Lake Michigan Charters
6 would like to foster through this incubator program is a
7 licensed day care center. We believe a day care center
8 will serve to enhance employment opportunities for many in
9 the Hammond area, individuals seeking jobs at our project
10 and elsewhere who are prevented from obtaining good
11 employment because of the need for quality child care. We
12 would like to see this business located near our operation,
13 accessible to all Hammond employees, not casino patrons.

14 As you can see, Kevin Larson, the Empress Casino, and
15 Lake Michigan Charters do not take a short-term approach in
16 business or in managing people. It's my pleasure to bring
17 Kevin Larson back to the podium, and thank you for your
18 time.

19 MR. LARSON: As you can see, the positive
20 momentum Lake Michigan Charters has created encompasses our
21 casino vessel, the infrastructure improvements, our land
22 based support facility, and preparing our people. The fact
23 that all the financing necessary to complete the
24 development is committed and in place ensures that we can
25 continue to build upon this strong, positive momentum and

1 complete this project on a timely basis.

2 As detailed on the slide (indicating), our 137 million
3 dollars in development for Hammond has been financed by
4 advances and equity contributions from Lake Michigan
5 Charters' affiliate, the Empress River Casino Corporation,
6 proceeds from our April, '94 public note offering,
7 equipment financing, and direct bank lines to Lake Michigan
8 Charters. Each element of our financing package is backed
9 by a firm commitment from its source. In fact, 42 million
10 of the 137 million dollar project cost has already been
11 funded, and 5 million dollars is already on deposit in
12 Hammond banks. All of the funds needed to complete the
13 gaming development that we have proposed are in place.

14 I'd like to take a few minutes to tell you about the
15 public note offering that we completed 18 months ago. The
16 response that our company has received from the financial
17 markets and the credit ratings that we've earned from the
18 rating agencies are, to say the least, flattering. With
19 cash flow exceeding our debt service requirements by a
20 factor of five times, the Empress is generally regarded as
21 the most financially stable riverboat gaming company in the
22 United States. The double B rating assigned to our notes
23 by Standard and Poor's and the B-1 rating assigned by
24 Moody's remain unprecedented levels of achievement for a
25 riverboat gaming company. No other first time issue of

1 public debt by a riverboat gaming company has ever been
2 rated as highly as the senior notes issued by Empress. The
3 ratings reflect confidence in the company's financial
4 management, its integrity, and its ability to compete. May
5 I have the lights, please.

6 (Lights were turned up in
7 auditorium.)

8 MR. LARSON: In conclusion, I would like to
9 address the ultimate question, and that is: Why Lake
10 Michigan Charters for Hammond? In two words, it is because
11 we're ready. Lake Michigan Charters is ready with a
12 continued commitment to Hammond. Our focus has never
13 wavered. Hammond was our first choice in Indiana and our
14 only choice in Indiana. We're ready to begin construction.
15 We've done our research, completed the studies. Our plans
16 are drawn. Long lead time items have been ordered. Local
17 union contractors can begin to work. We're ready with a
18 magnificent state-of-the-art casino vessel, the Empress
19 III. Empress III was specifically built for Hammond. The
20 ship gives real meaning to being first in the water. We're
21 ready with a solid financial plan. It's committed and it's
22 in place, and it's structured so that Indiana profits will
23 remain in Indiana. We're ready with the experience of our
24 success and proven marketing strategies. We know this
25 market, and this market knows us. Our name and excellent

1 reputation are an advantage for Hammond, Indiana. We're
2 ready with the best package of financial and community
3 interest benefits. The Empress Casino Hammond will benefit
4 more individuals more significantly than any of the other
5 proposals before you. And we're ready to bring a
6 successful gaming operation to Hammond, Indiana sooner
7 rather than later, if you will give us the opportunity to
8 continue to build upon this strong, positive momentum that
9 we've helped to create here. We thank you for your time
10 this morning and your consideration. We look forward to
11 answering your questions. Thank you.

12 MR. KLINEMAN: I think we'll take our 15 minute
13 break at the present time and come back about ten of 11:00
14 with the questions and answers.

15 (Break was taken at 10:40
16 a.m., and the proceedings
17 resumed at 10:55 a.m.)

18 MR. KLINEMAN: I think we're about ready to get
19 started again. Could you turn the lights down a little bit
20 that shine directly towards us?

21 (Lights were turned down in
22 auditorium.)

23 MR. KLINEMAN: Okay. Thank you. Does anybody
24 know where Mr. Thar is?

25 (Discussion was held off the

1 record among Commission, and
2 the proceedings were resumed
3 without Mr. Thar present.)

4 MR. KLINEMAN: The staff has been rather busy.
5 We of course arrived yesterday to be greeted by a lawsuit.
6 We're trying to handle a couple of things or more than a
7 couple at once. Mr. Sabo, I think I'm going to ask -- to
8 give you a little more time to introduce some of your
9 people. And if you can go ahead, and we can get started
10 that way.

11 MR. SABO: Once again, good morning,
12 Mr. Chairman. I understand that we have been asked for the
13 sake of brevity to reduce this. If you would bear with me,
14 I will call and ask groups of people to simply introduce
15 themselves to you as a group. First of all, I'd like to
16 ask my partners in the Empress Casino and the Lake Michigan
17 Charters to stand.

18 (Requested persons stood.)

19 MR. SABO: Thank you. Our construction crew,
20 Jack and Al McConnell, Jack Travers. Moving forward, our
21 legal support from Ice, Miller company, followed by our
22 consultant expert Mr. -- the Caldwell Van Rippel people,
23 Mike, our -- as a group, this may -- it's almost a joke. I
24 asked one of the guys this morning, who's running the
25 company? And that may be the best testament for our middle

1 management development. But I'd like all of our senior
2 directors who are here this morning to stand as well.

3 (All above requested persons
4 stood briefly as they were
5 introduced.)

6 MR. SABO: The Empress team (gesturing). Thank
7 you very much.

8 MR. KLINEMAN: Thank you.

9 (All persons standing
10 previously sat down now. Mr.
11 Thar joined the proceedings
12 at this time, and Mr. Bayt
13 took the podium.)

14 MR. KLINEMAN: I just want to understand one
15 aspect, and I understand that you're going to be the
16 moderator?

17 MR. BAYT: That's right, Mr. Chairman.

18 MR. KLINEMAN: I understand the point that you
19 have been involved in Hammond from the get-go, and I
20 understand that you have invested substantial moneys and
21 all sorts of things. I just want to get a feel for how
22 much of the moneys that you've invested are just fronted,
23 so to speak, for the ultimate development and you would be
24 reimbursed should you not be chosen, and whether there is a
25 gap between those moneys -- for instance, we hear about the

1 overpass. Is the overpass money that if you were not
2 chosen, you would be out that money?

3 MR. BAYT: That's right. I think the -- Phil
4 Bayt. The only dollars that I think we can identify -- and
5 I stand to be corrected by the group, but I think the only
6 dollars we can identify that we could contemplate being
7 reimbursed for should we receive the license would be the 4
8 and a half or so million dollars that we've advanced to
9 fund the Port Authority bond issue, because I believe that
10 the other applicants have indicated a willingness to do the
11 same thing. I think the balance of the money is at risk
12 with respect to the project.

13 MR. KLINEMAN: Well, including the overpass, the
14 steel, are you committed, firmly committed to buy the steel
15 and so forth, and with no prospect that somebody, the City
16 or somebody else will?

17 MR. BAYT: We have in fact ordered the steel.
18 And we've done some studies and a lot of work with respect
19 to the overpass, and we are at risk with respect to those
20 moneys.

21 MR. SUNDWICK: Let me get this. You're not going
22 to take delivery of this steel if you don't get this
23 license? You have a boat coming to -- you're going to park
24 over the winter someplace around the Chicago area. That
25 boat, if it was designed for this, you have to do something

1 with it. I mean, there's got to be some plan that this,
2 what I think is a very capable management team has put
3 together and says, "If this doesn't happen, you know, we're
4 not taking delivery of the steel, and we've got to do
5 something with this boat." Am I right?

6 MR. BAYT: With respect to the steel, I need to
7 find out from Mr. McConnell and Mr. Travers whether we have
8 a cancellation provision or not. Al; Al McConnell?

9 MR. HANSEN: Mike Hansen. Excuse me; Mr. Bayt.
10 Commissioner, Mike Hansen, Project Coordinator. We do not
11 in fact have a cancellation clause in our agreement with
12 the people from whom we purchased the steel. We are at
13 risk for that.

14 MR. KLINEMAN: With no prospect, no indication
15 that if you were not successful that someone would -- you
16 would assign that order to someone and they would assume
17 that risk? I mean, I really want to understand. See, it's
18 kind of a two-edged sword as I look at it. On one hand,
19 everyone in Hammond has to be appreciative of the fact that
20 you have been willing to take risks in bringing this
21 project along so that it would ultimately arrive at its
22 destination earlier than it would be if you had to start
23 today; so that's the positive. The negative is the feeling
24 that one gets that "We put so much money into this project
25 that we're almost owed the certificate," and I don't think

1 you want to leave that impression with me.

2 MR. BAYT: Mr. Chairman --

3 MR. HANSEN: Commissioner Klineman, Mike Hansen
4 again. No, we do not in fact want to convey that message
5 at all. The commitment is really to the City of Hammond.
6 If in fact we do not receive the license from the
7 Commission, we feel that the successful applicant certainly
8 will be interested in that steel. But as I mentioned to
9 you earlier, this is such an essential part of our overpass
10 as well as a type of component that is in such short demand
11 that we have been informed by our supplier that even other
12 people in the United States may in fact wish to take
13 delivery of that should we not in fact receive the license.

14 MR. SUNDWICK: That's not necessarily true with
15 the boat, though; you've put a lot of money in this boat,
16 26 million dollars in a boat that's going to be in downtown
17 Chicago. What happens to that boat?

18 MR. HANSEN: Commissioner Sundwick, with respect
19 to the boat, we will be storing that boat in Sturgeon Bay,
20 Wisconsin over the winter. And if in fact we do not
21 receive the license, then we will have to entertain offers
22 to sell our vessel or possibly use it somewhere else. I
23 just want to make one thing clear, too, with respect to the
24 ordering of the steel, that is with respect to the
25 overpass, the guest center, and the parking pavilion. The

1 boat is really a separate issue.

2 MR. SUNDWICK: Do you own the boat or do you tend
3 to lease the boat?

4 MR. HANSEN: One of our affiliates, LMC Leasing,
5 same ownership as Lake Michigan Charters, is the owner of
6 the vessel.

7 MR. KLINEMAN: Well, in fact, on the boat, there
8 have been discussions with the other applicants in Hammond
9 about the possibility of purchasing the boat or making the
10 boat available should you not receive the certificate; is
11 that correct or am I just --

12 MR. HANSEN: Mike Hansen again, Commissioner
13 Klineman. Yes, sir, there have been discussions, but we
14 were informed approximately three weeks ago that neither of
15 the applicants were interested in our boat at that time.

16 MR. KLINEMAN: Okay.

17 MR. VOWELS: There's a listing I have here that
18 shows as of June 30 that you've spent approximately 41.3
19 million dollars towards this project. If we can go through
20 these, I want to address what the Chairman was speaking of
21 here about your expenditures and about what you hope to be
22 reimbursed by a successful applicant if it's not Lake
23 Michigan Charters. I'd just like to address this one at a
24 time here so I have an understanding of what it is that you
25 expect to be reimbursed for, what you will control if

1 you're not the applicant -- if you're not the successful
2 applicant.

3 As far as land acquisition cost, I show expenditures,
4 and this is as of June 30, '95, of 1.4 million. What's
5 your position if you're not the successful applicant,
6 whether you expect to be reimbursed?

7 MR. HANSEN: Well, again, Mike Hansen,
8 Commissioner Vowels. I don't want to convey the impression
9 that we expect to be reimbursed anything. Those
10 discussions would take place later. However, in the
11 proposed draft of the reimbursement agreement between the
12 City and the other applicants, we did request that those
13 moneys be reimbursed to us for land acquisition.

14 MR. VOWELS: All right. Rather than expect,
15 let's use the term request.

16 MR. HANSEN: Thank you.

17 MR. VOWELS: Your request that 1.4 million would
18 be reimbursed to you for the land acquisition?

19 MR. HANSEN: That's correct.

20 MR. VOWELS: All right. What land is it that was
21 acquired with that 1.4 million?

22 MR. HANSEN: That land is essentially the two
23 parcels of property which we recently deeded over to the
24 City.

25 MR. VOWELS: All right. And then the bridge and

1 road improvements, 1.5 million has been expended. Is it
2 your request that you be reimbursed for that?

3 MR. HANSEN: Yes, sir.

4 MR. VOWELS: The parking garage, it shows 200,000
5 dollars has been expended. Tell me about that and whether
6 that would be -- I don't know what you would request to be
7 reimbursed for that.

8 MR. HANSEN: The parking garage would be a
9 component which we would have to talk about with the
10 successful applicant. We do have a contractor ready to
11 construct that facility. Possibly the successful applicant
12 might want to put the parking facility elsewhere or have a
13 different design, and therefore they may not need that and
14 that may not be a reimbursable expense.

15 MR. VOWELS: All right. Is that expenditure, was
16 that for design plans?

17 MR. HANSEN: Yes, sir.

18 MR. VOWELS: All right. The Clipper
19 rehabilitation, it shows a 500,000 dollar expenditure; is
20 that for design plans again, the 500,000 dollars that was
21 spent as of June 30?

22 MR. HANSEN: Commissioner Vowels, Mike Hansen.
23 No, sir. That is for actually rehabilitation and office
24 renovation throughout the two plus years that we have
25 leased the Clipper.

1 MR. VOWELS: All right. So those are actually
2 things that have been done?

3 MR. HANSEN: Actual construction moneys spent,
4 yes, sir.

5 MR. VOWELS: And would there be a request for
6 reimbursement?

7 MR. HANSEN: Yes, sir.

8 MR. VOWELS: And then the other, we show 26.7
9 million for the vessel, which you said there's been some
10 discussion, but that's probably not an option since the
11 others are not interested?

12 MR. HANSEN: Correct. And Commissioner Vowels,
13 if I could so state, we never wanted to include that, in
14 any event, in a reimbursement matter.

15 MR. VOWELS: I understand. I'm just going down
16 the list here and checking off. The construction period
17 interest, 3 million dollars as of June 30. Is there
18 anything there that you would request to be reimbursed for?

19 MR. HANSEN: That would probably be a matter that
20 would be up for discussion between ourselves and the
21 successful applicant. We have those moneys available as a
22 result of our bond issue last year, and so those represent
23 actually the interest that we paid on the moneys that we'd
24 expended. That money certainly could be a risk.

25 MR. VOWELS: I understand. Then it shows here

1 the pavilion, 500,000 dollar expenditure. Is that design?

2 MR. HANSEN: Correct; that's design and other
3 related matters. And again, that's probably a matter that
4 would not be reimbursable.

5 MR. VOWELS: What if -- as in the parking garage,
6 the 200,000 dollars that was expended there, my
7 understanding of what your response was that if a
8 successful applicant wanted to use the design plans that
9 you had paid for, wouldn't it be the same thing with the
10 pavilion if they wanted to use the same design?

11 MR. HANSEN: Yes, Commissioner Vowels, it would
12 be. I'm just anticipating that, after seeing the stories
13 yesterday, that either of those two applicants would have
14 their own plans for a pavilion and so they would probably
15 not want to use our pavilion plans.

16 MR. VOWELS: All right. And then it shows a
17 175,000 dollar expenditure for furniture, fixtures, and
18 equipment. Would that be something that would be
19 reimbursable?

20 MR. HANSEN: If in fact they wanted to use the
21 people with whom we have contracted with thus far.

22 MR. VOWELS: Pre-opening expenses that you've
23 already spent of 7 million 325,000 dollars, again as of
24 June 30, '95. Is there anything in that that would be
25 requested to be reimbursed by a successful applicant?

1 MR. HANSEN: I don't have the breakdown right
2 here in front of me, Commissioner Vowels. That amount of
3 moneys basically reflects -- in large part, there are some
4 Port Authority moneys in there, to my recollection, also
5 professional fees and expenses on behalf of the City of
6 Hammond. And Phil, if you can help me, if there's anything
7 else that I'm forgetting in that 7 million dollar category.

8 MR. BAYT: I don't think so.

9 MR. VOWELS: All right. So I guess the answer
10 would be possibly a portion of that would be something that
11 you would request reimbursement for?

12 MR. HANSEN: Pardon? Excuse me. Oh, yes.

13 MR. VOWELS: A portion of that?

14 MR. HANSEN: Yes, sir.

15 MR. VOWELS: You know, I assume that a cynical
16 person could think that if you were not to receive the
17 license that if there were some things here that a company
18 with sour grapes could hold onto to keep a successful
19 Hammond applicant from competing with any other boats,
20 would that be the type of company you would be, that you
21 would hold the cards and not allow them to assume or
22 purchase certain things from you that could prolong the
23 applicant from getting in the water? Is that something
24 that we might have to face in the future, or you're not the
25 type of company who would do that?

1 MR. HANSEN: Commissioner Vowels, Mike Hansen.
2 Most certainly not, and I think I can -- I can in fact give
3 you and the members of the Commission that pledge today.
4 We have cooperated with the City continuously over the past
5 two years. We have turned over everything that we can
6 possibly turn over with respect to this project. It is not
7 proprietary. And our owners realize and fully accept the
8 consequences that they may be out in fact moneys should we
9 not receive this license.

10 MR. VOWELS: So we have that commitment from you?

11 MR. HANSEN: You have that firm commitment from
12 Lake Michigan Charters, yes, sir.

13 MR. VOWELS: Mr. Chairman, in reference to the
14 follow-up to your question, I don't have anything else
15 right now.

16 MR. SUNDWICK: Could somebody rationalize for
17 me -- we've heard presentations yesterday, two of them
18 yesterday. Could somebody on your staff rationalize your
19 site plan? I mean, why was it designed or why was it
20 developed the way it was? I mean, I went out and looked at
21 this site; and from your front door, we have Atlas, the
22 snow sculpture, in the winter the ice sculpture. Looking
23 back, you get to look at -- is it Lever Brothers or --

24 MR. HANSEN: The soap company.

25 MR. SUNDWICK: Yes; big buildings back there.

1 Why would you develop that plan like that?

2 MR. HANSEN: Commissioner Sundwick, Michael
3 Hansen. I'll start, and then others can add in as they see
4 fit. We were in -- when we started working with the City
5 and the neighborhood, it became apparent to us that with
6 the small footprint that was the marina site that we would
7 not be able to construct a large and expansive facility.
8 And essentially, we wanted to also -- as you note where our
9 guest center is located, it adds to the lakefront so that
10 people can see out on the lakefront, contrary to some of
11 the other things you've seen yesterday. Also, I think just
12 the most important thing was exactly what the location lent
13 itself to as well as what the City and the neighboring
14 community desired, and that's what we focused our
15 intentions on.

16 MR. SUNDWICK: The candidates yesterday commented
17 that they were restricted to some extent by the City's
18 requirements; is that correct?

19 MR. HANSEN: Excuse me; Commissioner Sundwick,
20 Mike Hansen again. One of the other applicants was?

21 MR. SUNDWICK: I think both of them said they may
22 do this differently, but there's a specific plan put in
23 place that --

24 MR. HANSEN: I don't -- I think that the City has
25 made certain requests. I don't think that they can be

1 characterized as demands on behalf of any of the
2 applicants. I believe that what you've seen yesterday, at
3 least one of them, certainly has a lot different plan than
4 what we have. Another company has a -- probably a
5 relatively very similar plan.

6 MS. BOCHNOWSKI: But now, isn't it true that the
7 City asked all of the applicants to basically conform to
8 what you have here and that that was based on a long-range
9 plan that the City came up with which you in fact funded?
10 How much involvement did you have in that plan? In other
11 words, is this your plan that was then forced on the other
12 applicants or is this really the City's plan that you went
13 along with?

14 MR. HANSEN: I'm going to let -- Commissioner
15 Bochnowski, Phil Bayt, who handled those matters with the
16 City at that time, will answer that question.

17 MR. BAYT: Commissioner, Phil Bayt. In 1993,
18 when we were negotiating with the Mayor's negotiating team
19 with respect to the letter of intent, even at that time,
20 they expressed a very large preference for confining gaming
21 to just the small peninsula site. They had a lakefront
22 study plan which showed, at that time, maximizing the use
23 of the marina for recreational boating, maximizing the use
24 of the entire lakefront for the citizens of Hammond and
25 Robertsdale.

1 In the course of those negotiations, on the letter of
2 intent, we were asked to fund a study which was done by an
3 independent company not chosen by us. And that study,
4 which was done a couple of -- over the course of the next
5 couple of years in fact confirmed that city residents
6 preferred to have a minimal impact by gaming on the
7 lakefront to open up the lakefront for as many different
8 uses as possible, including green space and preservation of
9 the views. So it simply confirmed an earlier request by
10 the City and an earlier lakefront study plan. And as a
11 result, we kept getting messages from the community, from
12 the City, and from planners that were independent of us
13 that that is what the community wanted. So we focused our
14 attention on a site plan that had the least obtrusiveness
15 as possible.

16 MS. BOCHNOWSKI: What I was trying to figure out
17 is who initiated this plan?

18 MR. BAYT: Right. It was started by the City
19 before we got to gaming and before we got to Hammond, and
20 then the vision continued.

21 MR. SUNDWICK: If in fact you had an
22 opportunity -- and I think one of the companies yesterday,
23 I think Boyd said, you know, "We could do this differently;
24 we may not do it this way." Do you feel the same way or do
25 you think this is the greatest plan ever?

1 MR. BAYT: Kevin Larson.

2 MR. LARSON: Commissioner, Kevin Larson.

3 Certainly, we've seen the benefits of having flexibility of
4 a bigger area to work with. And given a bigger area to
5 work with, yes, we would design a different type of
6 facility. Certainly we'd like to spread things out a
7 little bit. However, we certainly have been respectful to
8 what we've heard from an awful lot of people, that they
9 weren't looking for an awful lot of development on their
10 lakefront. They don't have that much of a lakefront to
11 begin with, frankly. So the answer to your question is
12 yes; if we had more flexibility with this site, we would
13 design something that would be spread out a little bit more
14 and probably would have more in the way of amenities close
15 to the waterfront. However, given the constraint of trying
16 to be unobtrusive and preserve the Hammond lakefront, we
17 designed the project that we have.

18 I'd also like to go back to what I believe was an
19 earlier question relative to Lever Brothers. We've really
20 kind of taken a stance from the land side and looked out in
21 designing the concept, rather than being in the water
22 looking in. And frankly, one of the goals of the design is
23 in fact to draw people -- to direct their focus outwards
24 and towards the lake rather than to look back at the trains
25 and the Lever Brothers facility.

1 MR. MILCAREK: In your presentation today, you
2 did not discuss the Milwaukee Clipper and your plans. What
3 do you plan to do with it and how do you intend to handle
4 the possibility of asbestos or any other environmental
5 products, and would you include it in your plan if the City
6 had not requested it?

7 MR. BAYT: Mike Hansen.

8 MR. HANSEN: Commissioner, Mike Hansen. I think
9 that was three questions there. First of all, we do intend
10 to include the Milwaukee Clipper in our plans. We have
11 always included the Clipper in our plans. As you know, we
12 have leased that facility since April of 1994. Since that
13 time, it has been used for offices for the Aquatic Resource
14 Center and the Hammond Yacht Club, as well as our own
15 offices. We had a restaurant on there for the benefit of
16 the marina residents and the City of Hammond, and also
17 intend to hopefully have offices on that vessel for the
18 Lake County Sheriff, who will assist us with marina traffic
19 if our vessel -- once our vessel is situated there.

20 With respect to environmental remediation of asbestos,
21 our reports indicate it is extremely minor. We have not
22 yet undergone any remediation of that. In fact, it's
23 really dormant at this point in time.

24 As far as your last question, would we intend to still
25 have the Milwaukee Clipper there if in fact the City had

1 not requested it? I believe the fair answer to that
2 question is probably no. It would be nice possibly if the
3 Clipper were not in fact there. We have made a commitment
4 to that end, and we feel that there is a use for the
5 Clipper along with our gaming facility.

6 MS. BOCHNOWSKI: Do you think that you got the
7 endorsement from the City because of your commitment to the
8 Clipper? I'm looking at 5 million dollars, and I could see
9 that going to the schools, going all over, if it's only
10 250,000 to get it out of there. I went through that boat.
11 There's a lot of work to be done. I don't know where your
12 offices are in there. I can just see 5 million dollars
13 into that boat, where it could go in other ways and places.
14 I just can't understand that.

15 MR. HANSEN: Commissioner Bochnowski, Mike
16 Hansen. I don't believe that a factor in our endorsement
17 was in fact the Clipper. We were asked, however, to
18 consider that. We did consider it, and we wanted to give
19 to the City as well as to the Commission what we thought
20 was a fair and reasonable figure with respect to
21 renovation, upkeep, and maintenance of that Clipper for a
22 long period of time. And that's what that represents.

23 MR. VOWELS: There seems to be with this Clipper
24 some love for this Clipper that we haven't really been able
25 to put our finger on, or I haven't anyway. In your

1 negotiations with the City, is there somebody who really,
2 really likes that thing? I mean, what's the reason behind
3 it? Because it doesn't seem to make any sense to keep
4 this. Tell me more about it because it's not making any
5 sense to me. I mean, you're going to spend almost 5
6 million dollars to refurbish this, if that's what it's
7 going to cost, when you can get rid of it for a couple
8 hundred thousand dollars?

9 MR. BAYT: Commissioner, Phil Bayt. The
10 Robertsdale study that was undertaken did a survey of
11 community residents on several issues, and one of those
12 issues was the Clipper. And there was a high percentage of
13 people who responded to the survey that said they liked the
14 Clipper. Admittedly, it was a small population responding
15 to the survey; but there was a large percentage of people
16 saying that they liked the Clipper, they liked it to be
17 there, and they would like to see something happen good to
18 it.

19 MR. SUNDWICK: I would wonder if you gave them in
20 your survey the option of either you're going to get 5
21 million dollars we could put into your school system or do
22 you want to keep the Clipper, their answer may have been
23 changed.

24 MR. BAYT: We're fully cognizant of the fact that
25 5 million dollars for that as opposed to 5 million dollars

1 for very pressing social needs in the community has to be
2 weighed by the community as a give and take. And that's up
3 to the community. We, as a new company that could come to
4 Hammond, would be open to any kind of suggestion along
5 those lines.

6 MR. SUNDWICK: Well, I guess it just becomes a
7 rationale. I mean, you kept it in and it would appear you
8 want this boat, or it initially appeared that you thought
9 it was a great plan. You know, I've got to be a little
10 suspect. But I'm like with Ann, I kept thinking: "I
11 wonder why."

12 MR. BAYT: It was not our initial plan to keep it
13 in.

14 MR. VOWELS: Do you know how old that boat is?

15 MR. BAYT: Al McConnell.

16 MR. VOWELS: I mean, what I'm thinking of is the
17 asbestos. You mentioned that you thought it was minor.
18 And it seems to me that -- the education I've had for the
19 last year dealing with boats is the older they are, the
20 more reliant they were upon asbestos. And what I've seen
21 of asbestos being removed, it's involved and costly.

22 MR. McCONNELL: Al McConnell, Construction
23 Manager for Lake Michigan Charters. There is asbestos
24 aboard this ship. The asbestos is in the form primarily of
25 insulation. The insulation has been encapsulated.

1 MR. VOWELS: What's that mean?

2 MR. McCONNELL: That means that you can coat the
3 surface. It becomes dangerous only if it's friable; in
4 other words, airborne. And the fact that it is
5 encapsulated, it is not a danger at this point in time. It
6 also -- it introduces a question; when you're going to
7 enter construction on the ship, you've got to take the
8 proper precautions for it. But the asbestos, in our view,
9 is not really a problem at this point in time.

10 MR. SUNDWICK: Let me ask you a question about
11 the overpass. What's your construction time on the
12 overpass; starting that you had the steel, it's on its way,
13 and it's going to be here in a short period of time?

14 MR. BAYT: Mike Hansen.

15 MR. HANSEN: Commissioner Sundwick, as I said in
16 my presentation, six to nine months. With respect to -- we
17 have our time lines. Mr. McConnell maybe is a little more
18 familiar with it than myself. He's been integral in this
19 project over the past two years. Al, if you could please
20 elaborate a little more on our construction time lines with
21 Commissioner Sundwick.

22 MR. McCONNELL: Al McConnell, Construction
23 Manager. We have scheduled an estimate of six to nine
24 months for the overpass. We have gone ahead and proceeded
25 in ordering the steel pilings that are a necessary

1 ingredient in the overpass. In the negotiations, railroad
2 negotiations and land development all became a part into
3 the elements that would lead us to believe that we could
4 accomplish this goal. These elements have been provided in
5 the forms of easements and areas of -- laydown areas for
6 materials. And again, we feel confident that we can
7 produce this product in six to nine months.

8 MR. SUNDWICK: You heard the presentations
9 yesterday. They said it would take a year. Are they just
10 wrong?

11 MR. HANSEN: Commissioner Sundwick, Mike Hansen.
12 Yes, we believe that is not correct. We believe our figure
13 is more accurate. We do not believe that they calculated
14 the ordering of the H-piles. You've heard us explain that
15 already today. Number two, the fact that we will have
16 experienced people working with the local contractors will
17 certainly greatly assist with respect to the construction
18 of that overpass. Plus also, we have the plans. The plans
19 have already been out for bid at the present time. These
20 bids are due back in mid November.

21 MR. VOWELS: You've estimated that it will cost
22 12 million dollars for the construction of the overpass?

23 MR. HANSEN: Yes, Commissioner Vowels.

24 MR. VOWELS: And if it in fact costs more than
25 that, you're committed to complete it regardless of the

1 cost?

2 MR. HANSEN: That's correct.

3 MR. MILCAREK: What about the parking garage?
4 With the number of employees, has anything been taken into
5 consideration for their parking? Will they be using all
6 the available parking for the marina or will there be
7 parking off site or what is your plan for that?

8 MR. HANSEN: Commissioner, Mike Hansen. With
9 respect to parking, there will be no employee parking in
10 the 1,200 space parking garage. That will be essentially
11 for patrons -- exclusively for patrons and guests of the
12 marina -- not the marina; the guest center and for the
13 casino. The marina parking will remain intact. All of our
14 employees will park in an area that is now owned by the
15 EJ&E Railroad that is located to the west of the overpass,
16 will be owned by the Hammond Port Authority shortly. And
17 in our lease with the Hammond Port Authority, they do
18 provide 1,200 spaces. That will be used for employee
19 parking.

20 MR. SUNDWICK: As far as yesterday, the first
21 presentation included a hotel. The second presentation
22 said, "Maybe we should do that, probably." You absolutely
23 said, "That appears to me that that's not valid at all,"
24 unless it comes over in some other specific area that you
25 talked about, possibly shopping, possibly something. But

1 we're staying at Merrysville --

2 MS. BOCHNOWSKI: Merrillville.

3 MR. SUNDWICK: -- Merrillville, whatever; because
4 we really had to -- we're at I-30 and 65, and there's no
5 place to stay very close, that I'm aware of. It appears
6 that's the case. Why would you say that; because you
7 really believe that all the traffic will just come from
8 locally that that's it?

9 MR. BAYT: Kevin Larson.

10 MR. LARSON: Kevin Larson. Thank you, Phil.
11 That's what I was trying to remember.

12 MR. KLINEMAN: We're not that hard on you.

13 MR. LARSON: How am I doing so far? We are
14 committed to additional economic development in Hammond,
15 Commissioner. Our experience -- and we have analyzed this
16 market, and we have lived in this market for over three and
17 a half years at this point in time. I can go back to my
18 early days with the first riverboat casino in Alton,
19 Illinois. The expectations at that point in time were that
20 people were going to travel from all around to come to
21 these riverboat gaming attractions. As the Commission, I'm
22 sure, is well aware, it quite hasn't worked out that way.
23 The trade has been much more localized than anyone really
24 imagined when this legislation was initially enacted in
25 Illinois and now Indiana.

1 We see that -- and I made the comment earlier that we
2 see this market for Hammond being substantially different.
3 The Hammond casino will benefit from the greatest
4 population density of any casino in the country. There is
5 a tremendous number of people. We talked about 8.2 within
6 a 50-mile radius. The 50-mile radius we really don't even
7 see as being very relevant. What's relevant is how do you
8 get to the site and where do people come from? We see that
9 the market for Hammond -- and again, this is our own
10 analysis as well as the independent studies that have been
11 conducted by BDO -- show that as much as 85 percent of the
12 patrons that are going to visit the Hammond casino are
13 going to visit from points to the west of the site, from
14 Chicago, some relatively new ground, believe it or not, in
15 Chicago, being the central city, including downtown,
16 parlaying off the convention and tourist trade that goes
17 through downtown Chicago and the north side, are going to
18 be tremendous opportunities for the Hammond casino.

19 Frankly, our analysis would indicate that we don't
20 anticipate that Hammond's going to do very well from other
21 points in Indiana. Because with the access the Buffington
22 Harbor site has off of interstate 80 via Cline Avenue, it's
23 much easier access and much more desirable access for
24 patrons than coming up Calumet Avenue or Indianapolis
25 Boulevard from I-80 and dealing with the traffic signals

1 all along the way and several train crossings. So we
2 really see that the market is going to be very close, both
3 in terms of distance and time traveled, and that overnight
4 accommodations are not going to be very high on our guest
5 priority list. Relative to a hotel as an attraction,
6 frankly I'd like to ask Don Massagli from BDO Seidman to
7 take just a couple of seconds, because I think that he's
8 got some very interesting facts about the hotel business
9 that exists here today and some comments about the
10 additional capacity that could be filled.

11 MR. MASSAGLI: Commissioner, Don Massagli, BDO
12 Seidman. Our studies -- and we are a national hospitality
13 consulting firm. We've been involved in the market for
14 well over 20 years, both in the casino market as well as
15 the hotel development market. Our study work indicates
16 that it's premature at this point to consider the
17 development of a hotel, for a number of reasons. One, the
18 current hotel market is really -- as was discussed
19 yesterday, is really underperforming relative to what it
20 would take to make a viable financial and marketable
21 product. Secondly, we think that a hotel product here
22 right now would cannibalize on the existing hotel market,
23 many of whom are undergoing renovations now. Thirdly, in
24 the entertainment business, it's a little bit like Great
25 America, Disney World, a few of those attractions that add

1 to their amenities as they become more mature, thus
2 creating more excitement, more interest, and more
3 attendance at the site. And we feel that to hold off and
4 let the market mature, let it get strengthened, and
5 determine what the casino patrons really want, that would
6 benefit the whole community as well as the casino
7 development.

8 MR. SUNDWICK: So you're really not -- you know,
9 you're not willing to --

10 MR. MASSAGLI: I'm sorry, Commissioner?

11 MR. LARSON: No, certainly not.

12 MR. SUNDWICK: So then you intend to be more
13 reactive to the market than proactive to the market?

14 MR. LARSON: Not necessarily. My opinion, based
15 on what we have experienced in this market and what we
16 anticipate in Hammond, is again that there really isn't
17 going to be a whole lot of interest in overnight
18 accommodations from our guests. We feel that part of our
19 charge would be certainly to create as much positive
20 economic impact as possible. And frankly, our opinion at
21 this point or our inclination would be that a hotel
22 property may not provide the most positive economic impact.

23 The Pleasure Island sort of concept, and not to
24 leverage the Disney name at all, but perhaps as we've
25 talked about that in the community, it's a concept that

1 people are very excited about. It could be nothing more or
2 as much as, depending on your perspective, I suppose, as a
3 couple of the national restaurant chains, perhaps an
4 Outback Steakhouse, a TGI Friday's, along with a couple of
5 entertainment venues that would be maybe a polka hall,
6 maybe an entertainment venue for big band music, maybe an
7 entertainment hall for country and western that, you know,
8 would be constrained. I don't want to say you want to put
9 a fence around it, but it would be an attraction in its own
10 right. And I think that that's a new idea and not being
11 reactive.

12 And frankly, a question, I think, that remains out
13 there for every operator is everyone -- just about everyone
14 has a hotel with their property. Will you add
15 incrementally to your business by adding a hotel or does
16 that demand a different response? Does that demand a
17 unique response? I'm not sure that I've got the answer for
18 that for you today, but we certainly would like to talk to
19 a few hundred thousand guests that would come through the
20 facility and continue our discussions with the community
21 and try to create as much positive impact as we could.

22 MR. KLINEMAN: While we're going down this same
23 line, what sort of facility do you have at Joliet? Do you
24 have a hotel?

25 MR. LARSON: We will break ground on a small

1 hotel, limited service facility, on Friday, as a matter of
2 fact.

3 MR. KLINEMAN: How small?

4 MR. LARSON: 102 rooms.

5 MR. KLINEMAN: And what other facilities are
6 there in Joliet for overnight stays? The reason I ask that
7 is I've seen your sign on 65. I live in the Indianapolis
8 area. And frankly, I've never been to your -- I've never
9 figured out how I could go to you and also go to Chicago.
10 You lack the destination motivation that I would have;
11 whereas I have been to Peoria. And maybe I'm a very unique
12 person in that respect.

13 MR. SUNDWICK: We both are.

14 MR. LARSON: There is hotel capacity in Joliet.

15 MR. KLINEMAN: Of attractive types? I mean, we
16 start comparing the hotel occupancy in this vicinity; you
17 know, they're underperforming, but they're also
18 underattractive, too.

19 MR. LARSON: The hotel facilities available in
20 Joliet are very similar to Hammond.

21 MR. SUNDWICK: We listened to this in
22 Lawrenceburg. And I drive through that, and I was told
23 that they really didn't need any more hotel space in
24 Lawrenceburg, Indiana, because it was sufficient. It's
25 just not true. I mean, it's just --

1 MR. KLINEMAN: The Commission couldn't even stay
2 in Lawrenceburg. We had to stay --

3 MR. SUNDWICK: So I think, you know, it's a
4 concern to us. Number one, you know, we're not in the
5 hotel business and we're certainly not in your business,
6 but it's a concern. You have a competitor, a presentation
7 that says that you may be wrong, and they're not depending
8 on the 200-room hotel to supply you with gaming
9 opportunities. They said that just won't do it. That's
10 not what they're going to -- but they also believe it's an
11 important part of their project. So I mean, these are
12 obviously pretty good questions. They're pretty smart
13 guys, I guess.

14 MR. LARSON: There are a lot of excellent
15 questions. And let me just say, as we've said before, we
16 are committed to additional development in Hammond. And if
17 that includes a hotel, terrific. If a hotel is one of the
18 amenities that creates the attraction and anticipated
19 economic benefit for Hammond, we will provide it.

20 And Commissioner Klineman, going back to your question
21 relative to our Joliet hotel, I think it's a very relevant
22 comparison. We don't anticipate, frankly, that our 102
23 rooms in Joliet are going to attract very many -- at least
24 in the context of how many people visit the facility on a
25 daily basis, that hotel is not going to attract very many

1 new patrons to the Empress Casino in Joliet. The vast
2 majority of the room nights that are going to be consumed
3 at that hotel are going to be consumed by people who are
4 already coming to the casino. And what we're responding to
5 is the fact that they're traveling from the northwest
6 suburbs. They're traveling from points of Chicago,
7 frankly. And they find that they're at the property, and
8 they don't relish the fact of going back to Chicago, which
9 is a 45- to 50-mile trip to the central city; to the
10 northwest suburbs, it could be 50 or 60 miles depending on
11 where they're at. So the vast majority of the room nights
12 that we expect to fill there will be those sorts of
13 patrons.

14 MS. BOCHNOWSKI: Well, I --

15 MR. THAR: Could I follow up on --

16 MS. BOCHNOWSKI: Oh, okay. I just had something
17 on that, and then I do have another question. But then you
18 can follow up on the hotel thing after this. Actually, I
19 may have a kind of different opinion than my colleagues
20 here. The history of hotels in Hammond is not a good one.
21 And it's my understanding, and maybe you're aware of this,
22 that Whiteco is planning a hotel project on Kennedy Avenue
23 near the expressway. Is that still in the works? Am I
24 correct about that? Do you know about that?

25 MR. LARSON: Commissioner, I am not quite up to

1 speed on exactly the status of that project. We have had
2 several conversations with Dean White about the possibility
3 of hotel development at the Hammond site, and we will
4 continue those discussions. Obviously, Mr. White is very
5 knowledgeable in this area. Not to take any thunder away
6 from Don here, but if I recall from his study, about 30
7 percent of the room nights that are used in the Hammond
8 area are used by over the road truckers. That may be a
9 good source of demand on Interstate 80. But again,
10 referencing the BDO study, if I'm recalling correctly,
11 Don --

12 MR. MASSAGLI: Yes.

13 MR. LARSON: -- with the interstate closest to
14 the Hammond site being the Indiana Toll Road, it's too
15 close to either an origination point or an end point to be
16 a viable site for even that sort of business because
17 they're close to a Chicago destination point or perhaps
18 they just started their run out of Chicago. So you know,
19 just looking at the broad facts, there's 30 percent of the
20 demand that exists on the south end of Hammond that one
21 wouldn't anticipate to exist on the north end of Hammond.

22 MS. BOCHNOWSKI: I'm just looking at the history,
23 and I guess I'm supporting your cautious approach to this.
24 But go ahead on the hotel issue, Jack.

25 MR. THAR: Just on the hotel issue here, if I

1 followed your presentation correctly and if I followed the
2 ones of yesterday also, it seems to break down into three
3 areas: The first area being that I don't think any gaming
4 company, including your company, believes that a hotel is
5 going to add an extra dollar in gaming revenue. It's not
6 necessary for a successful gaming attraction at the Hammond
7 Marina. Is that your position?

8 MR. LARSON: Yes, it is.

9 MR. THAR: Okay. Secondly, then, they're viewing
10 the hotel as an attraction in and of itself, separate from
11 the success of the gaming operation. And if I understand
12 your position correctly, you don't necessarily see that a
13 hotel is an attraction in Hammond standing on its own?

14 MR. LARSON: Our position, Mr. Thar -- this is
15 Kevin Larson, by the way. Our position would be that it
16 may not be the greatest attraction. It certainly could be
17 an attraction, but would it generate the most attraction
18 and therefore the best economic benefit?

19 MR. THAR: Well, that's where we seem to hop the
20 line; because the third item seems to be, the same
21 impression that I have that a lot of Commission members
22 have, is that whether or not it's a successful economic
23 development tool in the City of Hammond might be another
24 option, which I believe is what the Bally's presentation
25 was all about yesterday, that putting the hotel in with the

1 casino, since the casino draws people, that that gives the
2 opportunity to bring smaller conventions, overnight guests,
3 that type of thing, which is not occurring here. And if I
4 understand your presentation, you're not saying you're
5 ruling that out, but you're saying that that is one of two
6 or three other items you may consider?

7 MR. LARSON: Yes, sir. Frankly, there's a fourth
8 option that we haven't talked about that, again, is just a
9 consideration at this point. Conversations I've had with
10 Fred Ash at American Maize have indicated that American
11 Maize is going to construct a corporate office complex on
12 some parcel of property that they own that actually is
13 behind the ten acres that we've purchased from them.
14 Perhaps economic development could best be generated and
15 jobs best be generated by a small office park that would
16 support American Maize activities, Lever Brothers
17 activities, perhaps our activities, other business
18 activities in Hammond, Whiting, and Robertsdale. It would
19 have, again, excellent visibility off the toll road. It
20 isn't as exciting from the standpoint of a hotel. But
21 again, our position is that to remain flexible, and we see
22 flexibility as being a strength, not necessarily to be
23 responsive because you can come up with a better idea, a
24 new idea. And frankly, our operation in Joliet is full of
25 new ideas that have been used by other people successfully

1 elsewhere.

2 MS. BOCHNOWSKI: Your location -- or your
3 interest in Hammond, I mean, a very serious interest in
4 Hammond early on, does this come out of a concern for your
5 Joliet operation that -- it's my understanding that a lot
6 of your patrons do come from northwest Indiana. And I
7 know; I see the buses going there all the time. Was this a
8 protective measure to keep your Empress operation from
9 suffering too much because of gaming coming to Indiana?

10 MR. LARSON: Commissioner Bochnowski, Kevin
11 Larson again. We see this as a terrific opportunity to
12 enter new markets. A number was thrown out in one of the
13 presentations yesterday that was wholly inaccurate, and
14 again we can speak from experience. About 9 percent of the
15 riverboat business that is generated in Joliet comes from
16 northwest Indiana. It is not a very large percentage at
17 all. I think that bodes quite well for five casinos on the
18 lake in northwest Indiana. I believe there's tremendous
19 market potential in northwest Indiana.

20 Of more relevance for the Hammond site, we believe, is
21 a tremendous market potential that exists in the city of
22 Chicago, particularly in the downtown area, particularly on
23 the north side and in the near north suburbs. One of the
24 things that is quite interesting is -- and it just struck
25 me recently. I always kind of pictured that the north

1 suburbs, you know, they must be a big part of the success
2 of the Elgin casino. The Elgin casino is more than 32
3 miles west of O'Hare Airport. It's very difficult or
4 relatively difficult to get from towns like Evanston,
5 Skokie and points further north along the lake over to
6 O'Hare airport, let alone another 32 miles to Elgin. I
7 think that with effective marketing programs, which we feel
8 that we're very good at, that we can find that people will
9 become very aware of how easy it is, via the Chicago Skyway
10 coming down the lakefront on a beautiful day, to come and
11 visit a casino in Hammond.

12 Another very important part of the growth opportunity
13 that exists in Hammond, and I can tell you one of the ways
14 that the marketing has been extremely frustrated over the
15 course of the last two and a half years, is when I stand on
16 the marina site, you can see downtown Chicago; we have
17 spent a tremendous amount of money trying to garner some
18 interest, some spilloff in the convention and tourist
19 traffic that comes through McCormick Place, that goes
20 through all those hotel rooms in downtown Chicago. We have
21 been very, very unsuccessful in being able to generate any
22 meaningful traffic out of that. We see that that can
23 change dramatically with a casino in Hammond. Literally, I
24 think yesterday it took me 22 minutes to travel from
25 downtown Chicago. Today I got caught by a couple more

1 lights; I think it took 24 minutes. That is a significant
2 difference from sometimes as much as an hour and a half to
3 two hours that it takes to get out to Joliet.

4 I'd also add again, not to belabor the point, but our
5 experience is that in the riverboat environment, when you
6 have cruise schedules, a minute to a patron is like an
7 hour, because what their mind set is -- and it kind of
8 falls back to what I was saying earlier about the mind set
9 of these folks that we anticipate will visit Hammond from
10 very close proximity -- is that the decision is made -- and
11 we've found this through focus groups that we've conducted
12 and in talking with our guests -- the decision is made
13 rather on short notice to go and visit the casino, and it
14 becomes a thought here and it becomes a realization on
15 their watch. "Okay; it's a quarter to 2:00. The boat
16 boards at 2:30. It leaves at 3:00. I can get off at 5:00,
17 and I can be where I have to be by 5:30." The decision
18 that's made is to block out a period of time in their day
19 for this activity. And we see that the distance between an
20 awful lot of people in Chicago and Joliet, that that's a
21 difficult decision for them. And for the Hammond location,
22 again, we feel with effective marketing and just bringing
23 some awareness to people of how easy it is to get here,
24 that the Hammond casino will be very successful with a lot
25 of new patrons.

1 MS. BOCHNOWSKI: So you're seeing this as almost
2 drawing on a different -- from a different group?

3 MR. LARSON: Most certainly.

4 MS. BOCHNOWSKI: Okay. Now, if a minute is an
5 hour to a gamer, when they're going through that small area
6 to get to the parking garage, get up to the boat, whatever,
7 and there's a traffic jam there, do you think that that's
8 going to be a problem? Do you think that that will turn
9 some people away or at least make them not come back again?

10 MR. LARSON: To the extent that it was a problem,
11 Commissioner -- this is Kevin Larson again -- yes, it would
12 turn them away. It was mentioned yesterday -- and again,
13 we can rely on our experience here. One might imagine that
14 with cruise schedules and large volumes of passengers like
15 we're talking about here, the traffic patterns in and out
16 of the casino would tend to spike, and then regress, and
17 spike around boarding times. In actuality, our experience
18 in Joliet over the course of the past few years is that
19 yes, there are some spikes, but it tends to be rather
20 constant, and that's an inflow and an outflow.

21 Again, the patrons don't show up all at once.
22 Typically, if a boat is going to leave at the top of the
23 hour, I'd say about 40 percent of the traffic arrives
24 between the top of the previous hour and the bottom.
25 There's quite a bit of traffic that comes in that last half

1 hour. There's quite a bit of traffic that comes more than
2 an hour before the boat departs. Again, people are -- it
3 depends on the decision that they've made. If they've got
4 the day off or if they're trying to fit it in, it's going
5 to be a different thing. We don't feel that the traffic in
6 and out of the garage is going to be a problem. And
7 certainly, it is a situation that we understand to be
8 important, and we certainly feel very comfortable in
9 dealing with it.

10 MS. BOCHNOWSKI: Okay. And then also in that
11 design -- this isn't a traffic problem, but it's a boat
12 problem. As I recall, the ramp for boats, the regular
13 boats to get into the water is very -- is right there also.
14 And is this a safety problem? Is this in any way -- how
15 are you going to get those off of the road? I assume that
16 they'll be off the road; but is that a safety problem with
17 regard to the small boats and your large boat?

18 MR. LARSON: I would like to ask Captain Lisa
19 Streckfus.

20 MS. STRECKFUS: Lisa Streckfus. That was a
21 two-part question, and the boat launch will not move from
22 its present location.

23 MS. BOCHNOWSKI: Right.

24 MS. STRECKFUS: And our overpass and traffic
25 pattern for the casino will be separate from the traffic

1 that's flowing to the marina; so that shouldn't be an issue
2 at all. The recreational users of the marina will not be
3 impacted. As a matter of fact, we'll actually increase
4 some of the area that they have to maneuver their trailers.
5 As far as safety within the marina, I can confidently say
6 that we will be able to operate Empress III within the
7 Hammond Marina safely with the recreational boats that use
8 the marina, for a number of reasons, the most significant
9 of which Empress III was built for Hammond. She's
10 extremely maneuverable.

11 We have a preliminary agreement with the Lake County
12 Sheriff to have an escort vessel when we are leaving the
13 marina and coming back in. We have mounted on the
14 vessel -- I don't know if anyone's been on Empress II, but
15 we have a close quarters monitoring system that has also
16 been installed on the Empress III. And this -- there are
17 video cameras mounted on the vessel; so in addition to the
18 crew members that we have as lookouts posted on the bow and
19 the stern, these cameras allow the captain and the mate to
20 see everything that's happening in close quarters to the
21 vessel, which, you know, is an excellent system. And then
22 we've also investigated the possibility of putting traffic
23 signals at the marina entrance so that we can provide
24 one-way traffic when the big boat is coming through.

25 MS. BOCHNOWSKI: Okay. Because to me that's

1 paramount. I mean --

2 MS. STRECKFUS: It is paramount to us, too. If I
3 may just add, safety is our number one concern. It's our
4 philosophy at Empress -- you know, we're in the riverboat
5 business. We run two riverboats in Joliet. We cruise --
6 I'm proud to say, in August we cruise 99 percent of the
7 time, and that's out of almost 450 possible cruises. We're
8 cruising, and we're cruising safely. And there are
9 recreational users on the Des Plaines River that we
10 encounter. And we're highly capable. We've spent a lot of
11 time at the marina designing this boat for this
12 application, and our crew will be ready, and we'll be able
13 to operate her safely.

14 MS. BOCHNOWSKI: Thank you.

15 MR. MILCAREK: How many boat slips will be lost
16 because of the vessel?

17 MR. BAYT: Al McConnell.

18 MR. McCONNELL: Al McConnell. In the Corp of
19 Engineers permit, we have indicated the amount of slips
20 that will be removed to accommodate the gaming vessel. And
21 I must say that the Corp of Engineers permit has been
22 structured for our vessel since at this point in time we're
23 the only one with a vessel. The amount of slips that are
24 necessary to accommodate our vessel is 72.

25 In the process of developing the Corp of Engineers

1 permit, part of the consideration was the idea in our
2 permit, which we do have, and some of the consideration
3 from IDNR was to promote additional use within the marina.
4 The use that was selected by the City was a diving area.
5 The use for this diving area will necessitate an additional
6 34 slips to be removed. So the total slips to be removed
7 for our vessel will be 106 slips. And if I may, if I can
8 approach the table, I would be glad to show you the essence
9 of the Corp of Engineers permit on a work board we have so
10 you can see the area that we're not only removing slips,
11 but the dredged area there.

12 MR. MILCAREK: If the Milwaukee Clipper was
13 removed, would that reduce the number of slips lost?

14 MR. McCONNELL: Yes.

15 (Mr. McConnell and Mr. Bayt
16 approached Commissioners with
17 work board.)

18 MR. BAYT: I'm not very good with this board.

19 MR. McCONNELL: This is the essence of the Corp
20 of Engineers permit (gesturing).

21 MR. KLINEMAN: The reporter's going to have to
22 hear you, so why don't you do something -- we can see it,
23 though, yes.

24 (Mr. McConnell and Mr. Bayt
25 walked over closer to

1 reporter's table and spoke to
2 Commission while pointing to
3 work board.)

4 MR. McCONNELL: This is the essence of the Corp
5 of Engineers permit. As you can see, the vessel is shown
6 positioned here next to a new boarding ramp that goes
7 around the stern of the existing Clipper. The Clipper is
8 in position just as it is used today. The dredged area
9 that will be necessary for our vessel, 7,000 yards, is a
10 crosshatched area. And as you can see, the dotted boat
11 slips along the side here, these are the slips that are
12 necessary to be removed to accommodate the gaming vessel.
13 We also show the dredged area right here. Another item
14 that is necessary in the process of the trafficking will be
15 a relocation of the fuel dock.

16 On board number 2 (showing to Committee), board number
17 2 really shows the whole marina, so you get a panoramic
18 view of what's really involved in the process. Our
19 facility is located thusly. You see the Milwaukee Clipper,
20 and you see the location of our intended docking facility.
21 Also again on this board, you see a representation of all
22 the amount of slips that are necessary to be removed to
23 accommodate the gaming vessel. The diving area, as shown
24 on the Corp of engineers permit, this is the area that
25 would be involved for the City. It involves slips over in

1 this quadrant over here. We have really installed for your
2 benefit the intended path of the gaming vessel. We would
3 transverse sideways and then reverse and come to an area
4 where we would call a turnaround area. Our vessel is
5 capable of turning around in the length of the ship, 288
6 feet.

7 MS. BOCHNOWSKI: Can you just turn that? It's
8 kind of got a glare on it.

9 (Mr. McConnell and Mr. Bayt
10 changed position of work
11 board.)

12 MS. BOCHNOWSKI: There we go. Okay; now I can
13 see it.

14 MR. McCONNELL: The small circle you see here is
15 the amount of area that is necessary to turn our vessel
16 around so we can come into the marina and go out of the
17 marina forward. I've taken the liberty to also show the
18 potential of another gaming vessel, a larger vessel. We
19 feel very confident that we have designed the largest
20 vessel that this marina will accommodate in its present
21 state. So I've taken the liberty of showing you a 373 foot
22 circle. Should this vessel -- even though it's not built
23 yet, should it be able to turn its own length, it would
24 turn in a 373 foot diameter circle. You can see that this
25 circle will require additional slips to be removed. The

1 additional slips, as we've shown here, beyond the number of
2 slips that are required for our vessel, will be 44
3 additional slips. That puts us at a total count of 34, 44,
4 and 72, for 150 slips to be removed to accommodate a larger
5 vessel.

6 The problem in doing that is the bond issue that was
7 issued to create the marina. There is a private invasive
8 clause in that bond issue which states that we cannot
9 remove more than 10 percent of the existing slips. The
10 existing slips are 1,114. That would allow you to remove
11 111 slips total. This scenario, a 373 foot ship, cannot
12 work. And our Corp of Engineers permit, which is still
13 under review by the Corp of engineers, will in fact work
14 with our ship and our turning radius.

15 MR. VOWELS: How many, now? Tell me again on how
16 many more it would take with the bigger boat, to remove the
17 slips.

18 MR. McCONNELL: You can see the slips up here.

19 MR. VOWELS: Yes. How many is that?

20 MR. McCONNELL: Each one of these is two slips.

21 MR. VOWELS: Okay; just tell me how many
22 additional.

23 MR. McCONNELL: 44 additional.

24 MR. VOWELS: Okay. And that would be for a boat
25 what size, 373?

1 MR. McCONNELL: 373 feet.

2 MR. MILCAREK: What would be the approximate
3 reduction in slip removal if the Milwaukee Clipper was
4 removed?

5 MR. McCONNELL: If the Milwaukee Clipper was
6 removed, we would gain approximately 14 slips.

7 MR. VOWELS: How long is your boat?

8 MR. McCONNELL: 288 feet.

9 MR. KLINEMAN: Okay. Thank you.

10 MS. BOCHNOWSKI: But the fact is that the marina
11 has never operated at full capacity; isn't that correct?
12 And in fact, I think that you have actually, in effect,
13 bailed out the marina because it was about ready to default
14 on some of its obligations, isn't that -- I mean, so really
15 I would imagine it wouldn't be that difficult to get the
16 permission to remove additional slips?

17 MR. BAYT: Phil Bayt, Commissioner. The slip
18 removal is a matter for the Port Authority. But their bond
19 issue would become a taxable rather than a tax exempt bond
20 issue if they removed more than ten percent of the slips,
21 which would cause additional financial difficulty to the
22 Port Authority. In addition, we need to focus on Corp
23 approval for removal of slips, and we need to focus on
24 community needs. The marina has in fact experienced a
25 growth in slip rentals over the last few years, and we hope

1 that with the gaming vessel that we'd see yet additional
2 increase in slip rentals and slip demand with the advent of
3 so many patrons coming to the area.

4 MS. BOCHNOWSKI: Do you see a day when you won't
5 have to bail them out every year?

6 MR. BAYT: We haven't been able to predict that
7 far in the future.

8 MR. KLINEMAN: Is there a prohibition against
9 paying the bond issue off?

10 MR. BAYT: I don't know whether there is a
11 prohibition or not. It would probably have to be paid off.

12 MR. McCONNELL: This is Al McConnell again. One
13 of the questions posed by the Corp of Engineers, they're
14 very concerned with the impact on recreational boating.
15 And the more slips you remove, the more you impact the
16 recreational boating. That question has appeared in the
17 Corp of Engineers responses on several occasions, so they
18 are very concerned with reducing to a great extent the
19 amount of slips that are being removed.

20 MS. BOCHNOWSKI: But right now, I mean, what they
21 said -- they had their highest season yet; they rented out
22 800 of those slips this year?

23 MR. McCONNELL: That's correct.

24 MS. BOCHNOWSKI: And they have 1,100; so they
25 still have a lot of slips available?

1 MR. McCONNELL: That's true, ma'am. But what I'm
2 saying is it's a Corp of Engineers question, also.

3 MS. BOCHNOWSKI: I understand.

4 MR. VOWELS: What was your answer to Tom's
5 question of how many slips would have to be removed if the
6 Milwaukee Clipper wasn't there?

7 MR. McCONNELL: 14.

8 MR. VOWELS: How many, 14?

9 MS. BOCHNOWSKI: That you would gain.

10 MR. VOWELS: Are you saying --

11 MR. McCONNELL: It would be 14 less with the
12 Clipper removed.

13 MR. MILCAREK: What do those slips rent for; do
14 you have any idea?

15 MR. McCONNELL: Well, there are various prices.
16 The price depends on the size of the ship. And to tell you
17 the truth, I'm not sure.

18 MR. MILCAREK: Fourteen slips; maybe a thousand
19 dollars a slip? That would be 14,000 annually that you
20 would gain?

21 MR. McCONNELL: Depending on the size, I believe
22 they would go more than a thousand dollars a slip. The
23 larger slips, as you approach 40 or 50 feet, I believe are
24 in the 2,000 category.

25 MR. MILCAREK: So it would be a significant

1 amount of revenue?

2 MR. McCONNELL: That's true.

3 MR. BAYT: Commissioner, Lake Michigan Charters
4 has of course agreed that any slips that would be required
5 to be removed as a result of the Empress III and our
6 operations would be paid for by Lake Michigan Charters as
7 if they were rented.

8 MR. KLINEMAN: What about Empress IV?

9 MR. BAYT: That would be up to the Commission.

10 MS. BOCHNOWSKI: No, that would be up to the
11 Legislature.

12 MR. BAYT: The Legislature; excuse me.

13 MR. SWAN: I had a follow-up question, a comment
14 on the parking congestion. You referred to the Joliet
15 operation, I think, as having more of a smoother peaks and
16 valleys. I would assume that might be because you have
17 overlapping schedules of the two cruises there; you have
18 two boats there. So I'm still concerned that the parking
19 may be very congested. And then the second question would
20 relate to the cruises themselves, that you're planning for
21 nine in a day, I think; and some of the other plans have
22 six or seven. And I'd like to hear your comments on those,
23 please.

24 MR. LARSON: Certainly. The parking --

25 MR. BAYT: Kevin Larson.

1 MR. LARSON: I'm sorry; Kevin Larson. The flow
2 of cars -- we opened our operation in Joliet with just a
3 single boat, the Empress I, and we were the first to bring
4 a second boat to an existing operation. Even when Empress
5 I was the only vessel at our site, you still didn't see
6 the -- again, what one might anticipate being these
7 tremendous spikes. Traffic really does come in over about
8 an hour and a half period prior to the boarding of the
9 cruise. Relative to your second question, if you wouldn't
10 mind repeating it, please.

11 MR. SWAN: You had planned for nine cruises per
12 day. Some of the others had six or seven. I wanted to
13 know what the scheduling might be there, the difference.

14 MR. LARSON: Yes. We have gone with a nine
15 cruise schedule because there is some benefit to being more
16 available to the gaming public. Being more available means
17 having more boarding times and more accessibility to the
18 site. We originally started in Joliet with what we call a
19 three hour cruise schedule, where the boat was actually out
20 on the water cruising for two of those three hours. It was
21 very successful. I think if you look at the experience
22 that the folks up in Elgin have had, they also have a
23 single vessel operation. They have, I believe, nine
24 cruises a day. The length of the cruises is similar to
25 what we've projected here. And again, it just improves the

1 accessibility to those who are interested.

2 MR. SWAN: What is that length? I'm sorry.

3 MR. LARSON: Hour and a half out in the water and
4 then a half hour to board, half hour to disembark.

5 MS. BOCHNOWSKI: I'd like to -- I just want to
6 explore a little bit, learn a little bit more about your
7 company. We were kind of getting used to dealing with some
8 of the larger gaming companies, and you are strictly a
9 riverboat company which was formed for the Joliet site; is
10 that correct? So basically you have the two boats. And is
11 that the Empress Company? Is there an additional --

12 MR. LARSON: The Joliet operation -- this is
13 Kevin Larson. The Joliet operation is the only operation
14 currently operating under the Empress umbrella.

15 MS. BOCHNOWSKI: Okay. Now, you're looking to
16 expand to Hammond. Are you looking in any other areas?

17 MR. LARSON: We currently are not. Our focus has
18 been on Hammond, and certainly there's been a lot of work
19 to do here, and we've been focused here. We have been
20 approached over the course of the last two years by many,
21 many companies and municipalities, either inviting us to
22 join them in ventures or inviting us to come to their
23 community to investigate whether we would have interest in
24 developing a riverboat project in their community.

25 MS. BOCHNOWSKI: Okay. Now, you must have --

1 with the group of investors that started in Joliet, how did
2 you get your gaming expertise? How did you get your
3 boating expertise? Did you just go out to different
4 companies? How did you do this?

5 MR. LARSON: Initially, and this was before I had
6 arrived at the Empress, there was a Nevada based company
7 called Riverboat Gaming Management, Incorporated, that
8 operates several casinos in Nevada, that the ownership of
9 the Empress had contracted with to come in and establish
10 their operation. We've been very fortunate since that time
11 and continuing to as recent as last week when we brought
12 another director on board to find very experienced people
13 in the industry. Dennis Brown, our general manager at the
14 Joliet property, has got more than 25 years of experience
15 in the gaming industry, about twelve of that being with
16 Steve Winn properties, either the Golden Nugget or the
17 Mirage. We've got experienced gaming people from Mirage
18 properties, from Caesar's Palace, any number of the large
19 operators. And for all of us, the Empress has provided a
20 terrific opportunity to try new ideas and a different
21 approach in the business.

22 MS. BOCHNOWSKI: Now, for such a relatively small
23 company, I'm a little concerned that you may have
24 overleveraged yourself. Your debt to equity ratio is 5.6
25 to 1, which is way above the industry average. Now, I

1 understand there is a shareholder agreement by which
2 additional equity could be infused into the company. Under
3 what circumstances would that happen, and do you feel
4 comfortable with this high of a debt to equity ratio? I
5 realize your cash flows are good, but that still seems
6 high.

7 MR. LARSON: Commissioner, Kevin Larson. Yes,
8 the cash flows are very strong. And to answer your comfort
9 question, I feel imminently comfortable with our balance
10 sheet as well as our cash flows. One of the measures of
11 financial stability that was thrown out yesterday in
12 response to a question was the concept of net debt to
13 equity, being the debt less the cash that you have on hand.

14 MS. BOCHNOWSKI: Okay, yes.

15 MR. LARSON: We have a substantial amount of cash
16 on hand. Currently -- I don't know; Jack Costello? About
17 90 million, would you say, Jack?

18 MR. COSTELLO: Almost 90.

19 MR. LARSON: Almost 90 million of cash on hand.
20 If you subtract that from the debt that's outstanding, our
21 net debt to equity is about 2 to 1, which is very much in
22 line with young, growing, successful companies in the
23 industry.

24 MS. BOCHNOWSKI: Is there any incentive to try to
25 get rid of some of that debt?

1 MR. LARSON: Incentive, no. Actually our balance
2 sheet on the debt side is structured very conservatively.
3 The 150 million worth of senior notes that constitute
4 virtually all of the debt that exists in the organization
5 at this point has a maturity in 2002. It was an eight-year
6 note when the notes were sold in the public market, so we
7 don't have any pressing needs for amortization.

8 Continuing the cash flows -- and again, this is, I
9 think, very well reflected in the excellent bond ratings
10 that we've received -- do we have any motivation? The
11 motivation, not to be flippant about it, would be to the
12 extent that the indenture provides prepayment to get rid of
13 some of the interest carried, certainly. But again, we see
14 ourselves as a growing company, a very, very successful
15 company, and feel very confident with the structure of our
16 balance sheet and our ability to continue to grow the
17 company, going forward.

18 MS. BOCHNOWSKI: Now, I have a question for you
19 on that rating, the BB rating. And since I've never been
20 an investor myself in a gaming company, I guess I'm used to
21 ratings in the A's. Is that normal for a gaming company
22 because it's a risk company or --

23 MR. LARSON: Commissioner, Kevin Larson. For
24 good operators that have good management and have
25 demonstrated the ability to compete, it's an excellent

1 rating. I might be off a little bit on the years or
2 whatever. In my commercial banking career, I never dealt
3 with the gaming industry in Chicago. But until very
4 recently and within the last two or three years, the
5 investment community, Wall Street as I would call it,
6 really didn't have a whole lot of confidence in the gaming
7 industry, for a lot of different reasons. I think that
8 certainly as you look at the bond ratings of particularly
9 riverboat gaming companies that you would find that they're
10 several notches below where the Empress is at. In fact, in
11 April of '94 when we sold our public notes, the double B
12 rating that we received from Standard and Poor's really
13 astounded quite a few of the Wall Street analysts. They
14 were quite surprised that a company as young as ours would
15 be accorded that sort of recognition. Specific mention was
16 made in the Standard and Poor's and Moody's reports to
17 management expertise and the ability to compete, and again,
18 a young company with an experienced management team.
19 They've competed in other markets. They know how
20 competition is conducted in Nevada and Atlantic City and
21 other places.

22 Currently, I believe your familiarity with A rated
23 companies and above are typically referred to as investment
24 quality companies. The investment quality companies -- and
25 that terminology really relates to a lot of pension funds,

1 a lot of mutual funds -- are restricted to invest only in
2 those investment rated companies. I believe there is only
3 one gaming company currently that has investment rating,
4 and that's the Mirage organization. Double B plus is, I
5 believe, just one notch below investment quality; double B
6 is just two notches. There are about maybe eleven or
7 twelve classifications that would fall below investment
8 quality; so we are very close to investment quality. With
9 some more success and tenure, we're confident that we can
10 achieve and maintain a very strong standing in the
11 financial community.

12 MS. BOCHNOWSKI: Okay. Thank you.

13 MR. SUNDWICK: I have a couple questions about
14 your ownership. What percentage of your Illinois ownership
15 is involved in the Indiana -- the Lake Michigan Charters?

16 MR. HANSEN: Commissioner Sundwick, Mike Hansen.
17 All -- well, 2.48 percent of our ownership in Lake Michigan
18 Charters will, upon licensure, if we are successful, be
19 owned by Mr. Marty McNally. Another approximately 2.5
20 percent is presently owned in Empress by Gil Frandsen. He
21 is not an investor in Lake Michigan Charters, but is an
22 owner of Empress River Casino.

23 MR. SUNDWICK: So it's really a duplicate
24 ownership? It's almost --

25 MR. HANSEN: Almost identical, one for the other;

1 correct.

2 MR. SUNDWICK: Was there any -- you know, as you
3 put this program together, was there any idea of having
4 local involvement in your --

5 MR. HANSEN: Phil Bayt will address that
6 question. He was involved at the time with the letter of
7 intent and that issue.

8 MR. BAYT: Commissioner, when we put the package
9 together for an application for Hammond, we did look at the
10 issue, but we found it very difficult to understand how we
11 could attract real investors who would make a real
12 commitment of real cash and be willing to accept unlimited
13 capital calls, which our other owners were willing to
14 accept. As the hearings evolved, we couldn't understand
15 how we could craft a fair process, and we didn't want to
16 craft a process that would identify people as investors on
17 the basis of who they knew or who they were. And as a
18 result, we focused on maximizing local benefits, by having
19 the most aggressive local benefits package we could,
20 deciding to buy in Hammond first, both during construction
21 and operation, and to have an incubator program to maximize
22 the benefits for as many people as we could rather than to
23 enrich just a few.

24 MR. SWAN: Could I ask a follow up, please.

25 There was some question about local ownership and some 15

1 percent figure being tossed around. Could you address that
2 issue and clarify in my mind what the issue is and where it
3 stands now?

4 MR. BAYT: Yes. Mike Hansen.

5 MR. HANSEN: Yes, sir, Commissioner Swan. That
6 issue came up approximately when our letter of intent was
7 entered into in September of 1993. As I mentioned earlier,
8 Martin McNally, who will be one of our investors upon
9 licensure and who brought this idea to the Empress, was
10 mentioned at one time as being able to obtain up to a
11 maximum of 15 percent in Lake Michigan Charters. When all
12 of the capital was invested by the present owners,
13 Mr. McNally, who had also contributed legal services on
14 behalf of Lake Michigan Charters with respect to the
15 ongoing two and a half years, contributed the value of his
16 legal services at his regular hourly rate in exchange for
17 what then ended up to be a 2.5 percent interest in Empress
18 River -- excuse me; in Lake Michigan Charters. At the time
19 when Mr. McNally brought the idea to the table, we did not
20 know what that eventual figure would be. We put a cap on
21 it that it could go to 15 percent, but it only ended up to
22 be 2.5.

23 MR. SWAN: Was that really clear with the City of
24 Hammond when you talked with them as well? Did they
25 understand it that way?

1 MR. BAYT: Phil Bayt. The City of Hammond, after
2 the endorsement process, asked us to consider local
3 investors. As I indicated, we did take a look at that.
4 But as the hearings unfolded around the State, we just
5 couldn't figure out a way to do it fairly.

6 MR. SWAN: All of that happened after you were
7 endorsed by the City as far as the discussion on the 15
8 percent or any local investors?

9 MR. BAYT: That happened after.

10 MR. SUNDWICK: So we have a bunch of Illinois
11 investors that really started out in Joliet with an idea to
12 invest in Joliet in that opportunity, and they appear to be
13 mostly Illinois citizens; am I right?

14 MR. HANSEN: Commissioner Sundwick, Mike Hansen.
15 All of the owners of Lake Michigan Charters are in fact
16 Illinois citizens. But I should point out that two of our
17 owners, Mr. McHenry seated behind me, is the owner of Gas
18 City gas stations, which own at least six stations, to my
19 knowledge, in Lake County, and also has the contracts for
20 the service stations along the Indiana Toll Road;
21 Mr. Lambert, the Chairman of our Board, has a construction
22 company. He does substantial work in the State of Indiana.

23 MR. SUNDWICK: That's all right. I'm just trying
24 to get an idea of who -- you know, local people in Illinois
25 originally invested in a Joliet boat. Now they have

1 interest in the Hammond boat. Am I correct?

2 MR. HANSEN: That's correct, sir.

3 MR. SUNDWICK: Okay. Do they have any other
4 interest in any other gaming within Indiana or Illinois,
5 collectively, separately?

6 MR. HANSEN: Commissioner Sundwick, Mike Hansen.
7 The only individual who is an owner of Lake Michigan
8 Charters who has another interest is Mr. McHenry, who is an
9 owner of -- part owner of the Alton Belle, the Alton Belle
10 Casino, otherwise known as Argosy. Also, therefore, he has
11 a small percentage interest, approximately 2.5 percent, in
12 the Lawrenceburg project.

13 MR. SUNDWICK: That's all? That's the only
14 other --

15 MR. HANSEN: That's the only one, yes, sir.

16 MR. SUNDWICK: Okay. Thank you.

17 MR. VOWELS: This Attorney Martin McNally, his
18 2.48 percent is in lieu of attorney fees; is that correct?

19 MR. HANSEN: Commissioner Vowels, Mike Hansen.
20 Mr. McNally did perform legal services on behalf of Lake
21 Michigan Charters, has submitted a bill for those services
22 at his regular hourly rate, was paid for those services,
23 and then will, upon licensure, contribute that money to the
24 Empress in the form of a capital contribution in order to
25 receive his stock in Lake Michigan Charters.

1 MR. VOWELS: What sort of services did he provide
2 specifically?

3 MR. HANSEN: Mr. McNally was instrumental in the
4 ongoing operation of this idea, starting first with the
5 leasing of the Milwaukee Clipper and early discussions,
6 negotiations with the City of Hammond back in 1993.

7 MR. VOWELS: All right. Speaking of that, and I
8 haven't kept a record of when the gaming companies became
9 incorporated in the State of Indiana, but Lake Michigan
10 Charters, Limited became incorporated on November 25, 1992;
11 is that correct?

12 MR. HANSEN: That's correct, sir.

13 MR. VOWELS: And that certainly is in
14 anticipation of the gaming statute that didn't pass until
15 June of 1993 and sort of took some of us by surprise. Was
16 there ever any intention anywhere else in the State of
17 Indiana or was it solely Hammond, and that began as far
18 back as November of 1992?

19 MR. HANSEN: Commissioner Vowels, Mike Hansen.
20 My understanding at that particular time was that
21 corporation was set up by Mr. McNally solely in order to
22 pursue an idea that he had, and he was doing it at that
23 time on his own.

24 MR. VOWELS: All right. When did you all come
25 into this after that?

1 MR. HANSEN: Mike Hansen, Commissioner Vowels.
2 We came in in approximately late December of 1992, early
3 January 1993, when the Hammond Port Authority happened to
4 put a notice in the newspaper advertising for bids for the
5 Milwaukee Clipper, lease of the Milwaukee Clipper.

6 MR. VOWELS: But it was your intention as a
7 gaming enterprise in anticipation of the statute eventually
8 passing; is that correct?

9 MR. HANSEN: Yes, sir. That was one of the
10 focuses with respect to that. Mr. McNally, as I indicated
11 earlier, an attorney, had been involved a few years before,
12 when, it is my understanding, that gaming had been
13 mentioned possibly in Indiana, although no legislation had
14 even been introduced in the late 80's. So he had these
15 ideas. He had been working with other people. And that's
16 what gave him the genesis then of -- when it looked like
17 this idea might come up again in 1992. He of course, being
18 a lawyer, wanted to set up a separate corporation so he
19 could protect liabilities, etc., as he progressed in that
20 venture.

21 MR. VOWELS: All right. How far is Joliet from
22 here?

23 MR. HANSEN: Joliet from the Milwaukee Clipper
24 site is 48 miles.

25 MR. VOWELS: How far a distance drive time; do

1 you know?

2 MR. HANSEN: It takes approximately one hour to
3 get from the Clipper to the Empress site.

4 MR. VOWELS: Okay. And you didn't have any
5 interest in any other areas in the State of Indiana; just
6 Hammond?

7 MR. HANSEN: Hammond was our only interest yes,
8 sir.

9 MR. VOWELS: All right. Without getting too
10 patriotic, can you tell me from a financial and business
11 standpoint, why Hammond?

12 MR. BAYT: Kevin Larson.

13 MR. LARSON: Kevin Larson. Commissioner, it
14 really goes back to the fact that we looked at our database
15 and did the analysis of where our guests were coming from,
16 and we weren't doing very well coming out of the central
17 part of Chicago. We weren't doing well coming out of the
18 north side or the near north suburbs. Also, we looked at
19 northwest Indiana. And frankly, we've just grown to have
20 almost 9 percent of our guests come from northwest Indiana.
21 Back in 1992, it was significantly less than that. We've
22 seen a terrific opportunity.

23 MR. VOWELS: When a boat comes to Hammond, do you
24 anticipate that you'll lose that 9 percent if you weren't
25 the applicant -- if you weren't the successful applicant?

1 MR. LARSON: Certainly some of it. We hope to --
2 expect to retain some of it as well. I think people enjoy
3 coming to the Empress.

4 MR. VOWELS: As far as the overlap, then it would
5 be a 9 percent overlap with Joliet if you had a boat here,
6 or anyone else in the market?

7 MR. LARSON: Maybe a few more points than that;
8 between 10 and 15.

9 MR. VOWELS: And that's the extent of the
10 competition that you would see, a 10 to 15 percent overlap?

11 MR. LARSON: Yes.

12 MR. KLINEMAN: What about a non-compete? What
13 are you willing to do in that respect?

14 MR. BAYT: Chairman Klineman, Phil Bayt. I'm
15 going to give you a shorter answer than yesterday: Yes.
16 And here's our promise to you: Charters, Charter
17 shareholders, Empress, and Empress shareholders will agree
18 for a period of five years from the date of issuance of a
19 license not to pursue other casino gaming activities within
20 a radius of 50 miles of the Empress Casino Hammond.

21 MR. KLINEMAN: Okay. And could we have the chart
22 again with the red and green circles as to where people
23 will be coming from?

24 MR. BAYT: Well, we'll try our best.

25 MR. KLINEMAN: Beg pardon?

1 MR. BAYT: We'll try our best to get it up there.

2 MR. KLINEMAN: John's been doing a good job of
3 calling them up.

4 (Discussion was held off the
5 record.)

6 MR. KLINEMAN: Does anybody know the one I'm
7 talking about?

8 MR. BAYT: It's on the video, and we'll try to
9 pull it up.

10 (Discussion was held off the
11 record.)

12 MR. BAYT: No, we can't pull it up. I'm sorry.

13 MR. KLINEMAN: Okay. Well, I'll go forward then.
14 What percentage do you view as coming from Illinois as
15 against coming from Indiana in your operation, your circles
16 and so forth?

17 MR. BAYT: Kevin Larson.

18 MR. LARSON: Kevin Larson. Between 80 and 85
19 percent.

20 MR. KLINEMAN: From Illinois?

21 MR. LARSON: Yes.

22 MR. KLINEMAN: Okay.

23 MR. SWAN: Could I ask one more question, please.
24 We discussed yesterday just briefly this concept of average
25 win, and there's quite a difference in numbers and the

1 proposals that we have. Would you give me your viewpoint
2 on the 48 dollar amount that you have in your projection,
3 please?

4 MR. BAYT: Kevin Larson.

5 MR. LARSON: Yes. The 48 dollar per passenger
6 win in our most likely scenario is based upon what we again
7 have experienced in the market. What we have seen is,
8 incrementally, that as more people have become interested
9 in gaming product that they are more casual gamblers, if
10 you will, than the people that showed up at the front door
11 when gaming was first introduced. What we have seen from
12 the Illinois boats across the state and also in Chicago is
13 that the passenger win has been declining over time.

14 I found it interesting, frankly, that one of the
15 applicants with the largest vessel had projected a number
16 that would exceed the best performing Illinois boat with a
17 single boat operation. With more boats in northwest
18 Indiana and certainly the continuing operations in
19 Illinois, I found that to be somewhat aggressive. But our
20 48 dollars we feel is realistic given the fact that, again,
21 we anticipate we're going to be bringing a lot of new
22 guests to our property, if it is our property, in Hammond,
23 that really history would demonstrate don't have as high a
24 worth, if you will, as people that have been coming
25 already.

1 MR. MILCAREK: You've stated an opening date of
2 July 4 with a penalty. What was that penalty, a million
3 dollars a month?

4 MR. HANSEN: Commissioner, Mike Hansen. Yes,
5 sir.

6 MR. MILCAREK: Does this mean that on July 5 you
7 would start on a penalty or do you have a 30-day grace
8 period there that you have to go an entire month, or when
9 would the penalty actually take effect?

10 MR. HANSEN: I'm going to shift that to Phil Bayt
11 because this is based in part on our letter of intent with
12 the City of Hammond, and he is the person responsible for
13 that letter.

14 MR. BAYT: Commissioner, Phil Bayt. We have a
15 letter of intent in place already with the City, and it
16 does describe a liquidated damages provision. And it had
17 an October 1, 1994 date in there; but of course, because of
18 delays in gaming, that date has come and gone. What we'd
19 do would be to insert that July 4, 1996 date into that
20 spot. And it would say that the penalty would start,
21 subject to matters beyond our control, July 5. And it
22 would be a daily per diem, so we wouldn't have any grace
23 period whatsoever. It would start July 5. I would suspect
24 and hope that we could pay it on a monthly basis if that
25 should come to pass. We don't expect to be able -- to be

1 in a position to have to pay it. We expect to be open.

2 MS. BOCHNOWSKI: Now, as far as your letter of
3 intent with the City, you have indicated that you're going
4 to make certain contributions, and one of those is -- wait
5 a minute. I've got to get to the right -- a foundation --
6 yes, here we go. Okay. Now that one is 909,000, I
7 believe. Wait. Community based foundation. Oh, okay.
8 Never mind. Don't worry about that number. It's based on
9 future predictions. But anyway, my question is about the
10 Hammond foundation. What is that foundation going to do?
11 Who's going to run it? Where is the control for that?

12 MR. BAYT: Commissioner, Phil Bayt. What we
13 would envision is that Lake Michigan Charters would not run
14 that foundation at all; rather the community at large,
15 based upon a wide representation of the community, from the
16 business community, from the educational community, from
17 neighborhood leaders and neighborhood groups, and from a
18 variety of different civic and not-for-profit organizations
19 would come together and form a board that would identify a
20 vision and a set of policies to utilize the million dollars
21 and other contributions that would be forthcoming and
22 distribute those moneys to other not-for-profits or to
23 worthy causes based upon the policies established by that
24 board.

25 MS. BOCHNOWSKI: Who will choose these community

1 people?

2 MR. BAYT: We would hope that a broad consensus
3 could emerge that would include the Mayor, the Common
4 Council, members of the Chamber of Commerce, civic
5 organizations, business leaders, and neighborhood leaders.
6 We don't have -- we are not trying to run that process. We
7 are trying to ask the City and city leaders to create a
8 process, but that has that kind of diversity and
9 representation.

10 MS. BOCHNOWSKI: Okay. And then the other thing
11 you have indicated, you would be purchasing the bird tract,
12 the NIPSCO property. How much are you going to be spending
13 for that?

14 MR. BAYT: The total price is 2.75 million
15 dollars as negotiated currently by the City. That's
16 actually for three different parcels of property. One is
17 the 16-acre parcel along the lakefront, and two others are
18 to the south that would be a part of Port Authority
19 property when everything is said and done. That property,
20 of course, then would be preserved for the bird sanctuary
21 and green space.

22 MS. BOCHNOWSKI: So you're purchasing property
23 from NIPSCO and from the Port Authority?

24 MR. BAYT: No. They're three different NIPSCO
25 parcels of property.

1 MS. BOCHNOWSKI: Oh, oh, okay. So it's all from
2 NIPSCO; this 2.7 million goes to NIPSCO? Has there been
3 any discussion of why NIPSCO has not in fact donated this
4 property, which I'm sure cannot be developed because it's
5 been identified as a bird sanctuary? I don't understand
6 why 3 million dollars can't go to something else and NIPSCO
7 can donate that.

8 MR. BAYT: That is a good question. We don't
9 have an answer for that.

10 MS. BOCHNOWSKI: Well, I'll ask the City, too.

11 MR. BAYT: I understand.

12 MR. VOWELS: The projected revenues that we show
13 here, are those based upon the performance of the Joliet
14 boats or how did you come to that figure? I show, just to
15 start off with a figure here, annual adjusted gross gaming
16 receipts, the first year you've predicted a little over 149
17 million dollars. Can you tell me how you came to that
18 figure?

19 MR. LARSON: Yes, Commissioner. This is Kevin
20 Larson. Those projections were developed based on our
21 knowledge of the marketplace as we've experienced it in
22 Joliet; analysis not only of where we were at when we put
23 those projections together, but the trends that were
24 developing. We continue to feel very confident in the
25 projections that we've made.

1 MR. VOWELS: Okay. I have in front of me an
2 Illinois average. It shows Illinois average of the boats
3 there, and I don't know if you're above or below this in
4 Joliet. But 84 million dollars as far as annual adjusted
5 gross gaming receipts; how does that reflect as far as what
6 you have in Joliet?

7 MR. LARSON: Gross receipts you said was 84?

8 MR. VOWELS: 84 million dollars is the Illinois
9 average.

10 MR. LARSON: The Empress in 1994 won
11 approximately 205 million dollars.

12 MR. VOWELS: All right. And that's two boats?

13 MR. LARSON: Two boats.

14 MR. VOWELS: Okay. Here's what I'm getting at:
15 It shows your applicant average over the five-year period
16 of 152 million, which is approximately 80 percent above the
17 Illinois average. Even if you have two boats, and if you
18 took the simple minded way and split what you just told me,
19 that would be a hundred million dollars a boat?

20 MR. LARSON: Commissioner, Kevin Larson. I feel
21 that an awful lot of that premium, if you will, is a
22 reflection of our ability to market the property, a
23 reflection of the brand equity, the name awareness, the
24 excellent reputation for guest service that we've
25 established.

1 MR. VOWELS: Are we talking about a bigger market
2 here, as far as the people within a certain radius, than
3 what you have in Joliet?

4 MR. LARSON: There are more people that live
5 closer to Hammond than Joliet, certainly.

6 MR. VOWELS: And would that account for the
7 annual attendance? I don't know what your annual
8 attendance is in Joliet. Do you know?

9 MR. LARSON: The annual attendance in Joliet is
10 about -- I think last year we did 3 million 160 thousand
11 passengers.

12 MR. VOWELS: And that's two boats?

13 MR. LARSON: Yes.

14 MR. VOWELS: All right. And your annual
15 attendance here, the prediction is 3 million 120 thousand?

16 MR. LARSON: That's correct. The difference --
17 where we may be heading with this, Commissioner, if I
18 could --

19 MR. VOWELS: I'm just trying to clarify.

20 MR. LARSON: Yes. The difference in cruise
21 schedules comes into play as well. If you've only got a
22 single boat operation, people are going to stay below --
23 excuse me; not below -- past the bottom of the hour. If
24 they stay past the bottom of the hour, even if they get off
25 the boat before the boat leaves again, it's another

1 admission. So therefore, with a single boat operation, the
2 admissions are somewhat inflated vis-a-vis the number of
3 people that actually show up at the front door.

4 MR. VOWELS: Okay. I'm also showing that your
5 excursions in Hammond will be one to three hours in length;
6 is that correct?

7 MR. LARSON: As we sit here today, it would be an
8 hour and a half.

9 MR. VOWELS: All right. The statute allows a
10 half an hour to embark and a half an hour to disembark. Do
11 you think that hour and a half cruise will be long enough?

12 MR. LARSON: Certainly.

13 MR. VOWELS: I've got a few questions that really
14 have no relationship to each other, so if you need to jump
15 in at some point in time, do. I've got a list of lawsuits
16 here. There is a shareholders suit that I saw here. And
17 was that the result of a buyout of four shareholders in
18 July or what was that?

19 MR. HANSEN: Are you referring to the Kruge
20 lawsuit?

21 MR. VOWELS: Let me look here and see (reviewing
22 documents). Right, yes.

23 MR. HANSEN: Commissioner Vowels, Mike Hansen.
24 That matter has now been settled. It was settled in June
25 of this year.

1 MR. VOWELS: Was that a result of that buyout of
2 the four shareholders? Is that connected? Is it the same
3 people or not?

4 MR. HANSEN: Really what -- the early question
5 that Commissioner Sundwick asked, is that what your
6 question pertains to? It really was kind of no relation, I
7 don't believe, to any earlier --

8 MR. VOWELS: Okay. I show here that in July of
9 1995, four former shareholders were bought out by the
10 remaining twelve individuals. Were those --

11 MR. HANSEN: Yes, that's correct. Mr. Frandsen
12 was at one point in time an owner of Lake Michigan
13 Charters. He elected to get out, and his shares were
14 redeemed by the other owners pro rata. There were also the
15 three Kruge siblings who were also owners in Lake Michigan
16 Charters as well as Empress River Casino. Those shares
17 were also purchased at that time pro rata by the other
18 owners of Lake Michigan Charters and Empress River Casino.

19 MR. VOWELS: Okay. And then moving on here, the
20 Bristol Court versus Empress case was to go to arbitration
21 on September 29. What's the status of that?

22 MR. HANSEN: The arbitration was held. Empress
23 ended up paying approximately 4,000 dollars to settle that
24 matter. It's now been completed.

25 MR. VOWELS: Okay. So everybody's in agreement

1 on that arbitration?

2 MR. HANSEN: Yes, sir.

3 MR. VOWELS: And then there was one other that
4 was to go to trial on October 2; status of the Richard Frye
5 versus Empress?

6 MR. HANSEN: That matter is an insurance defense
7 case. That matter was continued by the Will County Circuit
8 Court. Trial date is now going to be in December. But
9 that matter is being handled by our insurance carrier, and
10 there is full and complete coverage for that matter.

11 MR. VOWELS: I have nothing further.

12 MR. KLINEMAN: Okay. Mr. Thar?

13 MR. THAR: I don't have very many questions; and
14 if you'd keep the answers brief and to the point, I'd
15 appreciate it. If I understand your presentation
16 correctly, you showed revenues, annually generated revenues
17 today, of 193 million?

18 MR. LARSON: Yes. That's our best case.

19 MR. THAR: Okay. That is taken off your best
20 case scenario, not your most likely; is that right?

21 MR. LARSON: That's correct. This is Kevin
22 Larson.

23 MR. THAR: Second, you've mentioned your letter
24 of intent with the City of Hammond. There's been a lot of
25 controversy over an amended letter of intent. Could you

1 please list for the Commission members what the original
2 letter provided, what the amendments to it have been?

3 MR. BAYT: Yes. Phil Bayt. In June of this
4 year, when finalizing our part two, we took a look at the
5 local benefits package because of a change in the industry
6 and a change in the law, and we attempted to rework our
7 benefits package to keep the same or better benefits, but
8 to capture the change in the industry and the change in the
9 law. In 1993, riverboats in Illinois were all charging for
10 parking. In 1995, no one in Illinois was charging for
11 parking. Our letter of intent contained a provision for a
12 local benefit based upon so many dollars per car. Since we
13 couldn't charge that and since we wanted to have a free
14 flow of traffic through the parking garage, we wanted to
15 make sure that we captured that same local benefit for the
16 community. So instead of a 3 percent overage on gross
17 revenues, we bumped that to a 4-6-4 percentage in lieu of
18 the parking charge, and that provides the same benefit at
19 our mid case and a greater benefit to the local community
20 at the upper case.

21 MR. THAR: Could you explain what 4-6-4 means?

22 MR. BAYT: Yes. 4 percent -- instead of 3
23 percent across the board of gross revenues, 4 percent of
24 gross revenues up to 125 million dollars of gross
25 revenues -- gross gaming revenues, 6 percent between 125

1 million and 200 million, and 4 percent above 200 million.

2 In 1993, when we put our benefits package together, we
3 expected that the taxes on our vessel, the Empress III,
4 would be about 50 to 60 thousand dollars a year at the
5 marine tonnage rate. In 1995, due to a change in the law
6 in 1994, our boat, the Empress III, was going to be taxed
7 as real property and at real property tax rates, which
8 would be a property tax annually of somewhere north of a
9 million dollars, a million-one, million-two, maybe
10 somewhere in there. And as a result, we restructured our
11 benefits package to provide the same level of benefits as
12 we did in 1993, and we filed our amendment in that respect.

13 After the filing of that amendment -- and we
14 coordinated with the City on that filing. But after that
15 amendment, members of the local government, including
16 members of the Common Council, became concerned about those
17 changes, and they asked us to explain -- the Council in
18 particular asked us to explain those changes. In the
19 course of doing that, the Council members made it clear
20 that it should be a business risk of the gamer and not the
21 community, that a change in the tax law would impact the
22 gamer rather than the community; and that is certainly a
23 business decision. And the owners of Lake Michigan
24 Charters agreed with that business decision as put forth by
25 local government leaders. And as a result, we withdrew the

1 request with respect to the restructuring of the tax
2 component. So our benefits package now is what it was in
3 1993 with respect to taxes, plus obviously the obligation
4 to pay real property taxes on the boat that's in the law
5 now.

6 MR. THAR: Is that amendment what has caused or
7 seems to have caused, at least in part, a partial
8 withdrawal of support from the Council for Empress?

9 MR. BAYT: We had a meeting of the Common Council
10 on the issue where we explained the matter to the Common
11 Council, and our endorsement by the Common Council remains
12 intact.

13 MR. THAR: There's been a lot of press and
14 controversy over the role of Jim Bennett with the City as
15 to whether or not he's an Empress employee or being paid by
16 Empress. Could you answer that question as to whether or
17 not he is, and what the role, the relationship between
18 Empress and Jim Bennett has been?

19 MR. BAYT: Yes, Mr. Thar. Jim Bennett is a
20 member of the Hammond Riverboat Group. He's employed by
21 the City of Hammond, not by Lake Michigan Charters. In
22 1993, in the letter of intent, Charters agreed to pay the
23 City's reasonable gaming expenses because the City was not
24 financially in a position to pay those expenses. As a
25 result, Charters has received numerous invoices from

1 Mr. Bennett and the Hammond Riverboat Group, from the law
2 firm of Baker and Daniels, and from a variety of law firms
3 in Hammond and other professional companies that all have
4 worked on behalf of the City of Hammond. Lake Michigan
5 Charters has reviewed those invoices, sent them on to our
6 bond trustee. The bond trustee has approved payment.
7 Those invoices were also sent to the city comptroller. The
8 city comptroller approved those payments. We have
9 obviously kept records. We have the invoices. We have the
10 checks. And we've provided those to anyone who has had
11 interest in looking at those numbers.

12 MR. KLINEMAN: One quick question: After this
13 Commission passed its resolution in September of '93, was
14 there any talk of abrogating the letter of intent on the
15 part of Empress or on the part of the City and open the
16 proceedings up, since I believe your letter of intent
17 predated our resolution?

18 MR. BAYT: It did; it did. No, we did not
19 discuss with the City nor did the City discuss with us that
20 issue. We believe, of course, it's important to understand
21 that the Commission makes the decision, not the local
22 government; and we respect that situation. And I think
23 it's also important to understand who competed, who had an
24 open process. And those are issues that you're going to
25 have to address with the City in their City presentation.

1 MR. KLINEMAN: Okay. Anybody have anything
2 further?

3 MR. LARSON: Chairman Klineman, if I could
4 provide a point of clarification to a very early question
5 relative to the hotel development. I just would like to
6 point out that in fact we have committed to 25 million
7 dollars of additional non-gaming development for Hammond.
8 That was an element of our letter of intent going back to
9 1993. It's also contained in our application. I just
10 wanted to point out relative and in the context of the
11 hotel discussion that we had, that we have committed to 25
12 million of additional development, and the financing for
13 that 25 million is in place today. So I just wanted to
14 make sure that we had that.

15 MR. KLINEMAN: Okay. And this is the development
16 where you haven't decided exactly what it will be, but it
17 is a firm commitment that it will in fact happen over some
18 period of time?

19 MR. LARSON: Yes. In fact, it will happen over a
20 period of the first four years of our license, to the
21 extent that we're granted one. I'd also like to point out
22 there is one element that we'd like to suggest be
23 segregated, and that would be that 5 million dollars of the
24 25 million be directed towards housing in the Hammond
25 community. This would be for market rate housing in the

1 community. We'd like to be able to work with financial
2 institutions in the area to be able to put together an
3 effective program in that regard.

4 MR. KLINEMAN: Explain that real quick to me.
5 You're talking about you would make money available to make
6 mortgages to low income people or something, or you would
7 give 5 million dollars to build houses for people to live
8 in?

9 MR. LARSON: Phil, if you would.

10 MR. BAYT: Phil Bayt. No, the Hammond economic
11 strategy study identified a variety of visions for the City
12 of Hammond. That study was just done recently. And one of
13 those visions was for development along Indianapolis
14 Boulevard, which is consistent with our 1993 plan. But in
15 addition, it called for the revitalization of downtown and
16 noted that the housing stock in Hammond is getting quite
17 old, and there haven't been a lot of new opportunities for
18 housing in Hammond. We're going to have 1,234 good paying
19 jobs with good -- with well paid employees who are going to
20 want to live in good housing in Hammond. We're committing
21 that 5 million of the investment is going to be in housing,
22 either by way of houses that we will help build and sell or
23 mortgage money that would be available, or some variety of
24 components so that we can revitalize the housing stock of
25 Hammond.

1 MR. KLINEMAN: Okay. But that would not be an
2 outright grant? Basically it would be making available
3 mortgage money of some sort?

4 MR. BAYT: It would not be a grant. It is an
5 investment in the community in order to grow the economy.

6 MR. KLINEMAN: Anybody else have anything?

7 (No response.)

8 MR. KLINEMAN: What is your pleasure? It's now
9 quarter of 1:00. We were supposed to finish at 12:00 and
10 come back at 1:00. Should we come back at 1:30 or do you
11 want a full hour?

12 (Discussion was held off the
13 record among Commission.)

14 MR. KLINEMAN: Okay. Then we will -- thank you
15 Mr. Larson and Mr. Sabo for the presentation. And we will
16 then recess until 1:30, at which time we will have the City
17 of Hammond. Thank you.

18 (Proceedings were adjourned
19 for lunch recess at 12:45 p.m.)

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STATE OF INDIANA)
) SS:
COUNTY OF PORTER)

REPORTER'S CERTIFICATE

I, RUTH GRISSMAN, a duly qualified stenotype reporter and duly authorized to administer said oath, do hereby certify that the foregoing proceedings were had before me on Wednesday, October 18, 1995, at the Hammond Civic Center, 5825 Sohl Avenue, Hammond, Indiana.

I further certify that I then and there reported in machine shorthand the proceedings so given at said time and place, reduced the same to typewriting from my original shorthand notes, and that the foregoing is a true, correct, and complete transcript of said proceedings.

IN WITNESS WHEREOF, I hereby affix my name and seal this 22nd day of November, 1995.



Ruth Grissman,
Shorthand Reporter
My Commission Expires 4-30-99