

BEFORE THE INDIANA GAMING COMMISSION

CONTINUATION OF HEARING
OF THE FIFTH OHIO RIVER LICENSE

TRANSCRIPT OF PROCEEDINGS

ORIGINAL

DATE: October 23, 1997
PLACE: Indiana Government Center Auditorium
402 West Washington Street
Indianapolis, Indiana
REPORTED BY: Deanne S. Hutson, Notary Public

MEMBERS OF THE COMMISSION

Donald R. Vowels, Chairman
Thomas F. Milcarek
Ann Marie Bochnowski
Robert Sundwick
Richard J. Darko
Dr. David E. Ross, Jr.
Robert Swan

ALSO PRESENT

John J. Thar, Executive Director
Members of the Staff

* * * * *

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1 CHAIRMAN VOWELS: We're going to call
2 the meeting to order now. The meeting will now
3 begin of the Indiana Gaming Commission. It is
4 9:10. All commissioners are present.
5 Commissioner Swan has joined us and is here for
6 the meeting today so we have a full quorum.
7 Anything before we begin, Mr. Thar?

8 MR. THAR: No.

9 CHAIRMAN VOWELS: The first presentation
10 is by Boomtown/Hilton. We are going to adhere to
11 the schedule as posted on the agenda and we're
12 starting ten minutes late. Boomtown/Hilton's
13 presentation is forty minutes. We will hold you
14 to that time, and if you're ready to go.

15 TIM PARROTT: Mr. Chairman, Members of
16 the Commission, Executive Director Thar and
17 Members of the Staff, my name is Tim Parrott.
18 I'm the CEO of Boomtown, a Hollywood Park
19 company. It's a pleasure to be back again and
20 have this opportunity to meet with you and talk
21 about our exciting unique project and the team
22 that we have. Before I start, in addition to the
23 presenters, we're also joined by Wally Barr,
24 Executive Vice-President of Hilton Gaming, who is
25 sitting over on the left. Be available for

1 questions and Tim (inaudible), Vice-President of
2 Development for Hilton Gaming.

3 The process of awarding this fifth and final
4 Ohio River license has been a long and difficult
5 road for all of us. I stand here today to tell
6 you that we are as committed now to the develop-
7 ment of this project as we were when we first
8 purchased Pinnacle Gaming and submitted our
9 initial proposal back in December of 1995. We
10 have stayed the course.

11 Today's presentation we will review the many
12 outstanding features of our project. We will
13 introduce you to the newest official member of
14 our dynamic team, our new parent company,
15 Hollywood Park. We'll update you on those things
16 that have changed with our project and describe
17 how the competitive horizon has changed since we
18 presented to you approximately fourteen months
19 ago.

20 We strongly believe that the southeast Indiana
21 market performance clearly shows the time is here
22 to award us this license. We ask that you allow
23 us to fulfill our desire to invest approximately
24 \$120 million in your state. We urge you to
25 maximize the overall economic return to your

1 citizens which was originally envisioned in the
2 law with the resulting generation of gaming tax
3 dollars, the creation of good quality jobs and
4 through much needed reinvestment in your
5 communities.

6 At this time I'd like to turn the podium over
7 to Bob List who will refresh your memory on our
8 project and I'd also like to thank the good
9 people of Switzerland County for showing up this
10 morning. Thank you.

11 BOB LIST: Thank you, Tim, and good morning
12 Chairman Vowels and members of the staff and
13 friends. The Hilton/Boomtown/Hollywood Park team
14 is a powerful combination with over one hundred
15 years experience in hospitality and seventy-five
16 years in gaming. Hilton and Boomtown have been
17 working together on this project for over two
18 years and Boomtown's June merger with Hollywood
19 Park adds a major dimension of operating
20 experience, property development experience and
21 financial strength. At this point I'd like to
22 show you a brief video on our new combined
23 company and on our partner Hilton

24 (A video presentation was made at this
25 time.)

1 BOB LIST: I apologize for stepping on
2 the beginning of that video. We are anxious to
3 get going with this project. As you've seen,
4 this team has very serious fire power. When you
5 combine the financial strength and the property
6 development skills of Hollywood Park with the
7 long-proven track record of Boomtown in
8 developing and operating highly successful themed
9 gaming operations, you have a very powerful
10 combination, and you add to that mix the
11 expertise of the world's largest gaming company
12 and what you have quite simply is an insurance
13 policy that, one, this project will be done
14 right, on time, on budget and as proposed and,
15 two, that it will be successfully operated to
16 assure the desperately needed benefits for the
17 region, major new tax source for the state.

18 As exciting as this team is, our project is
19 even more exciting. Working together we've
20 developed a facility which will be a true
21 destination resort. It will include all of the
22 components necessary to ensure success for the
23 long-term, a 300-room first-class hotel, meeting
24 and conference facilities, a buffet and specialty
25 dining outlets, five-outlet food court, specialty

1 retail outlets, entertainment venues, a childcare
2 center and RV park and, of course, an 18-hole
3 championship golf course and clubhouse facility.

4 When it comes to the development and operation
5 of true resorts, our team's experience speaks for
6 itself. Not only is Hilton owner and operator of
7 some of the finest golf course resorts in the
8 world, but Hollywood Park, under the leadership
9 R.D. Hubbard who is owner of the Big Horn Golf
10 Club in Palms Springs, California, has the
11 knowledge and experience to guarantee success.
12 We believe that we have a truly exceptional site.
13 Let me now show you a brief video.

14 (A video presentation was made at this
15 time.)

16 BOB LIST: We've done all of the
17 necessary studies to tell us that this site
18 development is a dream. The water level
19 fluctuation in this portion of the river is at
20 the barest minimum and these unique
21 characteristics dramatically simplify design and
22 development issues us. We resolved all of our
23 utility requirements and have a complete Army
24 Corps application on file awaiting action pending
25 award of a certificate. The site is ready to go.

1 Our riverboat will be a state-of-the-art facility
2 built specifically for this project which will
3 contain 35,000 square feet of gaming space and
4 include nearly 1,700 gaming positions. Between
5 Hilton and Boomtown we've built or bought five of
6 the industries finest gaming vessels and we know
7 how to do it right.

8 The development cost of our project is
9 approximately \$122 million. It includes all of
10 the facilities described. This is not a phase
11 project. The project components we presented to
12 you will be built up-front as part of the
13 permanent project. While we've allowed for
14 expansion in the future, we will not skimp when
15 it comes to developing a resort that will dazzle
16 the very first guest to arrive at our front door
17 and all those who follow. Our project costs
18 includes a figure of \$4.3 million which we will
19 put directly into the regional community in
20 up-front grants. Through cooperative
21 negotiations with Switzerland and surrounding
22 counties, we've also developed a revenue sharing
23 program of grants and donations to instantly
24 kick-start this region. These funds will go
25 toward rebuilding roads, improving health care,

1 enhancing fire safety and developing community
2 facilities for all the citizens to enjoy.

3 Working closely with the fine representatives
4 of Switzerland County we've also committed a
5 comprehensive revenue sharing program with
6 Jefferson County, Ripley and Crawford Counties,
7 funds which those counties can put to work to
8 improve their communities in the true spirit of
9 the riverboat gaming act.

10 It is now my great pleasure to introduce Mr.
11 R.D. Hubbard, Chairman and Chief Executive
12 Officer of Hollywood Park.

13 R.D. HUBBARD: Thank you, Bob. Mr.
14 Chairman, Commissioners, it's a pleasure to be
15 here today looking forward to being involved in
16 Indiana. Most of you have heard about Boomtown
17 and Hilton before, but Hollywood Park is the new
18 player on the scene and I'd just like to take a
19 minute to give you a little history on Hollywood
20 Park. The company is approximately a sixty-year-
21 old public company started in 1938 and for
22 fifty-five years we were a one-track race track
23 running about a hundred days a year and dark the
24 rest of the time.

25 In 1991, early 1991 myself and a group of

1 investors came in and took control of Hollywood
2 Park. Since that time we have grown to operating
3 the race track year-round. Our revenues when we
4 came in were \$60 million a year. They had a
5 negative net worth and owed about \$110 million in
6 debt. Today we're a company of revenues, before
7 the Boomtown merger, of about \$160 million. We
8 have a net worth of \$160 million. We operate
9 three race tracks, two card club casinos and now,
10 with the merger of Boomtown, we're moving into
11 the full gaming area across the country, and Mr.
12 Mike Finnigan who is our President and Chief
13 Financial Officer will also tell you a little bit
14 about the financial strengths of Hollywood Park.
15 Thank you.

16 MIKE FINNIGAN: Thank you, Mr. Hubbard,
17 and good morning. I'd like to walk you through
18 some of the financial fundamentals of the
19 company, including its underlying strength and
20 asset base. As of June 30, 1997, reflecting the
21 merger with Boomtown, consolidated assets of this
22 stable company are over \$400 million. Included
23 in the asset base is our Inglewood Wood property,
24 home of the Hollywood park race track and
25 Hollywood Park casino. Total acreage for this

1 property located three miles from the Las Angeles
2 airport is 378. Of this land almost 150 acres
3 are available for development or expansion to
4 augment the race track and casino. We've owned
5 the land for over sixty years and therefore carry
6 the 378 acres on our books for only \$12 million.
7 A recent appraisal valued the property at
8 approximately \$200 million. Our Turf Paradise
9 property is similar. This company was formed
10 approximately fifty-five years ago and the 275
11 acres of prime land north of Phoenix is carried
12 on the books at just over \$600,000. A recent
13 appraisal valued the property at \$32 million.

14 Looking toward revenue strength. On a
15 proforma basis, the combined company of Hollywood
16 Park and Boomtown would have produced gross
17 revenues of \$337 million in 1996 and \$174 million
18 in the first half of 1997. As you can see, we
19 have an extremely strong foundation to build
20 upon. It was this foundation that allowed
21 Hollywood Park to reduce the overall cost of
22 capital to the combined Hollywood Park/Boomtown
23 company. Because Boomtown was saddled with
24 extensive debt Hollywood Park immediately after
25 completion of the merger drew down on its \$225

1 million bank facility to fund a redemption of
2 Boomtown bonds significantly improving the
3 company's financial position.

4 Hollywood Park has one of the more stable
5 balance sheets that you will find in the gaming
6 business with strong underlying asset values and
7 very low debt levels. However, asset value is
8 only one measure of our financial strength.
9 Since we struck our deal with Boomtown we have
10 seen our share price increase from ten dollars to
11 twenty dollars and our market capitalization grow
12 from \$200 million to over \$500 million.

13 As we look into the future into funding our
14 various projects and expansion opportunities, we
15 have the ability to the utilize our \$100 million
16 bank credit facility that is today unused. In
17 the event Hilton elects to reduce its partnership
18 percentage in this project, we've been assured by
19 our lead bank, Bank of America, that raising the
20 required funds -- and these are their words --
21 would be extremely easy, almost automatic. These
22 are strong words from one of the top banks in the
23 world and one that is focused on the gaming
24 business as we are.

25 I appreciate your time this morning and look

1 forward to a long and profitable relationship in
2 Indiana.

3 TOM BALTIMORE: Thank you, Michael. My
4 name is Tom Baltimore and I'm vice-president of
5 development for Hilton Hotels Corporation. I'd
6 like to take a few minutes to update you on our
7 project. The scope and development parameters of
8 our project have changed very little since we
9 stood before you last time. Nothing within the
10 building or the vessel has changed. We are still
11 committed to building the same first-class
12 destination resort. We have allowed our options
13 on two pieces of property to expire because we
14 have sufficient land. When we took over the
15 project in 1995, as we have explained in brief
16 presentations, we immediately secured rights to
17 an adjacent 190 acres we plan to develop.
18 Virtually all of this land is above the flood
19 plain. This project is vastly superior to the
20 original so we decided to release these original
21 pieces of land. This required change to our
22 parking area. As you can see here, we have
23 incorporated a two-story parking garage into the
24 main guest parking area immediately adjacent send
25 to the land-base facility to make up for the lost

1 parking spaces. The net result is a more
2 customer friendly and more efficient parking
3 layout.

4 As we all know, in March of this year there
5 was a major flooding event along the Ohio River.
6 I am pleased to report, as shown in this photo,
7 that our entire site stayed completely dry during
8 the entire flood. In fact, the flood you see
9 here was taken on March 6th approximately one
10 hour after the crest of the flooding. Our entire
11 development site was completely dry. This site
12 is a natural.

13 I am sure most of you have heard extensive
14 news reports of the tender offer which Hilton is
15 currently pursuing for the purchase of ITT. An
16 ITT shareholders meeting has been scheduled for
17 November 12th, at which time it will become clear
18 whether Hilton has been successful. Regardless
19 of the outcome, our team has proactively put into
20 place a plan which will ensure the development of
21 Switzerland County project under any possible
22 outcome. Obviously if Hilton is not successful
23 in its efforts to acquire ITT, our program will
24 continue as presented to the Commission. Should
25 Hilton be successful in its efforts to acquire

1 ITT resulting in a significant ownership interest
2 in the Harrison County project, the team members
3 have signed an agreement whereby Hollywood Park/
4 Boomtown will buy down Hilton's interest in the
5 project to a level of not more than ten percent
6 so as to be in compliance with Indiana law.
7 Hilton will continue to provide the project with
8 the power of the Hilton name, with the
9 reservation service and with sales and marketing
10 support.

11 Access to uor project has been a topic
12 expressed concern about. I am pleased to report
13 that a very significant event has occurred in the
14 advancement of the proposed high-speed connector
15 from I-71 in Kentucky to the dam area. A public
16 hearing was held nine days ago to discuss five
17 alternative routes for this new roadway. We
18 understand that the Kentucky Department of
19 Transportation will select the preferred route by
20 the end of this month and begin survey work
21 almost immediately. This is a fast-track
22 project. In short, it looks like everyone is
23 going to win on this one.

24 Let's talk a little bit about everybody's
25 favorite topic, market size. We've talked about

1 it. Our competitors have talked about it. SPEA
2 has independently reviewed it. Let's look at the
3 bare facts. With Argosy, Hyatt and Hilton/
4 Boomtown fully operational there will be nearly
5 six thousand total gaming positions. When
6 compared to other riverboat marketing around the
7 country, the southeastern Indiana market, with
8 its limited number of gaming positions and
9 sizable population, clearly shows that this
10 market will remain underserved. The southeastern
11 Indiana market is well positioned for long-term
12 success. We have often heard that this
13 Commission doesn't want this market to become
14 another Kansas City. This slide clearly
15 demonstrates why that will not happen. We have
16 nearly twice the population with only 70 percent
17 of the gaming positions. Let me repeat that. We
18 have nearly twice the population with only 70
19 percent of the gaming positions. Anyone who
20 stands before this Commission and claims that
21 this market is oversupplied with three gaming
22 vessels and nearly six thousand gaming positions
23 does not know the facts and does not have the
24 best interests of the state of Indiana or its
25 people in mind. The SPEA report clearly

1 demonstrates that the development of our project
2 will have only a very limited impact on Hyatt and
3 Argosy. The study shows that is we will only
4 impact Hyatt by 3.7 percent. Current results of
5 the existing vessels are extremely impressive.
6 Hyatt's performance continues to improve month
7 after month with current attendance annualizing
8 in excess of 131 percent of their original most
9 likely projections. Obviously the market is
10 larger than they thought. Argosy's numbers are
11 also very strong and will surely improve now that
12 the big boat is in place and the new pavillion
13 open. In fact, both of the Hyatt and Argosy
14 vessels are filled to capacity most weekends and
15 often turning people away.

16 The SPEA study confirms something we have
17 stated all along. Our project will simulate more
18 Ohio and Kentucky traffic into Indiana. In fact,
19 the study states that a vessel in Switzerland
20 County will generate 18 percent more out-of-state
21 traffic than the vessel in Crawford County.
22 That, ladies and gentlemen, is new money to
23 Indiana and that's what this effort is all about.
24 The situation here is clear. There is not enough
25 capacity in this market to meet current demand.

1 Consequently, the citizens and municipalities of
2 the State of Indiana are short-changed, short-
3 changed in the generation of tax revenues, short-
4 changed in the generation of jobs and short-
5 changed in the overall level of economic impact
6 which is and can be realized by those who need it
7 the most. We propose to correct that situation.
8 Tim Parrott will provide our closing comments.
9 Thank you.

10 TIM PARROTT: Thank you, Tom. The road
11 to the award of this fifth and final license has
12 been a long and difficult one for everyone
13 involved, particularly the people of Switzerland
14 County who should be the primary beneficiaries of
15 riverboat gaming. Throughout this entire process
16 we have been committed both financial and human
17 resource to help the community in which we hope
18 to become a permanent corporate citizen. There
19 is a trust and friendship between the citizens of
20 this community and our team, a trust which has
21 been built on years of promises made and promises
22 kept. I'll briefly mention a few areas where we
23 have touched the lives of those in this
24 community.

25 This region experienced an awful flood in

1 March. The town of Patriot was heavily damaged.
2 Of our own accord we donated to a flood relief
3 fund for the people of that fine town. We did it
4 because it was the right thing to do for our
5 friends.

6 Annually Switzerland County holds a wonderful
7 wine festival. For the past two years Hilton/
8 Boomtown has been a major sponsor committing
9 thousands of dollars to help ensure its success.
10 Whether it's been the Lions Club, bike races,
11 golf tournaments, supporting reading glasses for
12 the area children, Kiwanis club, Hilton/Boomtown
13 has always been there to help with a hand.

14 Let me also touch a little bit on the market.
15 Some have suggested that there will be suffering
16 by Argosy and Hyatt if we are licensed. I would
17 say that the southeast market, even with three
18 boats, will still be the most underserved river-
19 boat market in the United States, as evidenced by
20 having nearly twice the ratio population to
21 player positions as any other riverboat gaming
22 market in the country. I can also address this
23 from the personal experience that Boomtown has
24 seen in the New Orleans area where there are
25 about four boats. Our population to player

1 position is about half that of the southeast
2 Indiana market. Our New Orleans operation has
3 always been a stellar performer. It is doing so
4 well now that we just purchased the Casino Magic
5 boat that was originally intended for Crawford
6 County because we were at capacity and needed a
7 larger boat.

8 If we're honest and realistic about it, all of
9 us will enjoy a very attractive return on invest-
10 ment if we are licensed, and that's why we're
11 willing to spend \$122 million today. We have the
12 confidence in our project. In a perfect world
13 for us anyway we would like to be the only casino
14 in every market we operate, but we recognize that
15 this would not in the best interests of the
16 states or the local communities. We submit there
17 is no need to protect the existing experienced
18 operators in this quasi-monopolistic market.
19 Their large companies, including ourselves and
20 everybody will do just fine on their own. Thus,
21 we respectfully request that you grant us this
22 license. I feel like show-me-the-money in Jerry
23 Maguire. It's been a long time. We very much
24 would like to have the license, and with that,
25 for our entire team, we thank you.

1 MIKE JONES: My name is Mike Jones. I am
2 president of the Switzerland County Council. We
3 offer our congratulations to Chairman Vowels, our
4 welcome to Commissioner Darko and we extend our
5 thanks to the Commission and Staff for the
6 community to appear before you this morning for
7 what I believe is our third annual reunion.

8 We have continued to labor in Switzerland
9 County and our message today is simple. We need
10 this riverboth. Our partnership with Hilton/
11 Boomtown and Hollywood Park is unparalleled,
12 unchallenged and continues to grow. Our needs
13 remain unchanged and unmet. There can be no
14 doubt that a fifth license along the Ohio River
15 will generate more economic development, more tax
16 revenue for local and state government and major
17 money for other counties in the region through
18 revenue sharing. I am hopeful that when the
19 Commission focuses on the realities of today, it
20 will issue a license to Switzerland County. I am
21 convinced the Commission will choose the great
22 Hilton/Boomtown team with their solid financial
23 structure, easy access to large out-of-state
24 marketing and environmentally sound facilities.
25 I am convinced the Commission will choose to

1 enhance economic development for Hoosiers by
2 issuing the last license rather than protecting
3 the big corporations who will appear before you
4 later today to protest the award of license
5 number five. I believe the out-of-state operators
6 already licensed and achieving results beyond
7 their expectations have attempted to muddy the
8 waters along the river. They seek protection.
9 We need to clear it up. Because the price of
10 protection is being paid by the citizens of
11 Switzerland and Crawford Counties.

12 In particular, Hyatt once again is seeking
13 delay in awarding the last license. We believe
14 it is important for the Commission to review
15 exactly what Hyatt has historically stated. Best
16 as we can determine from the public record of
17 this Commission, Hyatt did not raise any concern
18 about potential competition in the Cincinnati
19 market until after they were approved. In fact,
20 we can find no testimony from any applicant or
21 licensee that diminished the market size of the
22 eastern Ohio River market before they got theirs.
23 On the day following our presentation Mr.
24 Pritzker of Hyatt then told the Commission that a
25 riverboat in Switzerland County could threaten

1 the viability of our operations, but what did Mr.
2 Pritzker tell this Commission before he had a
3 license?

4 In May 1995 Executive Director Thar asked
5 Hyatt and their partner no fewer than sixteen
6 times what would happen if the Commission
7 approved the license for Switzerland County.
8 Sixteen times Hyatt had the opportunity to say
9 Switzerland County threatened its viability.
10 Sixteen times Hyatt told the Commission a license
11 in Switzerland County would not materially affect
12 its projections. Mr. Pritzker himself said we
13 could compete effectively with two boats in the
14 market or more. He said his company's loan does
15 not contemplate that will there will be only one
16 additional boat. The only negative hint that we
17 could find offered by Hyatt before it was awarded
18 a license was that it would prefer to have no
19 other competition. And I ask who wouldn't? We
20 believe Hyatt's real face in the eastern Ohio
21 market is best shown in its own business
22 decisions. When the Commission issued a
23 certificate of suitability to Hyatt, Hyatt
24 proposed to build a \$99 million project. Hyatt
25 increased its investment in Rising Sun by 50

1 percent adding \$51 million to the project and
2 increasing to \$150 million. Even today with this
3 Commission still able to approve our application,
4 Hyatt plans to expand its facility. Does that
5 sound like a company who feels the market is
6 tapped out?

7 We know that some members of the Commission
8 have said they have little faith in marketing
9 projections and wish to see exactly what is
10 happening in the market. We agree. Let's take a
11 look. As you know, the Commission asked each
12 applicant to provide a low estimate, a most
13 likely estimate and a high estimate. At the end
14 of one year of operation, according to actual
15 month-by-month Commission reports, Hyatt is
16 operating at almost double its least likely
17 estimate, at more than 130 percent of its most
18 likely estimate, and within two percentage points
19 of its highest and most optimistic projections.

20 As neighbors and customers of Hyatt, we know
21 it is often impossible to gain admittance to the
22 riverboth without a reservation. We believe that
23 Hyatt is turning people away. Hyatt in its own
24 advertising urges reservations. Hardly the
25 message of a company that has an open door and

1 room to spare. Ever since it opened a year ago
2 Hyatt has consistently drawn about 50,000
3 admissions a week. Attendance was steady. Hyatt
4 then changed its cruise schedule in late July
5 adding two cruises everyday. Hyatt in effect
6 increased its capacity to take greater advantage
7 of this vast market. And what happened? With a
8 nine-cruise-a-day schedule Hyatt has averaged
9 80,000 customers a week. This increase in weekly
10 attendance occurred before -- and I stress
11 before -- Argosy temporarily shut down its
12 operation to convert its new boat.

13 The Hyatt increase was not achieved at the
14 expense of Argosy. Shown graphically here is a
15 historic trend charted weekly since April of
16 Hyatt's attendance. Argosy's weekly attendance
17 did not go down. The conclusion is simple.
18 Neither Hyatt nor Argosy have been meeting the
19 needs of this market.

20 The Commission wanted to know what impact the
21 fifth license will have on the four other
22 operators. The SPEA study is clear on this
23 point. If the SPEA report is correct, Hyatt will
24 lose three percent, or less than 200 customers a
25 day, to Switzerland County out of 80,000 per

1 week. Incidentally, it doesn't seem to me that
2 protection of existing operators is what the
3 riverboat statute envisioned.

4 The legislature's direction could not be more
5 clear. The legislature approved this legislation
6 to promote tourism and assist in economic
7 development. Licenses are to be granted based on
8 two criteria, which applicant promotes the most
9 economic development in the county and which
10 applicant best serves the interests of the entire
11 State of Indiana. This law was not approved to
12 protect. This law was approved to produce. It
13 is sad really that I am forced to address these
14 issues today. We wish only the best for our
15 fellow Hoosiers in Lawrenceburg, Rising Sun and
16 Evansville. It is sad that large corporations
17 have succeeded in forcing Hoosiers to argue among
18 themselves. I hope my fellow Hoosiers know that
19 we in Switzerland County want for them all of the
20 success they can gain. It is success and
21 opportunity that we in Switzerland County seek.

22 I now ask you to join me for a few minutes in
23 looking at the reality of the needs in our part
24 of the state.
25

1 (A video presentation was made at this
2 time.)

3 MIKE JONES: Condemned bridges remain
4 unrepaired posing daily risk to school children
5 and travelers. We have to go elsewhere to meet
6 our medical needs. We pay the State of Kentucky
7 to house our prisoners because under a court
8 order we can't hold prisoners more than 72 hours
9 in our old jail. We have not been able to
10 purchase a new fire truck in over six years. Our
11 school budgets continue to be strained while we
12 are not maximizing our children's educational
13 opportunities. Our unparalleled partnership with
14 Hilton and Boomtown and Hollywood Park will help
15 bring us that success. The development agreement
16 that we have will immediately benefit law
17 enforcement, public safety, recreation and roads.
18 Both Switzerland County and our gaming partners
19 will fund a revenue sharing plan that will
20 benefit Jefferson County, Ripley County and
21 Crawford County. These agreements will bring
22 \$1 million a year to Jefferson County and
23 \$500,000 each a year to Ripley and Crawford
24 Counties. As you recall, Jefferson and Ripley
25 Counties have endorsed our plans and called on

1 this Commission to issue this license. The
2 Hilton/Boomtown/Hollywood Park development for
3 Switzerland County will produce \$1 million a
4 month in new revenue for local government. Our
5 precise spending plans which have been carefully
6 worked out are detailed in Section 2 and 3 of the
7 books we've provided you.

8 Each month of delay has cost my county \$1
9 million. Where else, we ask, will the help we
10 need come from? We in Switzerland County have
11 incredible economic challenges ahead of us. We
12 can meet those challenges with your help. I want
13 you to remember a very important distinction
14 between these gaming companies and the repre-
15 sentatives of Switzerland and Crawford Counties.

16 The Harrahs, the Hiltons, the Hollywood Parks,
17 the Consecos, the Argosys, the Aztars, and the
18 Hyatts are worth billions. They spill more
19 everyday, frankly, than either Crawford County or
20 Switzerland County have to spend in an entire
21 year. These huge and enourmously successful
22 companies knew and acknowledged when they came to
23 Indiana that the legislature said there should be
24 five boats on the river. They have invested
25 their money knowingly and they have increased

1 their investments knowingly. You know, life will
2 go on very nicely for them whatever your decision
3 is, whether or not you issue a license and
4 whether the fifth boat is located in Crawford or
5 Switzerland County. In the longrun your decision
6 will mean little in the board rooms. Maybe, just
7 maybe the Hyatts and the Consecos and Argosys and
8 all the men in the suits will have a little less
9 profit if you issue this license, but one thing
10 is certain. If you don't issue it, all these
11 Hoosiers in T-shirts will go home with nothing.
12 We have no personal investment. We will not make
13 money or lose money on stock options. Each of
14 these gaming companies come here today with one
15 purpose. How can we make more money tomorrow
16 than we made today? That's what I teach my
17 students. That is the American free enterprise
18 system of competition and it should be the
19 Hoosier way. We local citizens come here for
20 only one reason, to respectfully ask that you
21 help us provide a decent level of services and
22 protection for the future of our children with
23 good jobs and homes and opportunity.

24 More than eighteen months ago this Commission
25 asked the mayor of Rising Sun what he would do if

1 his city was not awarded a riverboat. His
2 response was emotional and it captured the spirit
3 of our friends at Rising Sun when he said "I do
4 not know what we will do." If there are only
5 four riverboats along the Ohio River the promise
6 that this industry offers will not be fulfilled.
7 Listen to the people of our community who have
8 never waived in three years. We stand before
9 you and ask that you give us our opportunity.
10 Help southern Indiana grow. If you don't, we
11 don't know what we will do. Please issue this
12 license. The need is now. Thank you.

13 CHAIRMAN VOWELS: We'll take a 15-minute
14 break so that will put us back here at about
15 10:25 for the next presentation by Casino Magic/
16 Harrah's.

17 (Short break taken.)

18 CHAIRMAN VOWELS: The meeting is back to
19 order. This is the time for the presentation by
20 Casino Magic/Harrah's.

21 ED ERNST: Good morning, everyone. My
22 name is Ed Ernst and I am the President and Chief
23 Executive Officer of Casino Magic. I'm here
24 today to talk a little bit about Casino Magic's
25 new financial partner that we brought in,

1 Harrah's, for the Crawford County and Leavenworth
2 project. We're very excited about the oppor-
3 tunity to bring them to the party. We think
4 they'll be a tremendous addition.

5 I'd like to spend a moment and talk a little
6 bit about Crawford County's commitment in the
7 City of Leavenworth before Harrah's comes up and
8 talks a little bit about the project and how they
9 have modified it. Crawford County, as you know,
10 was the county that passed with the most votes in
11 favor of bringing riverboat gaming initially.
12 They have been committed since the very
13 beginning. We at Casino Magic have had a great
14 privilege to work with these folks. They have
15 done a tremendous job. As you can see by the
16 number of T-shirts out here, they've been at
17 every meeting. They're committed and they're
18 really excited about bringing the development to
19 Crawford County and to Indiana.

20 We think it's a tremendously exciting project,
21 as they do. We think it will dramatically
22 benefit the State of Indiana, as well as Crawford
23 County. One of the things that I'd like to
24 comment on -- I know it's been a while. I think
25 a little while ago they said this was the third

1 annual presentation. I think the Crawford County
2 folks have been here at least that long. The
3 site in Crawford County is probably one of the
4 most beautiful sites on the Ohio River. It's on
5 the great horseshoe bend that is very high up.
6 It is a tremendous existing untapped tourist
7 location. Wyandotte Caves and Woods, with the
8 beautiful scenery all the time of the year and
9 the very easy access from a number of highways
10 and interstates, it's a tremendous location and
11 will be a great place to add riverboat gaming.
12 In particular, the kind of product that Harrah's
13 has delivered in all of their locations. We
14 believe that there's a tremendous opportunity
15 here for this location and for the State of
16 Indiana. We're excited about it.

17 We're pleased to have Harrah's as partners and
18 I'd like to introduce the President and Chief
19 Executive Officer Phil Satre to talk a little bit
20 about their project.

21 PHIL SATRE: Good morning, Chairman
22 Vowels, Members of the Commission. My name is
23 Phil Sattray. I'm the Chairman, President and CEO
24 of Harrah's Entertainment, Inc. and what I'd like
25 to do is spend a little time with you to tell you

1 about our company, about our financial strengths
2 and then I'm going to ask Marty Boscaccy who is
3 in charge of our development department to come
4 up and tell you about the project.

5 I think this slide gives you a little
6 information about how we put this together.
7 Casino Magic was seeking project funding. We
8 approached them with a project funding proposal.
9 That proposal provides that Harrah's is to
10 provide development loan of up to \$170 million
11 subject to certain conditions. Harrah's is to
12 have an option to purchase the stock of Crawford
13 County Casino Corporation, who is the developer
14 here. Our participation as a result of an
15 evaluation of the project in both scope and
16 design and we'll take you through that a little
17 later in our presentation. This slide is out of
18 place. That's me.

19 A little bit about Harrah's. On October 30th
20 of this month we will celebrate sixty years of
21 business. The business was founded by William F.
22 Harrah, a legendary developer in this business
23 sixty years ago in Reno, Nevada. As a company we
24 do business in more markets as one brand, the
25 Harrah's brand, than any other casino company in

1 North America. Some of the hallmarks of our
2 company that we've developed over the years are
3 life-long relationships with customers. We have
4 very strong brand loyalty and very strong
5 relationships in all markets in which we do
6 business. We have a reputation for unparalleled
7 corporate citizenship in every community in which
8 we do business. We've documented that with
9 community reports and testimonials around the
10 nation. We're very good businessmen. We operate
11 our businesses very successfully. A measure of
12 that is our superior margins from market to
13 market. We have generated an outstanding return
14 on investment for our shareholders. That's my
15 job. That's the job of this management. We've
16 developed a model for compliance in this company
17 with regulators throughout the nation. We are a
18 leader on industry issues, particularly those
19 issues that are sensitive as gaming has expanded
20 beyond the borders of Nevada and New Jersey, those
21 issues like compulsive and underage gaming.
22 Harrah's over ten years ago began to set the
23 standard for how responsible companies in this
24 industry ought to behave.

25 This map, I think, indicates the scope of our

1 operation. What you'll see here is our
2 operations cover both riverboat gaming, obviously
3 centered along the rivers in the center of our
4 country, and indian gaming. Right now those are
5 in the state of Washington and the state of
6 Arizona. We will soon be opening in the state of
7 North Carolina in about three weeks and in about
8 three months we'll be opening up in the state of
9 Kansas. Then our land-base gaming operations
10 which began in northern Nevada and moved up to
11 Harrah's Lake Tahoe, then back into Atlantic City
12 in 1980, into Las Vegas and into Laughlin, Nevada
13 in the late eighties. This type of distribution
14 has given us a unique opportunity to develop both
15 our expertise in marketing in different environ-
16 ments, but also an opportunity to understand how
17 to compete from market to market. I think all of
18 that distribution and those years of operating
19 have given us unprecedented gaming experience.
20 We operate 683,000 square feet of casino area
21 among the thirteen casinos that are currently in
22 operation; 16,850 slots and 900 table games;
23 7,600 casino hotel rooms; 87 restaurants and
24 lounges and show rooms. We have 23,000 employees
25 company wide.

1 There are two things I thought I'd mention
2 right up-front in talking to you. We have been
3 involved in a project in New Orleans as a partner
4 in that project. That project was land-based
5 casino development proposed in New Orleans. It
6 did not work in its temporary operations. It is
7 involved in a restructuring. We are involved in
8 that restructuring as a new partner in the
9 project and that should be resolved sometime in
10 the next three to four weeks based upon the
11 current events. Whether it's resolved in a
12 restructuring new project or whether it's
13 liquidated, it doesn't have any impact on our
14 commitment to Crawford County and this project.

15 As many of you know, we've also entered into
16 an agreement with the Potawatomi Indians and they
17 wish to develop a project both in the State of
18 Michigan and the State of Indiana. That project
19 is subject to the completion of a compact with
20 the State of Indiana and that's an obligation
21 with the tribe to go forward to obtain that.
22 Right now it's unclear what the timing, if any,
23 will be on that, but again, from our perspective,
24 whatever happens with the Potawatomi band in
25 terms of the state of Indiana and their success

1 or lack thereof in reaching agreement on a
2 compact, will not affect our commitment to
3 Crawford County or to this project.

4 A little bit about our financial strength.
5 Our revenues from gaming in 1996 were \$1.6
6 billion. That's the highest of any company in
7 this industry. Our operating income in 1996 was
8 \$238 million, also among the highest in the
9 industry. Our cash flow, our earnings before
10 interest and depreciation, \$400 million in 1996,
11 and our debt to EBIT DA ratio is two to one and
12 we are among a handful of companies in this
13 industry that has an investment grade credit
14 rating. We've been publicly traded on the New
15 York Stock Exchange since the early 1970's. We
16 were the first pure casino gaming company to go
17 public. We have assets of approximately
18 \$2 billion.

19 In terms of our credit facilities, our total
20 credit facility capacity is \$1.1 billion. We've
21 currently utilized \$730 million of \$245 million
22 capacity giving us an available capacity of \$370
23 million. In addition to that, we have a \$200
24 million shelf registration available. The import
25 of this slide is that we have ample credit

1 facilities to build this project and complete
2 this project and carry it forward successfully.

3 The terms of our loan commitment is that we
4 have provided \$170 million commitment which is
5 revokeable at will until the closing of Harrah's
6 purchase of the Crawford County Casino
7 Corporation stock.

8 Now what I'd like to do is Marty bow say who
9 is vice-president of gaming development for
10 Harrah's Entertainment to take you through the
11 project and the transaction. Thank you very
12 much.

13 MARTY BOSCACCY: Good morning, ladies
14 and gentlemen. What I'd like to do is briefly
15 take you through the transaction that we
16 currently have with Casino Magic as it relates to
17 this particular application through how we see
18 the market and what we see the profit scope and
19 costs to be. Our transaction with Casino Magic
20 contemplates that if Casino Magic is awarded a
21 certificate of suitability for the Crawford
22 County Casino Corporation application that we
23 will submit to the Gaming Commission an
24 application to transfer the ownership of Crawford
25 County Casino Corporation to a Harrah's

1 subsidiary. After Harrah's is successful in
2 obtaining all necessary permits to commence the
3 project, we will purchase one hundred percent of
4 the stock of Crawford County Casino Corporation.
5 Upon the awarding of the certificate of suitability
6 to Crawford County Casino Corporation
7 Harrah's is committed to fund to the city and to
8 the county \$20,000 to the county and \$100,000 to
9 the county to cover their out-of-pocket expense
10 as they go through this process with us.

11 After we have obtained all of the necessary
12 permits in which to start construction of this
13 project, we will fund approximately six and a
14 half million dollars for infrastructure improvements
15 to Crawford County and the Town of
16 Leavenworth. That six and a half million dollars
17 is broken down as follows and all of those
18 dollars are for needed improvements in both the
19 county and the city.

20 Our revenue sharing agreement with the city
21 and the county is one and a half percent of
22 adjusted gaming revenues up to \$1 million, \$100
23 million, three percent for all those revenues
24 between \$100 million and \$150 million and five
25 percent of revenue greater than \$150 million. We

1 have undertaken our own market analysis to
2 determine how large we thought this market was
3 and we have developed a proprietary based
4 visitation model. That model is based on surveys
5 measuring actual consumer behavior, and we have
6 conducted over 500,000 surveys to date. We have
7 then taken that model and have had it validated
8 by WEFA which is (inaudible) econometrics as to
9 the methodology and soundness of a particular
10 technique that we used and once the models
11 results are completed we validate that against
12 our existing riverboat casino operations around
13 the country. In our market demand and analysis
14 we assumed that there would be facilities at all
15 of the race tracks by early 2001 and we also
16 assumed that the Caesar's project would have a
17 temporary facility in operation by mid 1998. The
18 results of our analysis indicate the market
19 revenues growing to \$366 million with approxi-
20 mately six million visitors to that market.
21 Crawford County revenues would stabilize at \$92
22 million in the third year of operation with
23 approximately a million and a half customer
24 visitations.

25 I'd like to take you through a project

1 overview. We have taken the project as designed
2 by Casino Magic and reoriented on the site, and
3 we did this to enhance the customer expectations
4 and give them a better experience. We focused
5 the development on the part of the property that
6 is currently a trailer park and boat ramp so as
7 not to affect all of the acreage or forest at the
8 top of the bluff. We have also identified a
9 cruise path that will be entirely within the
10 areas of the Indiana state line, and that cruise
11 path will provide about a 300-foot cruise route.

12 This is an aerial of the site. Our area of
13 concentration for development is here eliminating
14 the need to do any major clear cutting of the
15 forested areas over here. We will provide a
16 direct route off of the state highway along the
17 top of the bluff down to the site. The boat
18 situated here in a slip development will have an
19 800-car parking garage, pavillion building,
20 300-room first-class quality hotel here and
21 surface parking. The area of the cruise path.
22 It is at the widest part with approximately 250
23 to 270 feet within Indiana waters.

24 The project scope and design, we are looking
25 at a 63,000 sqaure foot pavillion building which

1 will have 260-foot buffet, 125-foot staging
2 house, a 75-seat sports lounge-cafe. The casino
3 boat will have approximately 30,000 square feet
4 of casino space and will house 1,000 thousand
5 slot machines and 50 table games. The 300-room
6 first-class quality hotel will have an indoor
7 pool and exercise area and there will be 8,000
8 square feet of meeting and function space. This
9 will give you a layout of the facility, the boat
10 ramp to the dock here, food and beverage area and
11 then the hotel and meeting space up here.

12 The project budget currently contemplates \$30
13 million for the construction of a new riverboat.
14 If we do decide to go that route, the boat will
15 be approximately 295 feet long and 78 feet wide,
16 but we currently have a similar size boat in
17 place at another one of our locations that could
18 be available to move here and we also have a boat
19 in moth balls that we could utilize if we needed
20 to.

21 This will give you some idea of the facility
22 as the drive in from the bluff will drop you at
23 portecochere, parking garage in front, the
24 high-rise hotel building here with the boat
25 docked here. This is another aerial view of the

1 project. We have estimated the project costs to
2 be approximately \$170 million. We have broken
3 down the project costs hard costs which includes
4 everything to finish out and construct the
5 building and \$121 million. Soft costs including
6 gaming equipment, FF&E pre-opening at
7 approximately \$37 and a half million, \$6 and a
8 half million pledge to the county and the city
9 for infrastructure improvements and the purchase
10 price for the Crawford County Casino Corporation
11 stock \$5 million, giving us a total projected
12 cost of \$170 million.

13 The economic impact on the community and the
14 state would include over 860 construction jobs
15 with approximately \$32 million of wages during
16 the 15-month construction phase. Direct impacts
17 from the casino complex and related business will
18 create more than 1,300 jobs and \$30 million in
19 annual wages and salaries. Also with economic
20 development of this type you have indirect
21 impacts occur through two spending processes,
22 those include business purchases and consumer
23 spending. Combined, these indirect impacts
24 should create approximately 1,300 jobs and \$27
25 million in indirect wages and salaries. The

1 Crawford County project will generate almost \$30
2 million annually to the state. The new tax
3 revenue will be generated primarily from the 20
4 percent gaming tax, admission tax and increased
5 collections of sales and income taxes. Our one
6 and a half percent revenue sharing payment to the
7 county and city, their share of the admission tax
8 and added real estate taxes and increased sales
9 tax will add \$14 million in local tax revenue.

10 At this juncture I'd like to turn the
11 presentation over to Jeff Lorenzo who is special
12 gaming counsel to Crawford County.

13 JEFF LORENZO: Thank you, Marty.
14 Chairman Vowels and Commissioners, Mr. Hannon,
15 Mr. Thar, commission staff, good morning. I'm
16 Jeff Lorenzo. I've been working with the
17 Leavenworth town board, Crawford County
18 commissioners and council and members of the
19 Crawford County Riverboat Gaming Steering
20 Committee about three years now preparing for
21 riverboat gaming. We continue to be convinced
22 that the plan we shared with you in August 1996
23 will provide vital benefits to the people of
24 Crawford County, our surrounding counties,
25 Switzerland County and the State of Indiana while

1 utilizing what we consider to be the premier site
2 for the development of a gaming destination all
3 within quick and easy access from Interstate 64.
4 Let me assure you that we share Switzerland
5 County's fervor and passion for the economic
6 development to be brought by riverboat gaming,
7 but we have not rested solely upon the develop-
8 ment of a riverboat gaming facility as the engine
9 that propels our economic future. I would like
10 to introduce town board president Tom Stutzman
11 and let John outline for you what we have done
12 recently to enhance the economic credibility of
13 Crawford County. John.

14 JOHN STUTZMAN: Chairman Vowels,
15 commission members and staff, my name is John
16 Stutzman, President of the Leavenworth town
17 council. On behalf of the citizens of
18 Leavenworth, I would thank you for the
19 opportunity to address you today. At our last
20 presentation an overall economic assessment of
21 the local and regional area was presented.
22 Although there has been no significant changes in
23 those facts, I would like to update the
24 Commission on certain recent developments.

25 Crawford County and Leavenworth jointly

1 applied and received an economic development
2 administration grant to extend sewage treatment
3 facilities to the Interstate 64 interchange.
4 Crawford County, through its redevelopment
5 commission, has established an industrial park in
6 that area and Jasper Engines & Transmissions is
7 in the process of building a facility there. The
8 problem arises that with the exceptions of Jasper
9 Engine, Leavenworth's waste water treatment plant
10 is completely utilized and no other development
11 can be done in this prime area until the
12 Leavenworth plant is upgraded. Engineering
13 studies estimate this to be at a cost of
14 \$1,800,000. Although some granted money is
15 available, the remaining debt would leave an
16 unbearable burden on the local residents and
17 sufficient upgrading may not be possible. Other
18 infrastructure items are affected in the same
19 way.

20 I present this information to illustrate the
21 need of Leavenworth and Crawford County and to
22 show that we are prepared and that gaming revenue
23 can and will be used as a catalyst for economic
24 stability in Crawford County which is the number
25 one determining factor of gaming. We do not

1 expect to become an industrial giant, but with
2 funds from gaming, we feel that Crawford County
3 can become a great asset to the State of Indiana.
4 We feel that with area attractions and the
5 complete utilization of the industrial park,
6 Crawford County can be a model of a mixture of
7 tourism and industrial growth. Thank you very
8 much.

9 JEFF LORENZO: Let me just touch on the
10 highlights of the program that we presented to
11 the Commission last year. It is our hope to
12 refresh your recollection as to where we have
13 been and where we are going and to remind the
14 Commission we are not standing still, that
15 riverboat game is part of a larger package of
16 economic development in Crawford County. As you
17 know, the May 1994 referendum was passed in every
18 precinct in Crawford County with the largest
19 victory margin in the state. People have truly
20 embraced this idea and it has been very
21 gratifying to see so many people in Crawford
22 County working together toward a common goal.
23 With the addition of Harrah's to the project
24 there is now renewed enthusiasm and commitment
25 for gaming throughout Crawford County.

1 I think that one of the reasons that support
2 has been so widespread is that there seems to be
3 a natural fit between the recreational tourism
4 that Crawford County now enjoys and already
5 attracts and the enhanced tourism and commerce
6 that would be generated by the addition of
7 riverboat gaming. We want to create an economic
8 base which will support continued county
9 development along its interstate frontage and to
10 attract additional permanent investment. We want
11 to improve job opportunities and provide an
12 employment framework that retains the youth of
13 our community and, above all, generates income
14 for people in Crawford and surrounding counties.

15 The 1994 average wage level for people in
16 Crawford County was just over \$15,000 while the
17 statewide average was over \$24,700. Awarding a
18 gaming license in Crawford County would bring
19 more than 1,300 permanent employment opportuni-
20 ties and nearly 900 temporary construction jobs
21 to our area as Marty's just illustrated. Even
22 when viewed with the employment projection of the
23 Caesar's complex in Harrison County, work force
24 opportunities in Crawford County remain an
25 absolute necessity for our growth. Coupled with

1 the image that yet another gaming license awarded
2 in the Cincinnati market could potentially over-
3 saturate and fully utilize southern Indiana work
4 force, we provide, I think, another compelling
5 reason why a gaming license ought to be issued in
6 Crawford County.

7 To assure that gaming helps meet our goals, we
8 have worked hard to study the impact of gaming.
9 We've looked very closely at that impact and we
10 believe that gaming will have a number of very
11 positive benefits. It will enhance revenues. We
12 anticipate a significant influx of business. We
13 have a great potential for new jobs. We have an
14 expanding county tax base and we will develop new
15 residential communities. In total, the goal is
16 to bring an enhanced quality of life to a
17 community that now is both capable and ready.

18 In the past sixty days we have conferred
19 extensively with Harrah's as they have redevelop-
20 ed plans for the gaming complex featuring a
21 riverboat, hotel, meeting facility and various
22 other amenities that go with the development of a
23 complex of this sort. We have worked with
24 Harrah's to improve and refine the site
25 development plans and we're convinced that the

1 plans now submitted to the Commission will create
2 a successful platform for gaming in Crawford
3 County.

4 There are, of course, a number of changes and
5 improvements that must be made in our infra-
6 structure and our support service in order to be
7 ready for gaming. As I will remind you, we have
8 identified those needs associated with gaming in
9 Crawford County. Committee members from both the
10 public and private sectors in our county met with
11 consultants Crossroad Engineers and Wabash
12 Scientific in the past year to help compile
13 information needed to evaluate our county plan.
14 Our study has detailed waste water, solid waste
15 and water service improvements that will be
16 created by the addition of gaming to Crawford
17 County. This includes providing sewer and water
18 services for the I-64 interchange. As John just
19 described and as he indicated, currently a
20 minimum of 127 acres of land have been pledged
21 for future development of a commercial and
22 industry base at this location. There are
23 anticipated several road improvement projects to
24 make access to the gaming facility better, and
25 these road improvement projects will certainly be

1 undertaken with the addition of funding from
2 Harrah's. One of those is the realignment of the
3 curve on State Road 66 in order to provide a safe
4 corridor and create a more efficient flow of
5 traffic from Interstate 64 to the riverboat.
6 There are also general road improvements that are
7 needed and have been identified throughout the
8 county.

9 Our study indicated that nearly \$40 million of
10 improvements needed to be made to infrastructure
11 in Crawford County. Those improvements include
12 work on existing bridges, culverts and improve-
13 ments in the capabilities in the highway
14 department to service those roads.

15 As far as emergency and fire protection needs
16 are concerned, we will construct a new fully
17 equipped emergency facility to be located along
18 State Road 62. The center will be staffed by
19 qualified EMT's and support staff as well as
20 equipped with additional ambulances to serve the
21 gaming facility. We will purchase appropriate
22 and necessary firefighting equipment. We will
23 enhance our police departments with additional
24 full-time officers and deputies. We will build a
25 public assembly meeting place to hold public

1 gatherings which we believe will become necessary
2 with the influx of tourists and residents. We
3 believe and anticipate that this facility will be
4 constructed near the high school. That will also
5 serve as a facility for school and public
6 programs.

7 Our plan currently calls for the renovation
8 expansion of our schools and upgrades both to the
9 elementary and high school facilities. These
10 upgrades are underway but the addition of gaming
11 revenue will assist us in servicing the debt.

12 These improvements represent a long-term
13 expenditure of \$17 million which is the single
14 largest expenditure in our plan. We believe the
15 most important expenditure as well.

16 In addition, we have plans for the creation of
17 a community development corporation to promote
18 college education by providing scholarships for
19 tuition and books to Indiana colleges and to
20 provide trade school programs to enhance
21 technical and vocational education. We have also
22 planned a school book supply program. Funding
23 will be provided to purchase outright the needed
24 school books for all elementary and junior and
25 senior high schools. The purpose is to eliminate

1 the current expense in a relatively poor county
2 for parents paying rental and lab fees for their
3 students.

4 We also feel that there will be a need for a
5 multi-use senior family center and recreation
6 park improvement to better preserve the character
7 and community of Crawford County. Our economic
8 development committee has developed a
9 comprehensive plan which includes building this
10 multi-use center as well as to formulate and
11 promote -- formulate a plan to promote tourism
12 and create our needed industrial park.

13 Finally, we have established a plan for a
14 contingency fund for at least a portion of the
15 moneys derived from gaming for additional infra-
16 structure and economic development. We have
17 described some of the challenges we face. With
18 approximately one fourth of the county devoted to
19 national or state forest areas, reducing our tax
20 base and our opportunities for development.
21 Because of that we have been faced with a
22 diminishing population, high unemployment, a low
23 tax base and below average per capita income. To
24 speak to this issue, I would like to introduce
25 Hamilton County attorney Doug Floyd who has been

1 assisting Casino Magic in its development of this
2 project for the past three and a half years.

3 Doug has developed a great love and a second home
4 in Crawford County and he can better explain the
5 impact that riverboat gaming will have on the
6 county. Doug.

7 DOUG FLOYD: Thank you, Jeff. The
8 observation that I may make this morning comes,
9 at least in the view of Crawford County, from the
10 vantage point of an outsider. They lead me to an
11 opportunity, however, to remind the Commission
12 this morning that the people of Crawford County,
13 sturdy and rugged people, understand the
14 difficulty in the decision that you have before
15 you this morning. Having observed for the last
16 over three years now the people from Crawford
17 County understand the difficulties of your
18 consideration of all of the issues and suggest
19 that perhaps your own common sense and experience
20 is at least as valuable as the analysis in each
21 of the applicants not only in this instance, but
22 from all over the state with regard where is the
23 best place as far as market service to place the
24 fifth license.

25 Crawford County's revenue sharing plan that

1 Jeff addressed just a moment ago provides the
2 Commission an opportunity to satisfy the economic
3 development intent of the legislature with regard
4 to the Patoka Lake area. As you know, Patoka
5 Lake will not have the eleventh license in the
6 state and through revenue sharing, Washington,
7 Orange, Dubois Counties as well as Switzerland
8 and Perry County are going to enjoy benefits from
9 a placement of a license in Crawford County.

10 The placement in Crawford County has some
11 compelling common sense arguments to placement
12 therein that it would offer an opportunity to
13 serve the Louisville market with two boats,
14 leaving the Commission and citizens of the state
15 without whatever risks may be attendant to all of
16 the state's Louisville market eggs being in the
17 Caesar's basket. It could be and the people of
18 Crawford County believe it would be a sound
19 decision to place the fifth license in Crawford
20 County.

21 The central location in terms of geography
22 bears a great deal of logic and common sense and
23 as you analyze the opportunities for the citizens
24 of the State of Indiana, we hope that you find
25 that there is a possibility by placement in

1 Crawford County to serve all of the citizens of
2 the State of Indiana with another revenue.
3 Comparing whether it is a SPEA report or the
4 market analysis of all of the applicants, you
5 have at hand an ability to evaluate an
6 enhancement of an investment already made in
7 Crawford County that Jeff spoke of just a moment
8 ago. 55,000 acres in this county are not taxable
9 and do not generate revenues. That fact leaves
10 the Commission not with just an observation about
11 what shortcomings Crawford County may have, but
12 also an opportunity to realize on an investment
13 by the Department of Natural Resources. Wyandott
14 Caves and Woods that are mentioned earlier are
15 substantial resources of this state that are
16 underutilized and perhaps people are not aware
17 yet but upon a visit to the Leavenworth boat
18 would be able to identify as other destinations
19 on a trip at that location. The same goes for
20 Marengo Cave and, without saying it, all except
21 for Commissioner Darko, I'm sure that you can
22 recall your observations at the parking lot at
23 the OverLook Restaurant of the horseshoe bend in
24 Crawford County. There is something unique in
25 Crawford County and it includes not just the

1 natural beauty, but also the citizens of the
2 county. We believe that they are deserving and
3 worthy of the trust and confidence that you might
4 illustrate by placing the fifth license in that
5 county. I want to thank you for the opportunity
6 to speak to you this afternoon. Thank you.

7 JEFF LORENZO: Thank you, Doug. As Doug
8 has just indicated, the scope of the site
9 development along the river is a good match for
10 the anticipated market and, importantly, does not
11 detract from other regional gaming operators. We
12 have studied the needs gaming will create and
13 what it will take to meet those needs. We
14 believe we have established a positive relation-
15 ship with Harrah's as we have with Casino Magic.
16 We have negotiated an agreement that we believe
17 will enable us to reach our goals and we believe
18 that Harrah's will be an excellent gaming partner
19 for Crawford County.

20 Let me give you a brief overview and reiterate
21 what Marty said with regard to the essential
22 points of our agreement with Harrah's. First and
23 foremost, we have obtained Harrah's commitment to
24 build a first-rate project, to build the entire
25 project and to build it all at once. Second,

1 Harrah's will make an initial payment of \$1.5
2 million, \$750,000 each to the town and county to
3 be used at the unfettered discretion of the local
4 officials. Third, as you saw from the illustra-
5 tion earlier, Harrah's is going to make community
6 contributions to infrastructure needs in the area
7 of water and sewer, fire and safety equipment,
8 police and ambulance, a multi-purpose facility,
9 highway improvements, all of that totalling \$6
10 and a half million. We've already decide to use
11 a portion of our \$1.5 million in unrestricted
12 funds for sewer development in the I-64 inter-
13 change area that will enable future development
14 of an industrial park and other commercial
15 centers near the interstate. The multi-purpose
16 facility will house chamber of commerce and our
17 economic development commission, agencies and a
18 welcome center.

19 Finally and perhaps most significantly in the
20 long-term, Harrah's will provide the local units
21 of government with a percentage of adjusted
22 gaming revenue from its operation. This program
23 will provide the town and the county with 1.5
24 percent of AGR of the first \$100 million, three
25 percent from \$100 to 150 million and five percent

1 over \$150 million. We believe this agreement to
2 be consistent with development agreements in
3 other communities around Indiana and an agreement
4 that adequately meets our needs and the needs of
5 our community. We're satisfied that these
6 financial arrangements will enable Crawford
7 County to achieve both long- and short-term goals
8 established by the steering committee. We have
9 worked, we have completed and we have achieved
10 consensus we believe with Harrah's on the scope
11 and nature of this project and we believe it lays
12 the groundwork for a very successful partnership
13 and venture.

14 What I want is to underscore the idea that our
15 vision for success in this county is vested in
16 the future. Our goals, as outlined earlier, are
17 to make a meaningful difference in the quality of
18 life for the people of people of Crawford County
19 and also to the people of surrounding counties.
20 This is a long-term goal and it's dependent upon
21 continued economic growth, and gaming, we
22 believe, is an essential catalyst, as is the
23 other industrial development, that we anticipate
24 along I-64.

25 One of the ways we hope to ensure economic

1 growth in the community surrounding Crawford
2 County and including Switzerland is our revenue
3 sharing plan. Those counties which are least
4 affluent will receive the largest percentage of
5 revenue from our plan. We believe that it will
6 truly make a significant difference in the future
7 of southern Indiana residents. County revenue
8 from multiple gaming line items will be pooled
9 and distributed to those counties as I mentioned
10 adjacent to Crawford as well as to Switzerland.
11 We are excited that revenue sharing will enhance
12 the ability for our region to sustain and grow.
13 Most significantly, we have plans in place for
14 long-term economic development.

15 Let me just take a few minutes or a few
16 seconds, rather, to thank the folks in Crawford
17 County, two busloads worth who came to indicate
18 their support of riverboat gaming for their
19 community and for their countless hours of
20 preparation and hard work for the development of
21 their economic plan. We would be happy to answer
22 any requests you may have regarding these plans
23 and our preparations. My thanks for your
24 attention.

25 CHAIRMAN VOWELS: What we'll do now is go

1 ahead and take the scheduled break and we'll come
2 back at 11:30 to begin the presentation starting
3 off with Evansville and Aztar. So we'll see you
4 again at 11:30.

5 (Short break taken.)

6 CHAIRMAN VOWELS: First fifteen minutes
7 is allotted to Evansville/Aztar and I believe
8 they'll have some slide presentation so we'll get
9 a little exercise and we're going back down to
10 the front row once more.

11 PAUL RUBLIE: Thank you, Mr. Chairman.
12 I want to say at the outset on behalf of Aztar
13 Corporation, the City of Evansville and the
14 people of Vanderburgh County, we appreciate this
15 opportunity to participate in the hearing today
16 and address the Commission on the issue of the
17 fifth license on the Ohio River. I can say that
18 the preparation here will hopefully be a
19 constructive one and add to the debate and some
20 way be an intelligent contribution to the
21 deliberations you face on this issue. I will
22 give the first part of the presentation and then
23 will be followed by Frank McDonald, the mayor of
24 Evansville, who has a few remarks he wants to
25 make at the end. I will also say having the

1 privilege of the first casino boat in Indiana, we
2 share the interest in this issue in a very
3 special way. It is certainly important to us
4 but, needless to say, important to the State of
5 Indiana. We're not against competition. We
6 fully understand that the original intent of the
7 legislature back in 1993 was to issue the fifth
8 license, but we're simply suggesting this is now
9 1997 going on to 1998. For the benefit of
10 everyone's due deliberation, let's share some
11 facts and offer some thoughts and in the end you
12 folks will be the ones making the decision.

13 I will also say this, speaking on behalf of
14 the casino industry, the State of Indiana and its
15 approach to the creation of and eventual
16 nourishment of the casino riverboat industry has
17 simply been an outstanding success and I would
18 say without hesitation that Indiana has the
19 finest record of any of the states that legalized
20 riverboat gaming and created this new industry.
21 We may be big powerful companies in the views of
22 some, but we're, nevertheless, fledgling
23 operators in the views of the others and the
24 nurturing of this industry is important to not
25 only us, but I think to the State of Indiana as

1 well. So with that in mind, I'd like to take you
2 through a few thoughts with respect to the
3 subject at hand.

4 Let me start with the report card on Aztar.
5 Through nine months of this year Casino Aztar in
6 Evansville has seen admissions decrease about
7 thirteen percent. This decrease is, we think, a
8 result of some very significantly increased
9 competition on the part of Metropolis in
10 Illinois, Metropolis, Illinois, that has been
11 competing very aggressively in the Evansville
12 market giving away coins and buffet and enter-
13 tainment. To remind everyone, since day one
14 we've been competing and there's a casino only
15 ninety miles away from us in Illinois. We also
16 think we are feeling the effect of competition as
17 expected as mentioned up the Ohio River in both
18 Lawrenceburg and Rising Sun, and I will finally
19 say some of this change is a result of
20 differences in cruise schedules that result in
21 different admission numbers, but we are feeling
22 the effects. I think September's numbers
23 released one day go right to that point. Our
24 admissions this September were down 24 percent
25 from last September. Our revenue forecast was

1 down 17 percent from last September, and we're
2 concerned about that because that's a bigger drop
3 than we expected to see and we're not sure why.

4 Let me give you a report card review here from
5 the day I stood before you in February of 1995
6 giving the presentation showing what we thought
7 the projections for the Evansville market would
8 be if you grant a casino license to Casino Aztar.
9 I thought it appropriate to be before you two and
10 a half years later and be accountable for what we
11 told you. We said back then that our initial
12 admission for years one and two would be 2.3
13 million admissions a year and then as competition
14 emerged, particularly for the Louisville market,
15 expecting competition that would appear across
16 the river we would see a dramatic cross in year
17 three and a million six and million seven year
18 five. We are two and a half years later.
19 Actually year one was 1996. We incredibly enough
20 did 2.3 million. By the way, it says something
21 about the model that Aztar uses to project
22 admission. This is the model that we used then
23 and it was pretty darn accurate in projecting the
24 admissions in year one.

25 Year two, we're down our projection for the

1 year. Remember we were down thirteen percent for
2 September and we're estimating to be down about
3 fifteen percent for the year to two million in
4 admissions. Next year we're projecting a little
5 bit higher than what we told you two and a half
6 years ago because Caesar's will not be open all
7 year long. We are using, for internal budget
8 purposes, the assumption that Caesar's opens on
9 April 1, 1998, so we're looking at three quarters
10 a year impact.

11 Years four and five are a question mark. The
12 question mark is there because it goes to the
13 heart of the matter. Depending on where the
14 fifth boat is located will depend what these
15 numbers are. We're also somewhat concerned about
16 the Caesar's boat because it's so much bigger
17 than any of us have expected to see two and a
18 half years ago. That bot is a battleship. It's
19 going to be two and a quarter the size of the
20 Evansville boat. It has, the Caesar's boat,
21 3,900 gaming positions. We in Evansville have
22 1,700 positions, as does Hyatt, as do in fact the
23 proposal you saw this morning from Switzerland
24 County. So you're talking about a boat that's
25 equal to two boats and it's equal to two licenses

1 in one.

2 As to the intent of the legislature in 1993,
3 it's for you to judge whether or not we're still
4 under the same set of assumptions or has life
5 changed since then. That boat is a big boat,
6 folks. It's the biggest in the industry ever to
7 arrive in any jurisdiction. We're not sure about
8 year four and five because if the fifth license
9 were to go to Switzerland, we will make these
10 numbers. If it were to go to Crawford County,
11 there's no hope of making those numbers. Those
12 are simply the facts as we see it. We're okay
13 through year three and that's the report card two
14 and a half years later.

15 With all that behind us, we certainly have
16 seen recently the debates centered around the
17 SPEA model and what it projects, and just going
18 to share with you our own Aztar model. As to
19 SPEA assumptions, we're going to use the same
20 assumptions SPEA did. Depending on which
21 applicant gets the license, SPEA will increase by
22 17 to 19 percent. Come back to that in a minute.
23 Based on that SPEA estimate that the overall Ohio
24 River market would increase 8.3 to 10 percent
25 depending on which jurisdiction. They said 8.3

1 for Switzerland and ten for the event it's
2 Crawford. Our own model suggests that 10 point
3 and in reverse order. 2.9 percent if it's given
4 to Crawford County and 3.6 if it's given to
5 Switzerland.

6 Also learned this morning listening to the
7 presentation that was given by Crawford County
8 that the new revised project is going to have
9 only 1,300 gaming positions in that boat. The
10 SPEA report assumes 1,900 gaming positions for
11 that boat. So if in fact it is reduced by 30
12 percent, I assume the ten percent projection SPEA
13 has would likewise be reduced by 30 percent we're
14 now looking at eight percent in the case of
15 Switzerland County and maybe seven percent in the
16 case of Crawford based on a 1,300 position boat
17 if in fact that's the case.

18 The important point I want to make here was
19 none of this. Our model says this; their model
20 says that. I suppose there's three or four other
21 models you could have people come up with. But
22 as to Indiana, I think it's important to
23 recognize that the Ohio River, even after
24 assuming the Caesar's boat opens, will account
25 for about half the business in the State of

1 Indiana. So whatever impact comes out of the
2 Ohio River market is only half the impact at the
3 state level. So we're looking at a decision here
4 that will range from, let's say, a four percent
5 impact statewide in the case of the SPEA model
6 and what we're suggesting is probably closer to
7 one and a half to two percent impact.

8 For all these reasons, we suggest a delay
9 might be prudent. The positive impact is minimal
10 statewide, as I just showed you. The negative
11 impact on existing operators and communities will
12 be substantial. I must say the SPEA report shows
13 a fairly model impact on each of the four
14 existing applicants or licensees ranging from one
15 percent to five percent, and we just think that's
16 wrong. Our own model looks at every one of the
17 applicants. We see ranges of impact ranging from
18 about zero percent to as high as 15 percent one
19 case and 22 percent in another case depending on
20 where that boat is located, and we don't have
21 time today to go into the detail of that. I'm
22 just simply saying to you we just don't agree
23 that it's going to be in all cases modest on an
24 operator-by-operator basis. We think delay will
25 allow the opportunity to assess the impact of the

1 permanent facilities in Rising Sun that just
2 opened a month ago and the permanent facility in
3 Lawrenceburg that have yet to open. That won't
4 open until the end of December.

5 Then lastly, as we mentioned earlier, the
6 Caesar's boat is going to be a behemoth and the
7 opportunity to assess its impact we think would
8 be prudent. That's two boats in one and we're
9 not sure what in the end that's really going to
10 do to the marketplace.

11 Given all of this, but if the decision is to
12 go ahead and grant the fifth license we'd like to
13 share our views on where it should be located.
14 Maybe the best place to start is a map of the
15 four state region. This is a computer-generated
16 map that shows populations by county. The red
17 being the highest population counties, the blue
18 the next highest, the yellow the least and the
19 next highest and then the white the least. What
20 this shows you, I think quite graphically and
21 vividly, is the bulk of the population is in the
22 southeast market where Lawrenceburg and Rising
23 Sun are currently located and where Switzerland
24 County would have a boat as opposed to the
25 southwestern market where currently we are and

1 Caesar's is soon to be and, of course, where
2 Crawford County would be located. This is a
3 visual depiction that simply says the population
4 is all to the east, particularly the Ohio state
5 population, out-of-state population. In terms of
6 numbers represented by those graphical areas, the
7 southeastern market consist of adults within a
8 hundred miles of Lawrenceburg and Rising Sun have
9 over five million people, whereas the south-
10 western market that is within a hundred miles of
11 Harrison and Evansville have only three million
12 people, three and a half million people. Totally
13 personal income is 120 billion versus 70 billion.
14 Gaming positions, as we said, only half the
15 density of gaming positions exist in the south-
16 eastern market as compared to the southwestern
17 market. So before the fifth license is granted,
18 it's pretty clear where the market is. We did
19 the same analysis assuming after a fifth license
20 and showing the alternative if it were in
21 Switzerland County would substantially change
22 these numbers and the answer is no. Still the
23 bulk of the market is in southeastern Indiana and
24 not in southwestern Indiana.

25 So in conclusion, we share with you the

1 thoughts that the factors to consider in locating
2 a fifth license might be these. There are 50
3 percent more adults in the southeastern Indiana
4 market than in southwestern Indiana. There's 50
5 billion more personal available in the south-
6 eastern market as opposed to the southwestern
7 market and half the number of gaming positions
8 per adult in the southeastern market as opposed
9 to the southwestern market. All of these to us
10 are, coupled with that map, a compelling
11 argument. If you're going to grant the fifth
12 license, put it where the people are and where
13 the money is, and that is in southeastern
14 Indiana.

15 I'd like to invite Frank McDonald to come up
16 and offer some thoughts to you.

17 FRANK McDONALD: Good morning.
18 Appreciate the opportunity to take just a few
19 moments and share with you some thoughts on the
20 perspective of this from the City of Evansville.
21 The last time I had the opportunity to appear
22 before the Gaming Commission was when you were so
23 kind as to hold your hearing in 1995 in
24 Evansville, and at that time I can remember
25 Commissioner Sundwick asking me a question about

1 I hope -- or making a statement I hope the Casino
2 Aztar people are as committed to the City of
3 Evansville as the City of Evansville appears to
4 be committed to the Casino Aztar people. I'm
5 pleased to tell you today that it has been an
6 excellent partnership between our community and
7 Casino Aztar. All the promises, all the
8 expectations that were outlined during those
9 commission hearings back in February of 1995 have
10 been met or have been exceeded, and it is because
11 of that that I'm here today because I share the
12 concerns that have been voiced here by Mr. Rublie
13 about the possibilities of what will happen on
14 the Ohio River if a fifth license is granted
15 prior to a thorough evaluation of the Harrison
16 County project.

17 Let me just say right up-front I'm not afraid
18 of competition and no one in politics could ever
19 stand up and say they're afraid of competition
20 and not get a heck of a laugh. But I am concerned
21 about trying to make a decision that has the
22 potential to lead the State of Indiana and the
23 Ohio River gaming market down the path of perhaps
24 what's happened in Missouri or Louisiana or
25 Illinois and simply state an oversaturation of a

1 market, too many boats trying to compete for the
2 same dollar, cannibalization occurring in the
3 industry. Ultimately the state sees little bump
4 in revenue, then a major decline, then operators
5 close, then people become disenchanted, Gaming
6 Commission ends up with egg on their face, local
7 officials have egg on their face. Basically
8 everybody walks away with a very sour taste in
9 their mouth about the whole process. It would
10 seem to me that we have avoided all those things
11 in Indiana to date and I think the Commission has
12 done a fine job in making sure we don't repeat
13 some of those mistakes. But to award a fifth
14 license prior to having the massive project in
15 Harrison County up and running, something three
16 times larger than the Evansville project, a boat
17 over two and a half times the size, to not have
18 any hard data to look at, to just rely on
19 somebody's model, a gaming company's model or
20 SPEA model, basically speculation, I think we're
21 beginning to take the direction that we don't
22 want to go in the state, and that is maybe
23 following some of those who have failed in other
24 states. It would seem to me like the prudent
25 thing to do would be if we're going to err, err

1 on the side of caution. Not award a fifth
2 license until such a time as there's an
3 evaluation of the Harrison County project and the
4 impact that it has on Rising Sun, Lawrenceburg
5 and the City of Evansville. Barring that of
6 course, then I think this last slide gives a very
7 compelling reason about where that fifth license
8 should be.

9 But I really am not here to take sides with
10 Crawford County or Switzerland County but just to
11 simply ask the Commission to be very very
12 cautious, very very cautious in their decision.
13 This is a tough one. It's probably a no win from
14 their perspective, but if you're going to make a
15 mistake, let's do it cautiously and let's see
16 what happens in Harrison County before we move
17 forward. Thank you.

18 STEVE NORTON: I'm Steve Norton from
19 Argosy Gaming representing our Indiana Gaming
20 Company operations in Lawrenceburg, Indiana.
21 We have a great deal of data to present to you
22 commissioners for your review, but we believe it
23 will be more than meaningful to wait until
24 November when the data becomes available relative
25 to our new boat that has been put in operation

1 during the month of October.

2 October 4th we opened permanently with our new
3 boat. However, we're still only operating with
4 1,800 maximum capacity customers on a boat that
5 has the ability to put 4,000 passengers on board.
6 We will not be able to actually board all those
7 people until we open our new facility in December
8 and have the ability to actually marshall that
9 many people and get that many people on board.
10 We already have doubled the capacity of our boat
11 in Lawrenceburg from 1,080 positions to 2,500
12 positions, and the boat is actually large enough
13 where additional capacity could be added to that
14 if the demand were there. Our reports also
15 include the impacts that have occurred in many
16 other markets where more competition may have
17 been put into play than the marketing could
18 actually sustain, and I think it's important for
19 you to see what has happened in Kansas City, St.
20 Louis, Chicago and other markets that have added
21 a lot of competition.

22 I would just return the mike back to, I guess,
23 Hyatt is your next presenter. Thank you for
24 allowing us up here today and I hope you'll have
25 a chance to review our data when it's presented

1 in November.

2 CHAIRMAN VOWELS: Then the Rising Sun/
3 Grand Victoria representative.

4 MONTE DENDO: I'm Monte Denbo from Rising
5 Sun, Indiana. I report to the mayor. Good to
6 see all you folks again. There's a lot of
7 familiar faces. There's a lot of familiar faces
8 in Crawford and Switzerland County too. Having
9 gone through this myself, I know how --

10 CHAIRMAN VOWELS: If that microphone will
11 come off there and reach. I don't know that the
12 people in back can hear you.

13 MONTE DENBO: Having gone through this
14 myself, I can honestly tell you it was one of the
15 most tiring and complicated processes that I've
16 ever gone through. I know what folks in
17 Switzerland County and Crawford County have gone
18 through. Got a lot of friends in both counties.
19 I know this is a tough decision. The thing
20 that's been impressive watching this whole
21 process, grating a license to Rising Sun. I
22 really think that the Rising Sun project has
23 turned out to be way more than anybody
24 anticipated. You've got a project that's sharing
25 revenue in three counties. You've got a project

1 that certainly has lived up to and maybe beyond
2 everybody's expectations.

3 Our partner has certainly been a good gaming
4 partner, but the thing that's really complicated
5 about this whole process, nobody knows. Nobody
6 has any idea. I've watched today and I've
7 watched these numbers. I've watched everybody
8 come up with a different set of numbers. The
9 whole key to this process to me is how do you
10 know what's going to happen? How do you evaluate
11 these numbers? Because I've watched numbers from
12 everywhere from a billion dollar market a \$400
13 million market over in southeastern Indiana.
14 Where does it fall in between? I don't know.
15 But Rising Sun has some things that we'd like to
16 complete. We've got roads that we need to do.
17 We've got a senior citizens center we need to
18 complete. We've got a lot of issues to take care
19 of. We're taking care of a lot of issues for
20 surrounding counties.

21 So what is the prudent thing to do? Looking
22 at this Commission and understanding how tough a
23 process or decision this is for you, I can't read
24 the numbers any better than anybody else. All I
25 would ask is that you folks consider and consider

1 all of the things that have been done success-
2 fully and let's hope whatever this decision is is
3 not one that takes away the value of the Rising
4 Sun project. I'd like to introduce Mr. Nick
5 Pritzker, president of Hyatt Development
6 Corporation.

7 NICK PRITZKER: Thank you, Monte. I want
8 to keep my comments brief, as I try always to do
9 here, and not waste your time. We have submitted
10 a letter that I wrote to Mr. Thar and some
11 numbers that I would call to your attention. You
12 obviously have seen a lot of numbers in your
13 time. I know I have. I take them with a large
14 grain of salt. Projections are about as good as
15 what you make of them. It was troublesome to me
16 to see myself quoted as I was today. A little
17 flattering, I guess. However, I felt the quotes
18 looked like those movie quotes that leave out the
19 significant modifiers with lots of dots. Maybe
20 I've been to too many of these commission
21 meetings. I've had the pleasure of coming to
22 them. I was questioned at great detail during
23 our presentation initially as to what our views
24 were on additional licenses and specifically what
25 we were being asked to commit was that the full

1 financing of the project was in fact not
2 conditioned on other licenses being granted or
3 not being granted. That was insisted upon and we
4 agreed to that. In other words, Hyatt agreed to
5 put its entire balance sheet behind the full
6 financing of the project with no contingencies
7 with other boats, and that was our position then
8 and we have lived up to that. The main
9 criticism, I think, of my quote was they agreed
10 to put \$98 million into the project, whereas in
11 fact, by the time we're finished next year we
12 will have put over \$150 million, not including
13 interest into the project. Not as was suggested
14 because of our increasing confidence in the
15 gaming market in Indiana, but rather because
16 that's what it took to build the project with our
17 original program but up to the standards that we
18 felt were important to build what we believe to
19 be the best facility in Indiana. We're not
20 ashamed of having done that. I question, in
21 fact, whether the other projects that are being
22 discussed can in fact be built for the budgets
23 that are being outlined. I don't think we throw
24 around money and we're careful in what we spend,
25 but our program has not been larger than those

1 being proposed and the numbers are 20 to 25
2 percent higher than the budgets that I saw today.

3 When we came up before you a few years ago we
4 were asked to make an absolute commitment as to
5 our willingness to do the project come what may.
6 We did make that commitment. I think that if I
7 had gotten up in front of you at that time and
8 said that we were contemplate purchasing one of
9 our competitors and if we did we would be taking
10 a smaller position and perhaps taking a minor
11 role, if any, in the financing of the project, if
12 I had said to you don't worry because our partner
13 has a highly confident letter from their bank, I
14 think you would have drummed me out of here, and
15 I think I should have been drummed out if I had
16 said that. But having said that, my main point
17 today before you is that in terms of the market
18 depth, we're not saying that there won't
19 ultimately be room for a fifth license in this
20 market. What we're saying is that the jury is
21 still out. We don't know the effect of the
22 market yet. We don't know what will happen when
23 Argosy is fully expanded, has its full parking in
24 place, has its full facility completed with the
25 impact of their marketing is complete. We

1 certainly don't know what impact there's going to
2 be on us from Harrison County's enormous project
3 because, in fact, despite some of the contentions
4 today, much of our market, a significant
5 percentage does come from the Louisville market,
6 does come from the Indianapolis market, which
7 will be seriously impacted by Caesar's boat. In
8 terms of the SPEA study -- and it's a fine
9 organization and they've come up with a very
10 thoughtful analysis. Without in fact questioning
11 their assumptions, all I can say is that -- and
12 this is summarized in the note that I gave you
13 from KPGM. Even without factoring in competition
14 from a Switzerland County or Crawford County
15 boat, the profitability of the Grand Victoria
16 Rising Sun even with the impact of Argosy being
17 completed and the impact of Caesar's reduces us
18 to a small increase over break even on operating
19 numbers. Obviously we hope to do better than
20 that. But even without a fifth license being
21 awarded, our opportunity and our incentive to
22 grow our existing project is seriously going to
23 be impeded, and what we are suggesting to you
24 today is that you hold off, wait and see what the
25 market looks like after every -- all the boats

1 are open before making a decision.

2 The other market places that were alluded to
3 by one of the applicants do not seem to me to be
4 a wonderful model for Indiana to follow. New
5 Orleans, where several boats were in fact closed,
6 where the land-base facility closed before the
7 permit has even been completed, the St. Louis
8 market which is under tremendous stress right
9 now, Tunica where there have been a number of
10 closings, and last, but not least, Kansas City,
11 which is a horrendous model to look at in terms
12 of the problems that have been created. When a
13 boat opens a community in which it was
14 (inaudible) will depend on the revenues and on
15 the employment and on the stability of that
16 operation, and I would like to commend the State
17 of Indiana for the prudence that it has used in
18 granting licenses and the following the progress
19 of those licenses, and so far everyone has been
20 successful and I think the State has been a
21 beneficiary of that cautious and prudent policy
22 and I would urge continuing prudence in that
23 regard. Thank you all.

24 CHAIRMAN VOWELS: Is that the conclusion
25 of the Rising Sun?

1 MR. PRITZKER: That's all for us. Thank
2 you.

3 CHAIRMAN VOWELS: Next on the agenda is
4 Claude Baker, and I believe Mr. --

5 MR. THAR: I've been advised by our
6 office and by Don Motley that Mr. Baker cannot
7 make it but he has, which I will now distribute
8 to the Commission, his position which I believe
9 can be summarized by saying he has environmental
10 objections to the site in Crawford County, and so
11 those comments submitted by him and the other
12 papers which he has mailed to the Commission
13 prior to today's hearing have been made available
14 to the Commission as well as this booklet now.

15 MR. THAR: Walter Land. Walt, if we
16 come back from lunch at 1:30, can you make it at
17 1:30 to start the agency comments?

18 MR. LAND: Yes.

19 CHAIRMAN VOWELS: We'll take lunch break.
20 I'd like to thank everybody this morning who
21 spoke with us. We're going to take a break now
22 and we'll come back at 1:30 instead of 1:45.

23 (A lunch break was taken at this time.)

24 CHAIRMAN VOWELS: We'll go ahead and
25 call the meeting to order. Commissioner

1 Bochnowski should be here soon. Next on the
2 agenda are comments by agencies. Do you want to
3 begin with Mr. Land or do you want to give us a
4 report from Mr. Shelton? We'll let Mr. Land
5 approach. Good afternoon, Mr. Land.

6 WALT LAND: Members of the Commission,
7 Mr. Chairman. As I told you, Mr. Chairman, I
8 hadn't been in contact with the two developers
9 prior to this meeting. As you know, the
10 Department of Transportation wishes to have a
11 commitment both in scope and money prior to the
12 commitment of the certificate of suitability in
13 order to not have any misunderstandings between
14 the developer and the department as to what is
15 required to have safe highways to accomodate the
16 increased traffic for these riverboat sites.
17 However, this morning I talked to Mr. Ford and I
18 have a regional letter of commitment from him for
19 Casino Magic and I understand Harrah's is buying
20 it and is committed to that.

21 Also talked to Mr. List from Boomtown from
22 which I had previously a commitment to what we
23 required. I do, however, think that in there
24 there are additional players in both sites. At
25 this time I would think a re-commitment is

1 appropriate so we know we're on firm ground prior
2 to the letter of commitment and that I ask you to
3 also, as we have in the past, make this a
4 requirement as to their certificate of
5 suitability.

6 CHAIRMAN VOWELS: What we're primarily
7 talking about are the commitments to the road
8 improvements. Which roads in particular?

9 WALT LAND: The original agreement with
10 Boomtown in that we did not agree to the numbers
11 of people that they had established in their
12 marketing analysis coming across the Markland
13 Dam. We still stated there was 460,000 people
14 using Indiana highways, but we thought that was
15 excessive, but we had no way of knowing. So we
16 have agreed, both parties agreed, to do the road
17 improvements as necessary from the Markland Dam
18 to the site and then we would take traffic counts
19 from the time the award was made during the
20 ensuing year, and at the end of the first year we
21 would decide what roads needed to be improved and
22 what would be necessary to bring them up to
23 standards, and we have agreed to that.

24 CHAIRMAN VOWELS: When you refer to
25 Markland Dam, are you talking about the

1 Switzerland County applicant?

2 WALT LAND: Switzerland County. In
3 Crawford County there was some slight alignment
4 to the highway and some basic improvements to the
5 road bend, but it wasn't extensive and I see no
6 problem with that, but we have a new player
7 involved even though Mr. Ford did commit to it,
8 and we just want to be on firm ground with the
9 new players.

10 CHAIRMAN VOWELS: Does anyone have any
11 questions for Mr. Land? Nothing further of Mr.
12 Land.

13 MR. THAR: I don't have any questions.

14 CHAIRMAN VOWELS: We'll address that in
15 the next go-around. You said Doug Shelton has
16 given you some information.

17 MR. THAR: Mr. Shelton could not be here
18 today. I had a telephonic conversation with him
19 Monday and Tuesday with regard to whether the
20 Corps wished to make any comments on either the
21 Crawford County or Switzerland County sites and,
22 if so, what those comments would be. He has
23 indicated to me that I can relay the following
24 information. That with regard to the Crawford
25 County site, in view of the fact that Harrah's

1 proposal moves the buildings from on top of the
2 hill to lower down as they illustrated today that
3 there is going to be a flood plain problem, that
4 there is the possibility of a need for twenty
5 feet of fill or more which may or may not raise
6 environmental and flooding issues and that the
7 placement of the docking of the riverboat on the
8 bend is in an area where the channel, barge
9 channel runs very close to the Indiana side and
10 that there is not much Indiana water for which a
11 riverboat could cruise. There is the possibility
12 that buildings may have to be built on stilts but
13 that final engineering type diagrams of what
14 would be necessary in that area have not been
15 submitted.

16 So to sum it up, he believe there would be an
17 environmental issue, a flood plain issue and a
18 navigation issue at the Crawford County site.
19 With regard to the Switzerland County site, he
20 indicated that there would be archeological
21 issues, as there would also would at Crawford
22 County, because that whole area they believe to
23 be of arche logical concern. There will be
24 environmental issues and also that there will be
25 some major dredging issues because the inlet or

1 swale is shallow. From what he knows today, it
2 appears they would have to not only dredge a lot
3 of material up, but continue to dredge over a
4 period of time and would have to be an adequate
5 site found to move that material.

6 Finally he indicated that that land, I
7 believe, is owned by Mr. Daniel Webster who had
8 applied, I believe as represented in the last
9 hearing, for an Army Corps of Engineers permit
10 under the same kind of approach that the City of
11 Lawrenceburg used with Argosy, and that was to
12 start construction of a marina at that site which
13 would then allow the applicant, if they got the
14 license, to progress with construction quicker.
15 He advises that Mr. Webster's permit is
16 considered denied without prejudice as he was
17 unable to obtain a construction in a floodway
18 permit from the State of Indiana. That permit
19 was in fact denied. So as a result, his position
20 is that both sites present major issues for the
21 Army Corps of Engineers. Along the lines of what
22 this Commission has experienced from the other
23 sites, including the Caesar's site and the length
24 of time it is taking to get them permitted.

25 CHAIRMAN VOWELS: Is there any comment in

1 reference to that from any of the commissioners?
2 There's nothing further from any of the agencies
3 then; is that correct, Mr. Thar?

4 MR. THAR: That is correct, as far as I
5 know, unless there's an agency here that has not
6 indicated they want to speak that has changed its
7 mind.

8 CHAIRMAN VOWELS: The time for questions
9 by the Commission to any and all presenters was
10 originally scheduled for two o'clock. Do you see
11 any problem with presenting that now? I assume
12 everyone is here. As far as the Commission
13 approach to this, I was thinking that maybe
14 instead of each of us going through and just
15 asking questions as they come through, that we
16 might start off with a commissioner in particular
17 and if there's a particular issue, exhaust that
18 issue with one of the presenters and then move
19 down the line to succeeding commissioners as far
20 as other issues or addressing that particular
21 issue. Does anybody have any thoughts on that?

22 COMMISSIONER BOCHNOWSKI: You just go
23 down the line?

24 CHAIRMAN VOWELS: Go down the line.
25 Start with Commissioner Swan and see if there's

1 an issue or a person he'd like to address
2 questions to and let him exhaust that and we can
3 take notes and address that when it's our turn.

4 COMMISSIONER SUNDWICK: Can we interrupt
5 anybody?

6 CHAIRMAN VOWELS: That's the bottom line.

7 COMMISSIONER SWAN: Nobody has ever
8 stopped me before.

9 CHAIRMAN VOWELS: I don't know what I
10 would do if you did.

11 COMMISSIONER SWAN: I have two or three
12 different things I jotted notes down on. If we
13 could start off with cruise paths. I don't think
14 I heard today a good answer on these cruise paths
15 so I'd like to hear from both those candidates
16 again on the specifics of the cruise path.

17 CHAIRMAN VOWELS: Sounds fine to me. Why
18 don't we have -- if we can begin with Mr. List is
19 sitting there.

20 BOB LIST: Our cruise path coming out of
21 the inlet is three to six hundred feet wide and
22 we could go as far as Lawrenceburg for that
23 matter. There's plenty of room to turn around.
24 There's no state line issues and there are no
25 channel issues because of the depth of the water

1 behind the Markland Dam. The commercial traffic
2 is actually, Mr. Commissioner, on the opposite
3 side of the river because of entering and leaving
4 the locks completely away from a safety
5 standpoint from our vessel.

6 COMMISSIONER SWAN: Is your cruise path
7 in either direction outside the inlet?

8 BOB LIST: No, it's planned to go up
9 river away from the damn. Actually reality is we
10 can readily cruise and probably would cruise
11 about a mile and a half.

12 COMMISSIONER SWAN: While you're up here,
13 if you could go ahead. Similar question was
14 raised from the Army Corps, I think, on the
15 dredging of that inlet area. Would you want to
16 speak to that while we're sort of in the water
17 right now?

18 BOB LIST: Certainly. We understand that
19 Mr. Webster had filed an application with the
20 Indiana Department of Natural Resources and that
21 there was an issue raised about fish habitat in
22 that inlet, specifically a spawning area, and
23 that in fact his application at one point was
24 denied. However, it could be that the Corps of
25 Engineers was not aware of it. Probably is. We

1 understand that Mr. Webster then took an appeal
2 administratively from that denial. The hearing
3 officer directed both sides to attempt to work it
4 out. There was an expert retained and we
5 understand the resolution of it is immanent and
6 that basis for denial has been or soon will be
7 set aside by stipulation. So we believe that's
8 been resolved.

9 As to the matter of the disposition of the
10 fill dirt, that is still an open question that
11 can be removed to any number of places. It would
12 have to be taken to an appropriate disposal site
13 but agreeable from an environmental standpoint.
14 Otherwise, we believe that these are readily
15 overcome. We have no mussel problem and no other
16 environmental issues that we're aware of. Our
17 Phase I showed minimal concerns from an
18 archeological standpoint and obviously we stand
19 prepared to address all those matters before the
20 Corps of Engineers.

21 CHAIRMAN VOWELS: Just continue on.

22 COMMISSIONER SWAN: I wanted to hear from
23 Crawford County about their cruise path again. I
24 didn't get all my notes completed there.

25 BRENT WILLITS: My name is Brent

1 Willits. I'm the director of Gaming Operations
2 for Harrah's. Reviewed the site plan for
3 Crawford County and the cruise path. My
4 understanding it is going to be approximately a
5 thousand feet mainly downstream. In reviewing
6 that and the vessels that we've looked at, I
7 don't see any problems with or any navigational
8 issues with operating in that area.

9 COMMISSIONER SWAN: Did I hear a comment
10 that that is -- that the commercial channel
11 actually runs along that side of the river? You
12 don't see that posing a problem?

13 BRENT WILLITS: In my fifteen years as a
14 tow boat pilot, the Ohio River, particularly in
15 that area, while they show a line of navigation
16 there, actually the river is very wide and is
17 navigable almost from the Indiana shore to the
18 Kentucky shore and, therefore, I don't see it as
19 a problem.

20 COMMISSIONER SWAN: Do you recall the
21 width of the Indiana waters along that cruise
22 path?

23 BRENT WILLITS: Approximately 300 feet,
24 I believe.

25 COMMISSIONER SWAN: Would you be able to

1 speak to the potential flood plain problem there
2 that the Army Corps has raised? I think that was
3 removing the facility lower there was going to be
4 some twenty feet of fill dirt.

5 MR. THAR: That's how it was described to
6 me, moving the project from on top of the hill
7 down to a lower location.

8 BRENT WILLITS: We have had a
9 preliminary meeting. Marty Boscaccy. We've had
10 a preliminary meeting with both DNR and the Corps
11 at the site to show them our site plan and what
12 we proposed and what we believe is the floodway
13 is actually closer to the river than what had
14 earlier been depicted. Whatever buildings we
15 place in the floodway themselves will be built on
16 stilts at a level of the 500-year flood event
17 plus one foot. In different jurisdictions in the
18 past projects have been built like that and
19 gotten Corps approval because of the low flood
20 event, because of the smooth concrete surfaces
21 that don't collect the debris as it flows down
22 the river has been an improvement in flood
23 conditions, and I can site an example. The
24 Stations Casino in St. Charles, Missouri, has a
25 similar situation with a parking deck built in

1 the floodway, and they received corps approval
2 for that. The buildings that we would have in
3 the floodway would be the parking deck and the
4 pavillion building. DNR does not allow
5 inhabitable space to be built in the floodway but
6 can be built in a flood plain. We would have our
7 hotel built in the flood plain. We don't see the
8 necessity at this time to bring that much fill in
9 in order to support the hotel facility.

10 COMMISSIONER DARKO: Can I interrupt? So
11 these two portions would be built on fill?

12 BRENT WILLITS: On stilts.

13 COMMISSIONER DARKO: But you don't
14 actually show stilts in this photo.

15 MARTY BOSACCY: If you look at the lower
16 level of the garage, that is a smooth surface.
17 The pavillion building actually sits up on stilts
18 that carries that floor level at 500-year plus
19 one foot.

20 COMMISSIONER DARKO: I see. Then the
21 hotel is on --

22 MARTY BOSACCY: Is going to be on fill.

23 CHAIRMAN VOWELS: Anything further?

24 COMMISSIONER SWAN: I have some other
25 issues with some different folks if you'd like to

1 move on down the line.

2 COMMISSIONER MILCAREK: I'd like to ask a
3 question. What is the 500-year flood level plus
4 a foot?

5 MARTY BOSACCY: 45.7.

6 COMMISSIONER MILCAREK: What is the
7 100-year level?

8 MARTY BOSACCY: 40.5.

9 COMMISSIONER MILCAREK: It's a difference
10 of five feet.

11 CHAIRMAN VOWELS: Were there any
12 photographs taken during this March '97 flood of
13 the Ohio on your site?

14 MARTY BOSACCY: We did not take any and
15 I'm not aware of any that have been taken.

16 CHAIRMAN VOWELS: Commissioner Ross,
17 anything in particular you would like to address
18 at this time?

19 COMMISSIONER ROSS: I'd like to address
20 Harrah's. I'd like to find out a little bit
21 about New Orleans. I was in New Orleans about a
22 year ago and saw this huge project that had been
23 abandoned and was told that Harrah's had started
24 it and had abandoned it. Because we're in the
25 same business here, I asked other questions and I

1 guess from the beginning the project got into
2 problems. One of the problems that I was told --
3 and that's what I would like for you to speak on.
4 Hiring for minorities and women were low and that
5 was the first sign that there was a problem. So
6 if I could have somebody comment on that.

7 PHIL SATRE: My name is Phil Satre. I
8 addressed you earlier. I'm the chairman of the
9 company. With respect to the hiring goals in New
10 Orleans, the goals were very very high and we
11 were very very close in the early days of
12 achieving those goals. So I think if you look at
13 the record on that -- and we'd be happy to supply
14 you with a detailed fax on that record because
15 that was about a \$400,000 consulting project that
16 created all of those goals, and I can't summarize
17 them here adequately, but I'm happy to share all
18 of that with you. I think you'll find that from
19 the standpoint of achieving those goals in good
20 faith, we did a remarkable job.

21 COMMISSIONER ROSS: What happened to the
22 project?

23 PHIL SATRE: The project itself -- we
24 could spend three hours here if you like or even
25 more. The project was overcapitalized based upon

1 a combination of government forces and private
2 forces that built that project up from our
3 original bid. We won a bid based on \$225 million
4 project. By the time it was built it was over
5 \$800 million. The market couldn't carry that
6 type of capital. We opened up in a temporary.
7 The temporary was not successful and a bank loan
8 that was to be extended for the completion of the
9 project was not extended. So the project didn't
10 get completed and has been in a restructuring
11 mode since then.

12 COMMISSIONER SUNDWICK: Could I ask a
13 question. How would you characterize your
14 relationships with the City of New Orleans
15 regarding this situation?

16 PHIL SATRE: I think it's been what you
17 would expect. We've had a lot of negotiations
18 with the City of New Orleans. I think in terms
19 of the Harrah's part of the partnership, the
20 mayor has said a lot of nice things about us, as
21 have other people, but we obviously have had
22 disagreements over certain business aspects to
23 that transaction. That's both the partnership,
24 because we're only a part of that partnership, as
25 well as Harrah's. As it respects the state, we

1 have a very very successful operation in another
2 part of that state of Louisiana. We're in
3 Shreveport and I think we've had an extra-
4 ordinarily good relationship with the state as
5 well as a very successful operation. So it's not
6 a state issue. It's a project issue localized to
7 the City of New Orleans.

8 CHAIRMAN VOWELS: You said it was a two
9 hundred something million dollars project and
10 then it became over eight hundred million
11 dollars. How does that happen?

12 PHIL SATRE: It happens when you have so
13 many people who begin so many different
14 constituencies who begin to request what aspect
15 of the project they'd like to see changed. In
16 the first instance because you had a two-level
17 approval process, our bid was won at the state
18 level. There was a competing bidder who had
19 already submitted a bid at the city level. That
20 city bid had been awarded based upon a \$1.2
21 billion project. At the state level that bidder
22 did not succeed. Afterwards they tried to marry
23 those two bids between the state selection and
24 the city selection, and the city would not give
25 up its lease to the original bidder on the city

1 basis without an agreement to certain terms that
2 had been contained in that particular proposal.
3 That created a marriage which ultimately took the
4 project up to \$800 million when you add in delays
5 and other additions to the project, but I think
6 that the primary problem was a process problem
7 where you had an undefined project as soon as you
8 tried to marry what we had won on our bid and
9 what a previous bidder had won at the city level.

10 CHAIRMAN VOWELS: In Louisiana there was
11 some sort of city enforcement or approval before
12 it got to the state level?

13 PHIL SATRE: On the land-base casinos
14 they have a two-tired process that really grew up
15 almost independently in that particular
16 jurisdiction. The city felt it was their
17 jurisdiction to select an applicant and the state
18 felt it was their jurisdiction to select an
19 applicant. They eventually brought those two
20 together, but the city selected an applicant and
21 then because the statute designated only one
22 location for the permanent casino, they entered
23 into a lease with that applicant before the state
24 had made its selection. So after the state had
25 selected us you had a conflict. You had Harrah's

1 and the rest of our partners as a winning bidder
2 and you had the city saying "Well, that's fine
3 but we're not giving up our lease terms," and
4 that was a process that I think on all of the
5 expansion we have done in the last five years we
6 have only seen that process repeated in one other
7 jurisdiction and they haven't finished their
8 project yet.

9 CHAIRMAN VOWELS: What year did all that
10 in New Orleans start?

11 PHIL SATRE: '92, '93.

12 CHAIRMAN VOWELS: Were you in your
13 present position then?

14 PHIL SATRE: I was president and COO at
15 the time.

16 CHAIRMAN VOWELS: Were you involved in
17 that process yourself or was your predecessor?

18 PHIL SATRE: We were both involved.

19 CHAIRMAN VOWELS: You were not the CEO
20 then; is that what you've just told me?

21 PHIL SATRE: I was not the CEO at the
22 time.

23 CHAIRMAN VOWELS: The person who is not
24 the CEO, the fact that he's not the CEO, does
25 that have anything to do --

1 PHIL SATRE: No, he had a very
2 successful career in the hotel and casino
3 business and he chose to retire as planned at
4 about age 55.

5 CHAIRMAN VOWELS: What would you have
6 done differently down there if you had it all
7 over to do again?

8 PHIL SATRE: Our position has been that
9 you have to have a defined project and you have
10 to have a single governmental entity making the
11 decision on the scope of that project and who is
12 going to operate that project.

13 CHAIRMAN VOWELS: In retrospect, would
14 you have gotten involved at all?

15 PHIL SATRE: I think the likelihood is
16 we have not. We have seen a duplicate of that
17 process created recently and our decision was
18 not -- we're not going to enter into that
19 proposal either.

20 COMMISSIONER SWAN: There's more to it
21 than process. Isn't there some market analysis
22 involved here as well that in the City of New
23 Orleans that people didn't cotton to riverboat
24 gambling or casinos as much as market analysis
25 originally showed?

1 PHIL SATRE: There's no question that
2 the original market studies for that by virtually
3 everybody involved and obviously the person who
4 had proposed the most capital or the or entity
5 that had proposed the most capital for that had
6 the biggest analysis of the market. I think you
7 could in general say that the investment banking
8 firms who analyzed that market, the applicants
9 who had analyzed that market had a market
10 estimate somewhere between \$600 million and \$800
11 million for the land-base casino. Our market
12 analysis was at the low end of that. In
13 retrospect it looks like everybody was wrong on
14 that particular market, but it was the first time
15 anybody had tried to analyze a market that was
16 almost exclusively tourism based versus locals
17 traveling anywhere from 50 to 75 miles as a form
18 of entertainment. In that particular market
19 everybody was trying to analyze how much will a
20 tourist who's already going to New Orleans spend
21 in both time and money in a casino. The
22 estimates were all over the place.

23 COMMISSIONER SWAN: You're sort of
24 anticipating my question here. We have taken the
25 good folks at Switzerland County and Crawford

1 County down a long road here of caution. We're
2 concerned about that market size, and I think
3 what I'm hearing you say is that your industry is
4 more suited to analyzing this market than it was
5 the one in New Orleans, and I can't just say that
6 because there was a problem there that we ought
7 to have more caution here on relying on market
8 analysis that we are seeing.

9 PHIL SATRE: I think that's a very
10 appropriate observation. It is much more
11 difficult to evaluate a market like New Orleans.
12 Obviously one of the other applicants here has
13 had experience in New Orleans as well and with a
14 riverboat in New Orleans. I think all of us who
15 have looked at that find that was a very
16 difficult market to on the front end come up with
17 some estimation. I will say that every market
18 analysis has to evolve with the changing
19 circumstances. If you analyze New Orleans now,
20 you need to analyze New Orleans in view of how
21 long gaming has been present in the State of
22 Mississippi or how long have other riverboats
23 operated there because those operations now have
24 developed a relationship or reputation or inroads
25 into certain marketing, and if you come in at a

1 later point in time you're going to have to
2 displace those relationships. So I don't think
3 you can look at a market and say that on January
4 1, 1992, it is this big, therefore, it's still
5 going to be that size either larger or smaller on
6 January 1, 1998. It's going to have changed
7 because of other circumstances. Any further
8 questions?

9 MR. THAR: Just one on the market issue.
10 With regard to the projections that are done for
11 Las Vegas, aren't they tourist based?

12 PHIL SATRE: On Las Vegas. Yeah, but
13 they're tourists who really have a single purpose
14 in going to Las Vegas. If you compare the
15 experience of examining to New Orleans, they had
16 an existing tourist base that had no relationship
17 to legalized casino gambling in that city. All
18 of their tourism was based upon an existing
19 infrastructure of opportunities for that person
20 to spend their time and money, mostly restaurants
21 and the night life in the French Quarter, and so
22 when you compare that to Las Vegas, you're
23 comparing it to a market where somebody says if
24 I'm going to Las Vegas I'm going because Las
25 Vegas is the casino capitol of the United States,

1 if not the world. That has a trip purpose in
2 which they say almost all of my time and all of
3 my budget is going to be spent inside of a Las
4 Vegas casino.

5 CHAIRMAN VOWELS: There was a -- just a
6 moment. Dr. Ross had asked you about women and
7 minority hiring, and you indicated you were on
8 target in the early case. Could you --

9 PHIL SATRE: Very close to our target.
10 I think if you look on a national basis, Harrah's
11 far exceeds the national norm on women and
12 minority hiring.

13 CHAIRMAN VOWELS: When you talk about
14 the early days, what do you mean?

15 PHIL SATRE: I'm talking about the first
16 about twelve months in New Orleans.

17 CHAIRMAN VOWELS: Were you actually
18 hiring people?

19 PHIL SATRE: We had staffed out for a
20 temporary casino and there were hiring goals
21 related to that, and we were within a couple of
22 percentage points of achieving those but we had
23 not achieved them. We felt that we had clearly
24 demonstrated the necessary good faith in
25 fulfilling those goals, and those are details,

1 like I say, that I'm willing to supply. Our
2 record in every other jurisdiction is outstanding
3 on women and minority hiring.

4 CHAIRMAN VOWELS: Dr. Ross, do you have
5 anything else along that line?

6 COMMISSIONER ROSS: No.

7 CHAIRMAN VOWELS: Dr. Ross, any other
8 questions right now for either of the applicants?

9 COMMISSIONER ROSS: No.

10 CHAIRMAN VOWELS: Commissioner Darko?

11 COMMISSIONER DARKO: I have a question in
12 regard to Crawford County/Harrah's and I guess my
13 question is the scope of the proposed project.
14 Obviously I'm new to the game, but I'm not sure I
15 understand how many positions are envisioned.
16 What size hotel is intended and a few things like
17 that? Could someone respond to that? I'm
18 looking at a proposal that was submitted in July
19 of '96 for Crawford County that seems to have
20 some changes from where you are now in regard to
21 the size.

22 MARTY BOSACCY: That was the Casino
23 Magic proposal. We went back in and we looked at
24 the market and looked at the demand numbers, and
25 typically what we try and do is build the project

1 to potential demand. We envision this project to
2 have about 63,000 square feet of land-based
3 development which would consist of a buffet,
4 specialty restaurant and a lounge. It would also
5 provide all of the queueing area for the
6 passengers. We envision a 300-room hotel and in
7 the hotel we would also include 8,000 square feet
8 of meeting and entertainment space.

9 COMMISSIONER DARKO: Do I understand now
10 it's a one phase development; it's not 250 rooms
11 now and more later or something like that?

12 MARTY BOSACCY: Right now we anticipate
13 for the size of the market 300 rooms and the
14 63,000 square foot pavillion. If the market
15 exceeds expectations, we have, we believe,
16 sufficient land to develop additional amenities.

17 COMMISSIONER DARKO: How many gaming
18 positions?

19 MARTY BOSACCY: 1,000 slot machines and
20 50 table games. The boat itself, we anticipate,
21 will have a little over 30,000 square feet of
22 gaming space so that if the demand warrants, we
23 have sufficient space in the boat to add more
24 machines.

25 COMMISSIONER DARKO: Again, I apologize

1 for a lack of background. Tell me how a thousand
2 slots and fifty tables translates to gaming
3 positions.

4 MARTY BUSCACCY: A thousand slots is a
5 thousand positions and fifty tables would be 250.
6 Five positions per table.

7 COMMISSIONER DARKO: So roughly 1,250
8 positions?

9 MARTY BOSACCY: Right.

10 COMMISSIONER DARKO: One other question
11 while you're here in regard to staffing up. Have
12 you done labor market surveys to determine
13 whether there are adequate people available to
14 staff your positions within a reasonable
15 geographical area of the site?

16 MARTY BOSACCY: Yes, we looked at the
17 county surrounding Crawford County and those
18 included Harrison, Floyd, Clark, Perry, Dubois,
19 Orange and Washington.

20 COMMISSIONER DARKO: Those are the
21 Indiana counties?

22 MARTY BUSCACCY: All Indiana counties.
23 In those counties there currently exists 308,000
24 people with a labor force of 160,000 workers.
25 Current unemployment rate is 5.5 percent, which

1 gives you a number of unemployed of 8,800 which
2 you would hope that you'd be able to find 1,300
3 employees out of that labor base.

4 COMMISSIONER DARKO: That's the Indiana
5 side?

6 MARTY BUSCACCY: Yes, nothing to do with
7 Kentucky.

8 CHAIRMAN VOWELS: The unemployment was
9 8,800 for all of those counties?

10 MARTY BOSACCY: Yes, 5.5 percent.

11 COMMISSIONER BOCHNOWSKI: You need 1,300
12 employees and how many employees -- I can't
13 remember how many employees Caesar's is going to
14 need, but you would be competing with Caesar's
15 also for employees?

16 MARTY BOSACCY: Yes, ma'am.

17 COMMISSIONER SUNDWICK: Keep hoping maybe
18 somebody will move there and take these jobs.

19 MARTY BUSCACCY: Cite an example of
20 Tunica County where you had a county where you
21 had a total population of 8,000 people. They
22 currently have eight casinos open with 25,000
23 employees and they've been able to staff their
24 casinos.

25 COMMISSIONER DARKO: So as compared to

1 last year, you've downsized the project a little
2 bit and down the hill?

3 MARTY BOSCACCY: We wanted to get off the
4 bluff to save from clear cutting about 35 acres
5 of forest and make it a better customer
6 experience. By having customers come up at the
7 top of the bluff, take elevators all the way down
8 450 some odd feet to the level to get on the
9 boarding dock, then walk the boarding dock into
10 the boat, we thought was not a very good
11 experience. Other riverboats around the United
12 States that have those kinds of impediments to
13 them have experienced less than desirable
14 customer satisfaction.

15 COMMISSIONER DARKO: Thank you. I don't
16 have any other questions right now, Mr. Chairman.

17 CHAIRMAN VOWELS: Commissioner Sundwick?

18 COMMISSIONER SUNDWICK: No.

19 CHAIRMAN VOWELS: Commissioner
20 Bochnowski?

21 COMMISSIONER BOCHNOWSKI: Get Harrah's up
22 here again right now. I wanted to ask you to
23 further clarify your commitment to the project.
24 The slide you showed said that your loan had
25 several conditions attached to it. At what point

1 would you start putting money into this project?
2 Would it be after permits are granted? Are you
3 willing to stay the course? As you know, the
4 Army Corps of Engineers can take a long time.
5 When will you start spending money?

6 MARTY BOSCACCY: We currently have spent
7 about \$300,000 to \$350,000 to carry us to this
8 point that the certificate of suitability is
9 granted to begin spending the necessary funds in
10 order to complete the Corps application. We're a
11 considerable way there already. We've hired a
12 number of consultants that have looked at the
13 various issues. Architectural firms developing
14 and continuing to develop our plans, and we would
15 be ready to submit the application to the Corps
16 and deal with DNR as soon as we -- as soon as
17 Casino Crawford -- Crawford County Casino
18 Corporation were awarded the certificate of
19 suitability.

20 COMMISSIONER BOCHNOWSKI: What are the
21 conditions that you have placed on the loan?

22 MARTY BUSCACCY: That if Crawford County
23 Casino Corporation is issued the certificate of
24 suitability, we would buy a hundred percent of
25 their stock and take over that project.

1 COMMISSIONER BOCHNOWSKI: This leads me
2 to another question. Before you could become an
3 owner in that project you would have to be
4 approved and licensed by this Commission. I know
5 you've been licensed in other jurisdictions.
6 Hopefully it wouldn't be a problem, but what if
7 there were a problem?

8 MARTY BUSCACCY: We were licensed in
9 almost all the jurisdictions currently in the
10 United States. We went through the preliminary
11 process with our application in Lawrenceburg. We
12 are prepared to file a transfer application the
13 date the certificate of suitability is awarded.
14 We have all of our public disclosure documents
15 finished and we're ready to move forward on that
16 process. During the time that you all would be
17 looking at our transfer application we would
18 complete and finalize our Corps application and
19 continue through the design drawings for the
20 project.

21 CHAIRMAN VOWELS: I guess one of the
22 times prior when we dealt with something like
23 this was Hyatt in Rising Sun. Hyatt had just
24 been investigated for the Evansville application
25 and just a few months later the Rising Sun had

1 come up, but the difference that seems there,
2 number one, they had been fully investigated and
3 that it was an unconditional finding and we had
4 asked them point blank what happens to the money,
5 to the loan if we decide that you wouldn't become
6 an owner of the license, and they said they would
7 just basically be a bank. That's different than
8 what you would do?

9 MARTY BOSCACCY: Yes, sir, it is.

10 CHAIRMAN VOWELS: From looking at this
11 after obtaining all necessary permits to commence
12 project construction Harrah's is to close on
13 purchase of one hundred percent of the stock. If
14 it got up -- and upon being awarded the
15 preliminary certificate of suitability that's
16 when the request would be made to transfer
17 ownership of the casino to a Harrah's subsidiary.
18 I guess my question, are you going to invest some
19 money up until that point of time where you would
20 be in a position to purchase that stock and also
21 to ask us for permission to become an owner?
22 What if it got to that point and no construction
23 had been done but all the necessary permits are
24 ready and we said no and you had put a bunch of
25 money in there? What do you do with Casino

1 Magic? Do you have some then in there to trigger
2 that they are paying you back for what you put
3 in?

4 MARTY BUSCACCY: No.

5 CHAIRMAN VOWELS: It's just a gamble?

6 MARTY BOSACCY: Yes, sir.

7 COMMISSIONER BOCHNOWSKI: This loan, it
8 also says Harrah's is provide \$170 million loan
9 commitment. It says revocable at will. So in
10 other words, if you weren't able to become an
11 owner, then you would --

12 MARTY BUSCACCY: Yes.

13 CHAIRMAN VOWELS: It's revocable at will
14 at any time?

15 MARTY BOSACCY: Yes, sir.

16 COMMISSIONER SUNDWICK: Why didn't you
17 just purchase the stock for \$5 million?

18 MARTY BOSACCY: Yes, sir.

19 COMMISSIONER SUNDWICK: Why didn't you
20 buy the \$5 million and go this alone? If you
21 have this kind of faith, why didn't you buy them
22 out up-front?

23 MARTY BUSCACCY: We weren't willing to
24 spend \$5 million without having some assurance
25 there would be a project. That's a fairly

1 sizeable chunk of change even for somebody as
2 large as us to go and spend that kind of money.
3 We'd be willing to go through the process and the
4 design.

5 COMMISSIONER SUNDWICK: I might get the
6 money up. If they get the license, maybe I'll
7 give them six million. Okay.

8 CHAIRMAN VOWELS: Anything else?

9 COMMISSIONER BOCHNOWSKI: Not on that
10 subject.

11 CHAIRMAN VOWELS: Is there anything you
12 want to ask at this time?

13 COMMISSIONER BOCHNOWSKI: I want to get
14 into some environmental questions, but we can go
15 on down and I'll get back to that.

16 CHAIRMAN VOWELS: Commissioner Milcarek.

17 COMMISSIONER MILCAREK: I was just
18 wondering if a representative from Switzerland
19 County have had any job fairs? How is the
20 availability of manpower in our jurisdiction?

21 BOB LIST: Perhaps Mike Jones would like
22 to add to this, but we've submitted a staffing
23 plan prepared by Steven Jones that the Commission
24 has on file. I think you'll note or recall that
25 it calls for us recruiting in sort of an

1 expanding circle reaching out from Switzerland
2 County and into central Indiana conducting job
3 fairs as we go first to the surrounding counties
4 into Ripley and Jefferson and then further north
5 up into Columbus and as far north as
6 Indianapolis, and the analysis shows that there's
7 plenty of solid available work force, trainable.
8 We'd of course conduct extensive training
9 programs as well, but that clearly the work force
10 is there and available to us.

11 COMMISSIONER MILCAREK: What is the
12 amount of people that would be required?

13 BOB LIST: 1,600 employees.

14 COMMISSIONER MILCAREK: How many of those
15 would you anticipate would come out of
16 Switzerland County?

17 BOB LIST: I'd say certainly, unless the
18 job picture there changed dramatically, certainly
19 not more than half, I wouldn't think.

20 COMMISSIONER MILCAREK: You would expect
21 people to come as far away as Indianapolis if
22 necessary?

23 BOB LIST: Yes, we're committed to reach
24 out and to make certain we get a good mix of
25 employees from the standpoint of women and ethnic

1 background, and we'll go as far as we have to to
2 reach that.

3 COMMISSIONER MILCAREK: If people -- if
4 you would have to bring more than half the people
5 from surrounding areas, say as far away as from
6 Indianapolis, where would these people live? Is
7 there housing available?

8 BOB LIST: There would certainly have to
9 be some additional housing built in the area.
10 That's part of the economic development when you
11 bring a casino into a small community. It's one
12 of the benefits.

13 CHAIRMAN VOWELS: Following up on that.
14 The unemployment rate in Switzerland County, do
15 you know what that is now? Mr. Jones, maybe he
16 will know.

17 BOB LIST: It's among the lowest in the
18 state. I think four or five or six lowest -- or
19 highest rates of unemployment in the state. I
20 can't give you the precise current figure. I
21 think it's --

22 MIKE JONES: I don't have the current
23 statistics today. I know that in the past year
24 or several months it has fluctuated and
25 Switzerland and Crawford County have definitely

1 been at the very high end of the unemployment
2 scale running much higher than the state average.

3 CHAIRMAN VOWELS: We're talking
4 somewhere around six, seven percent maybe,
5 something like that.

6 MR. THAR: It's around 8.2.

7 MIKE JONES: The state average has been
8 four. It's considerably been higher than that.
9 I might also say again this is Mike Jones,
10 Switzerland County Council. Getting back to the
11 jobs, I think Bob is right. The unemployment
12 rate reflects that we would have a large number
13 that would be going to work there from
14 Switzerland County, but we also have a lot of
15 people who are driving to Cincinnati and northern
16 Kentucky, Florence area who are working for
17 seven, eight dollars an hour, and I think a
18 considerable number of those people would like to
19 stay home and work and have quality jobs, so I
20 think there -- that number Bob List said is very
21 achievable having half of that number or more
22 working there.

23 CHAIRMAN VOWELS: If we could look at
24 that because part of my concern in each of these
25 places was employment, particularly in that area.

1 I understand that in some areas it's a little
2 more difficult to recruit minorities based upon
3 the percentage of minorities in a given area, but
4 when we look at Switzerland County, for instance,
5 if we use an eight percent unemployment rate,
6 what number does that translate to? Are we
7 talking about eight percent of the able-bodied
8 adults who are able to work?

9 MIKE JONES: Again, not being an expert
10 on that, I really don't know if I can directly
11 answer your question. I know our population is
12 around 8,800, somewhere in that neighborhood. I
13 would assume that number would reflect the number
14 of people of working -- and it may not also
15 county those that have been unemployed to the
16 extent that they're no longer counted in those
17 statistics as well.

18 COMMISSIONER BOCHNOWSKI: It's my
19 understanding that those figures reflect the
20 number of people actively searching -- if you
21 have somebody who stays at home and isn't
22 interested in working, they wouldn't be reflected
23 in those numbers. Am I correct about that, Jack?

24 MR. THAR: Much like Mike, I'm not an
25 expert in that area.

1 COMMISSIONER DARKO: I think that is how
2 it works. If you bring the wages up high enough,
3 you may attract some people.

4 MIKE JONES: We have a tremendous number
5 of people who drive 40, 50 miles one way and are
6 making in that range of seven, eight or under ten
7 dollars an hour. People that work at the airport
8 or Cincinnati or drive to Boone County, Kentucky
9 who, I think, would be glad to be able to work
10 there at home.

11 CHAIRMAN VOWELS: Haven't they started on
12 the boat in Rising Sun and Lawrenceburg?

13 MIKE JONES: Some have but some have not
14 because there's still a lot of people that work
15 in northern Kentucky.

16 COMMISSIONER BOCHNOWSKI: I'd be
17 interested if there's somebody here still from
18 Argosy or Rising Sun if you've had experience
19 trouble finding employees or if it's been easy to
20 find people. Is there anybody still here?

21 MR. THAR: I don't know. I can tell you
22 what we have seen as a staff particularly with
23 the opening of the larger boat in Lawrenceburg.
24 Lawrenceburg has been experiencing difficulty in
25 keeping certain areas staffed at a hundred

1 percent level on a continuing basis. They have
2 advised that the job market, job pool is
3 difficult in order to keep and maintain
4 employment, and they believe that they will
5 consistently and they have not reached their
6 employment maximum yet, consistently run short in
7 different areas as probably a way of doing
8 business until something levels out or something
9 changes.

10 COMMISSIONER DARKO: They're not geared
11 up completely?

12 MR. THAR: Their permanent facility will
13 not open until December, but if there's someone
14 from Argosy here. Steve Norton? That's what we
15 experienced when we opened their boat because one
16 of the things we discussed with them was the
17 apparent lack of manpower in a couple of areas.
18 Mr. Azark with Hyatt.

19 COMMISSIONER BOCHNOWSKI: I'm glad
20 they're here. I had some other questions.

21 DAN AZARK: My name is Dan Azark. I'm
22 Senior Vice-President of Development with the
23 Hyatt Corporation. Employment has been a
24 terrific challenge not only for Argosy, but for
25 Rising Sun. It's a constant challenge. We

1 advertise regularly. We have job fairs
2 regularly. About 27 percent, I think, of our
3 employees come from Switzerland County at this
4 point. A high percentage of our employees come
5 from the four surrounding counties of
6 Switzerland, Ripley, Dearborn and Ohio. In the
7 economic impact report that we submitted to
8 you -- and I think you may have a copy of it.
9 There is a pie chart or breakdown of where the
10 employees come from. We have to reach to Ohio
11 and to northern Kentucky for a substantial
12 portion of them, and anybody that wants to work
13 in Ripley or Ohio or Dearborn and into
14 Switzerland County is being sought after on both
15 of these boats at this point. It is a challenge.

16 CHAIRMAN VOWELS: You said 27 percent of
17 what figure?

18 DAN AZARK: I think we're at 1,600
19 employees currently.

20 COMMISSIONER DARKO: Are any of your
21 present employees represented by labor
22 organizations?

23 DAN AZARK: No, they are not.

24 COMMISSIONER SUNDWICK: The idea is to
25 bring jobs and economic development to south-

1 eastern Indiana, and I've always sat up here and
2 find it funny and amazing that we ask do we need
3 to have more people. And that was supposed to be
4 the point. More jobs, more people move to our
5 part of the state, more job fairs. I think
6 that's the point. I am not very concerned. I
7 think that if you pay these people the
8 appropriate dollars they'll come and work there.
9 They'll come to southern Indiana. That's what we
10 want to happen. That's just an editorial. I
11 know everybody needs people. We need more people
12 to move to our part of the state.

13 DAN AZARK: All we're saying is it's a
14 challenge.

15 COMMISSIONER SUNDWICK: I understand.
16 I'm glad you're there. We're tickled to have
17 you. It's just wonderful. I hope you grow your
18 business and you need another thousand people to
19 come, and I think that's the hardest part you got
20 is getting people. That would be my assumption.

21 BOB LIST: I would simply add that we
22 would call it what we term in our company a high-
23 class problem. You pay what you have to and you
24 go out as far as you have to to bring people in
25 and to move their families there and to provide a

1 very good living wage. Our average wage will
2 exceed \$25,000 per person.

3 CHAIRMAN VOWELS: How would you explain
4 what we just heard from him though? Twenty-seven
5 percent of their employees, which is around 400
6 people, live in Switzerland County and they're
7 still having problems filling. Are there people
8 in Switzerland County who haven't heard that
9 there's a boat over in Rising Sun? I'm just not
10 following.

11 BOB LIST: I don't have a ready
12 explanation for it, Mr. Chairman, except to say
13 that people migrate to jobs and to job
14 opportunities that suit their skills and their
15 desire to work in a particular location and that
16 enables them to take home a maximum paycheck.
17 It's always an administrative problem. It's
18 really an HR challenge that any company faces in
19 a large city or in a small community.

20 TIM PARROTT: Tim Parrott, Hollywood
21 Park. I'd like to add we've had the same problem
22 and it was mentioned earlier. We've had the same
23 situation in Biloxi with the explosion of
24 casinos. There's been tightness in the market-
25 place and people have recognized jobs. They've

1 come into the market. We've reached out and it's
2 been absorbed. So there have been periods of
3 tightness when the growth has been faster than
4 the natural gravitation of people to jobs and
5 then it stabilized and Tunica has been the one
6 that's grown ten times in a population that
7 didn't exist to satisfy that void. It's nothing
8 to make light of, but at least historically
9 that's been a problem that, as Commissioner
10 Sundwick said, people have been looking for and
11 companies that have had that would prefer to have
12 a more open marketplace as far as employees, but
13 everybody's been able to solve it.

14 CHAIRMAN VOWELS: Mr. Swan, did you have
15 a question?

16 COMMISSIONER SWAN: On a totally
17 different issue. I want to ask Mr. Brown from
18 Aztar if you could come forward. I want to ask
19 you a question about Mr. Rublie's presentation
20 this morning. Mr. Rublie had to leave, I guess.

21 MR. BROWN: Yes, he did.

22 COMMISSIONER SWAN: He was speaking this
23 morning. Basically the change in admissions, I
24 think. He was talking about the number of people
25 declining from 2.3 million to 1.7 or something

1 like that. Can we convert that to dollars as
2 well? Is the effect the same in dollars as it is
3 in admissions? Let me get to some basics first.
4 Are those admissions, do they include stayovers?

5 MR. BROWN: Yes.

6 COMMISSIONER SWAN: So if a person stays
7 over two nights, that's two admissions?

8 MR. BROWN: Yes.

9 COMMISSIONER SWAN: When you did your
10 original projections you were basing it on
11 Harrison County being X size, I assume, and now
12 it's of Y size presumably. What is the
13 difference in what you use for projection
14 purposes and what they're going to end up with?

15 MR. BROWN: Going back to where our
16 initial analysis came from. We were looking at
17 projections being in the magnitude of \$100
18 million to \$150 million and we were looking at
19 gaming positions in the fifteen to eighteen
20 range, and as we know, that Caesar's project has
21 grown to 3,900 gaming positions.

22 COMMISSIONER SWAN: When you did your
23 original projection you actually were using that
24 15 to 17?

25 MR. BROWN: So was everyplace was a

1 fairly average size casino riverboat.

2 COMMISSIONER SWAN: Your win average is
3 one of the highest in the state, if not the
4 highest, at around fifteen bucks per admission.
5 I assume that's higher than what you probably had
6 originally projected, or is it? Do you remember
7 those numbers?

8 MR. BROWN: No, in fact, I don't. When
9 you look at admissions versus patrons and people
10 can change admission schedules and change from
11 three-hour cruise times to two-hour cruise times,
12 it definitely muddies the water of win per
13 admission numbers. I wasn't involved back then
14 and I'm not --

15 COMMISSIONER SWAN: More direct question.
16 Your revenue today, does it approximate what you
17 had in your original projection?

18 MR. BROWN: I think our original
19 projection showed \$138 million annually in casino
20 revenue. Our first year we produced \$108 million
21 in casino revenue.

22 COMMISSIONER SWAN: Do you have
23 statistical information that shows admissions
24 from zip code areas?

25 MR. BROWN: Yes, we do.

1 COMMISSIONER SWAN: Have you used that
2 information to project the effect -- is that
3 information being used to project the effect of
4 opening a boat at Crawford or Switzerland
5 Counties?

6 MR. BROWN: I didn't prepare the
7 analysis. It was taken into account. We would
8 have used other markets that we were involved
9 with or other information that we were able to
10 kull, but yes, our information did play a part in
11 it and other information such as mileage and
12 number of trips per year from a particular
13 demograhpic area. A fairly complicated model.
14 That's why they all come up somewhat differently.

15 COMMISSIONER SWAN: Without giving away
16 any trade secrets, do you know what percent of
17 your business comes from the Louisville area?

18 MR. BROWN: Roughly twelve to fifteen
19 percent. That would be the Louisville
20 Metropolitan statistical area as measured by the
21 U.S. census figures in terms of zip codes. So
22 whatever is in the Louisiana MSA would constitute
23 that number, but any rural areas wouldn't be
24 included as a Louisville number.

25 COMMISSIONER SWAN: Your original

1 projection showed that you were going to take
2 something like -- you can correct me if I'm
3 wrong -- a 20 percent hit when Harrison County
4 opened up. Do you think that's going to be
5 higher than that then from what Mr. Rublie showed
6 this morning?

7 MR. BROWN: We believe that the Harrison
8 County facility will take away roughly 15 to 20
9 percent of our business. As you move forward
10 from initial hypothetical when no one is open and
11 you see what the real world offers you, things
12 seem to move. So now being more educated and
13 informed, we believe it's going to be 15 to 20
14 percent of our business.

15 COMMISSIONER SWAN: So the viability of
16 your project, you had a viable project before.
17 What approximately 20 percent hit? You're going
18 to realize probably something in that neighbor-
19 hood now without Crawford County or Switzerland
20 County so it's still going to be a pretty viable
21 project at that point. I read somewhere that
22 some people may feel like that you have been
23 making lot of hay here while Harrison County goes
24 through its woes with the environmental issues
25 that it has and that we ought not feel too sorry

1 for you on that basis. I guess the point of fact
2 is what's happening is the project is going to
3 remain viable with the Harrison County boat
4 opening. It will probably still be viable from
5 either Crawford or Switzerland because those
6 percentages weren't very high, I think. Detracts
7 from your admission. From what Mr. Rublie showed
8 this morning, it wasn't a great number that those
9 were going --

10 MR. BROWN: We somewhat disagree with
11 the SPEA model. If the facility's located in
12 Crawford County, it's going to mean only 5.1
13 percent in decline. As the SPEA model that if
14 the Crawford County facility opened, it only take
15 away two and a half percent of the Harrison
16 County business, but in terms of the viability of
17 the project, we believe that we're going to
18 remain a viable project. This isn't going to
19 push us out of business.

20 COMMISSIONER BOCHNOWSKI: As long as
21 you're up here, I kind of had the same question
22 for Mr. Pritzker. Both of you have come forward,
23 Argsoy as well, and indicated that this is going
24 to cause a problem which Commissioner Swan
25 alluded to, but you were well -- you were all

1 well aware there were five licenses allowed on
2 the river, and to me I'm wondering if that was --
3 do you feel that you can't be competitive or what
4 changed your mind the reality of the situation
5 versus projection? What exactly made it now a
6 problem? MR.

7 BROWN: We're not advocating not issuing
8 a fifth license. We're simply stating that we're
9 in a -- we have a unique opportunity now to
10 measure changes in the marketplace. Look at new
11 facilities that are just opening. For instance,
12 the SPEA model measured the attractiveness of a
13 casino via gaming positions. We have seen number
14 of gaming positions change at one site. They
15 didn't take into account land-base facilities and
16 what further opportunities they offer, and we
17 have seen a dramatic increase in admissions at
18 Grand Victoria since their land-base facilities
19 open and we haven't seen the effects of the
20 larger riverboat at Argosy. We haven't seen the
21 effect of their land-base facility and we haven't
22 seen the impact of Harrison County and a facility
23 that is more than double the size of what I think
24 anyone would have imagined a facility would have
25 ended up being.

1 COMMISSIONER BOCHNOWSKI: Go ahead.

2 NICK PRITZKER: Nick Pritzker, Hyatt
3 Development Corporation. I agree with those
4 statements. Also it is our position and our
5 request that the Commission delay a decision
6 until the implication of the new addition to the
7 supply is clear. We never suggested that we
8 couldn't be competitive with five licenses and we
9 don't suggest that now. It may well be that we
10 can. One change that has happened since the time
11 of our application initially several years ago is
12 that the depth of despair in a number of markets
13 where the supply has been added to a market that
14 could not absorb that supply has been made clear.
15 Situation that one of the applicants brought up.
16 New Orleans has had closing since that time.
17 Both Missouri markets, St. Louis and Kansas City,
18 have had, if not closings, a situation which I
19 think one might foresee closings are eminent.
20 There have been reductions in staffing and
21 serious problems for several of the boats in
22 those markets. Tunica also, I think, has had
23 closing since the time that we addressed the
24 question of licenses. I think that those
25 experiences in another markets suggest that

1 sometimes relatively small increments in supply
2 can lead to serious problems because of
3 increasing costs of operation, for example, and
4 the problems of creating a bottom line, even with
5 incrementally lower growths suggest that prudence
6 is in order. Those, I believe, have changed. I
7 think there's a change in perspective nationally
8 in a competitive situation.

9 COMMISSIONER BOCHNOWSKI: How would you
10 respond to the slides that indicated you're
11 actually doing better than you had anticipated
12 than your projection indicated and that perhaps
13 there's not enough to satisfy the market, the
14 market is in fact larger than had been
15 anticipated?

16 NICK PRITZKER: I respond in this way.
17 There are a couple of answers to that. One is
18 that our projections were based on more supply
19 than is presently in the marketplace. Our
20 projections were based on a completed Argosy and,
21 as I mention, although Argosy has in fact opened
22 their full boat now, the market I think has --
23 it's not clear exactly what capacity they're
24 going to fill as time goes on what they're going
25 to take from us. We assumed a boat in Harrison

1 County that is not yet open. Our results, I
2 think, are somewhat deceptive. Over the last few
3 months Argosy has had tremendous pressures in
4 terms of parking availability and access, which
5 they still do. They've been closed for some of
6 that period. Harrison County is not open so
7 we're getting significant amount of our business
8 from the market that in the longrun I think are
9 going to erode, such as Indianapolis and
10 Lexington. So perhaps we are in fact doing
11 better at this point in time than we thought we
12 would at this point in time, but I had
13 anticipated more competition to have been
14 absorbed at this point in time. It has not yet.
15 In addition to that, I might add that we also
16 spent significantly more on our project than we
17 anticipated at that time, but that is not your
18 problem and I have not suggested that be a factor
19 in your thinking.

20 COMMISSIONER SUNDWICK: A quick question.

21 Historically if we put a boat in which we had
22 Lawrenceburg and Vivay would have been awarded
23 the license and we would have had -- the open
24 license that we're discussing today would have
25 been in Rising Sun, would you have had the

1 interest you currently have?

2 NICK PRITZKER: I would in no way stand
3 up in front of this Commission and make the
4 representation now that I made then, which is
5 that I would put a hundred million dollars into a
6 new project. I would love to have you award me a
7 license to keep my options open as to what I do,
8 but in all honesty, to be the third boat in this
9 market with the uncertainty as it is today, we
10 clearly would not make the representation or the
11 expenditure, take the risk we've done. We might
12 try to find somebody else to finance it, but I
13 would not have taken the position now that I did
14 at that time.

15 COMMISSIONER BOCHNOWSKI: You did take a
16 risk knowing that was an option, that that could
17 happen.

18 NICK PRITZKER: Absolutely, and however,
19 we were the second boat in the market. I think
20 that there is some advantage of being the second
21 boat as opposed to the last. And I also will
22 have to tell you at the time a few years ago
23 there have been a number of failures since that
24 time that had we been aware of, I think we might
25 have been more prudent than we were. Obviously

1 we made a commitment. We did what we said we
2 were going to do, but times have changed and
3 perspective changes.

4 CHAIRMAN VOWELS: When you refer to
5 second boat in the market, which one are you
6 referring to?

7 NICK PRITZKER: I'm suggesting with
8 Argosy that to be --

9 CHAIRMAN VOWELS: What were the
10 advantages of being number two?

11 NICK PRITZKER: It's harder to get market
12 share as a new operator as it is for an existing
13 operator. So I expect that the next operator is
14 going to have a difficult time getting market
15 share away from the existing operators, going to
16 be a challenge to staff, as we may or may not
17 agree, but I think it's going to be difficult.

18 CHAIRMAN VOWELS: There was some
19 discussion earlier -- Mr. Brown this will apply
20 to you too -- about the necessity for
21 reservations to get on the boat. That's heavily
22 encouraged. Are there people being turned away
23 from Rising Sun's boat?

24 NICK PRITZKER: I'd like to defer to Mr.
25 Azark. I'm not conversant with the operating

1 details. I don't want to misrepresent this.

2 DAN AZARK: The boat in Rising Sun is
3 operating at about 55 percent capacity. The only
4 time that reservations are really required are
5 peak times, which is on the weekends, Saturday
6 night, Friday night. That's when we typically
7 sell out. Argosy is currently operating, as I
8 think Steve Norton indicated, about 1,800,
9 allowing 1,800 people to get on board and their
10 capacity in December when they open the permanent
11 parking lot will be at about 4,000. At the
12 moment we're encouraging people at peak times,
13 which is the afternoon cruises on the weekends,
14 to make reservations.

15 CHAIRMAN VOWELS: What's the capacity of
16 your boat again?

17 DAN AZARK: Our capacity, practical
18 capacity is about 2,00. We're certified for up
19 to 2,700, but with the number of gaming positions
20 we have we try to cut attendance off at about
21 2,220 so people don't feel too crowded.

22 CHAIRMAN VOWELS: Mr. Brown, the only
23 times I've been on the boat I guess are on
24 weekends and it looks pretty crowded. What's the
25 situation with Aztar as far as reservations

1 during peak time?

2 MR. BROWN: No, we do accept
3 reservations. We don't suggest reservations. We
4 don't force reservations and we have not had a
5 soldout cruise for probably sixteen, seventeen
6 months. It was when first opened there were a
7 couple on President's weekend. We can accomodate
8 up to 2,700, and we fall in the same category as
9 Dan's facility. We can comfortably accomodate
10 2,200 to 2,300 and we do not sell out.

11 CHAIRMAN VOWELS: Have you had sellout
12 times?

13 DAN AZARK: Yes.

14 CHAIRMAN VOWELS: How often has that
15 occurred?

16 DAN AZARK: every Friday night, every
17 Saturday night.

18 CHAIRMAN VOWELS: Mr. Pritzker, this is
19 completely off the subject, but we all stayed in
20 the Hyatt last night. Did you stay there too?

21 NICK PRITZKER: If I told you I stayed at
22 the Westin would you believe me? I'm glad you
23 stayed at the Hyatt. I think perhaps the record
24 should be cleared that you paid rack rate
25 however.

1 CHAIRMAN VOWELS: We didn't realize it
2 until a while ago. He didn't have any heat and
3 had to be moved to another room.

4 NICK PRITZKER: Please leave your
5 comments in writing. I'll be glad to pass them
6 on to the owner. Our partner for our boat in
7 Evansville, which we did not receive that
8 license. As some of you will remember, our
9 partner got stuck in the elevator at our hotel
10 when he stayed there. I apologize about the
11 heat.

12 CHAIRMAN VOWELS: Let's take a
13 fifteen-minute break and come back about three
14 o'clock.

15 (Short break taken.)

16 CHAIRMAN VOWELS: I believe we're ready
17 to begin. We'll call the meeting to order. In
18 reference to Crawford County, someone from
19 Crawford County, can they come to the podium.
20 I have a question.

21 DAVID JONES: My name name is David
22 Jones. I'm the county council president of
23 Crawford County.

24 CHAIRMAN VOWELS: There was some
25 discussion about drawing other industries or

1 other business to Crawford County. Basically
2 that riverboat would help draw other business
3 into the county. I was just looking at a map
4 and, for all practical purposes, I'm trying to
5 figure this out. The Hoosier National Forest
6 seems to take up a large portion of Crawford
7 County; is that correct?

8 DAVID JONES: Yes, approximately 25
9 percent of Crawford County land is in the Hoosier
10 National Forest or state owned property.

11 CHAIRMAN VOWELS: This map -- and this is
12 a state highway system map that we have here. It
13 shows the Hoosier National Forest and something a
14 purchase area. Do you know what that means?

15 DAVID JONES: No, I do not.

16 CHAIRMAN VOWELS: I was just looking at
17 the map of Crawford County. Looks like the vast
18 majority of Crawford County is in the green which
19 looks like more than 25 percent to me.

20 DAVID JONES: It is approximately 25
21 percent federal and state owns in Crawford County
22 that we do not receive tax revenue.

23 CHAIRMAN VOWELS: 25 percent then?

24 DAVID JONES: Yes.

25 CHAIRMAN VOWELS: The question then would

1 be -- and I thought it would be more than 25
2 percent so maybe my question won't be very
3 important. Drawing additional business in there,
4 would there be sufficient land for development
5 outside of that forest?

6 DAVID JONES: Yes. As far as industry
7 or commercial? Yes, currently at what would be
8 the I-64-66 interchange the county has an option
9 on sixteen acres. We own approximately another
10 35 or 40 that we just purchased in a deal with
11 Jasper Engines and given them some of the land.
12 Also a gentleman owns basically three of those
13 interchanges that's several hundred acres there
14 and another businessman there owns several
15 hundred acres that he had right off the southwest
16 quadrant there that basically goes to that curve
17 that you're talking about redoing. Runs from the
18 interstate all the way to the curve.

19 CHAIRMAN VOWELS: For all practical
20 purposes, there is land?

21 DAVID JONES: Yes, there is several
22 hundred acres.

23 CHAIRMAN VOWELS: In reference to the
24 population to the unemployment for Crawford, are
25 you aware of what those numbers are?

1 MR. THAR: During the intermission he
2 approached me with that document which has the
3 numbers for Crawford and Switzerland County.

4 DAVID JONES: The unemployment figures
5 for August of '97 were six percent, but Crawford
6 has historically been number one in the state.
7 The '96 Crawford County unemployment rate was
8 9.9. Some of the counties that surround us who
9 are in our revenue sharing plan, Orange County
10 directly to our north was 9.6. In fact, out of
11 the top ten unemployment in the state, four of
12 those counties are around us and are included in
13 our revenue sharing plan.

14 CHAIRMAN VOWELS: You said for 1996 it
15 was nine percent?

16 DAVID JONES: 9.9 for Crawford County.

17 CHAIRMAN VOWELS: Do you know of any
18 reason why that would drop almost four percentage
19 points?

20 DAVID JONES: No, I do not, other than
21 Crawford for August of '97 was six percent, and I
22 was looking back at the numbers that Switzerland
23 County had given. They were currently 4.3
24 percent.

25 CHAIRMAN VOWELS: For August '97?

1 DAVID JONES: Yes.

2 CHAIRMAN VOWELS: What is the population
3 in Crawford County?

4 DAVID JONES: I don't know the exact
5 figure. It would be a little over ten thousand.
6 In the 1990 census it was 9,914.

7 CHAIRMAN VOWELS: If we say ten
8 thousand -- do you see that?

9 DAVID JONES: The number of people in
10 the county in the labor force? In Crawford there
11 are 4,825 in August.

12 MR. THAR: How many are unemployed?

13 DAVID JONES: 290.

14 MR. THAR: Can you give us the same
15 figure for Switzerland?

16 DAVID JONES: In Switzerland County in
17 August there were 3,905 in the labor force.
18 There were 3,370 employed, which left
19 unemployment of 165. But in maybe addressing the
20 unemployment in Crawford County, as you are all
21 aware, that is Jasper Engine Transmission is
22 building a plant there. There are projected to
23 hire 126 people. Currently they've hired over
24 fifty. Right now they're taking applications.
25 They have over five hundred and are still taking

1 them.

2 CHAIRMAN VOWELS: Do you have any idea
3 how many of those would have been Crawford
4 County?

5 DAVID JONES: These are all Crawford
6 county. You were talking also about the labor
7 force going to the Harrison County boat. I don't
8 think that will ever happen from Crawford County
9 simply because I can get to downtown Louisville
10 quicker than I can to that boat, or New Albany,
11 either one of those labor markets. If I was
12 going to drive 35, 40 miles to get a job, I would
13 have been in Louisville as opposed to driving to
14 that boat.

15 CHAIRMAN VOWELS: There were some
16 numbers earlier that we heard the average wage in
17 Crawford County and \$15,000 and the state average
18 is \$24,700?

19 DAVID JONES: Right.

20 CHAIRMAN VOWELS: I don't have any other
21 questions. Anybody else?

22 COMMISSIONER DARKO: Is Mr. Brown still
23 here from Aztar? Can I ask you a couple
24 questions? Since you've been in operation for a
25 couple years, what's your experience been in

1 finding employees to fill the positions you have?

2 MR. BROWN: We haven't had a problem.

3 We'll employ roughly 80 percent of our work force
4 from Vanderburgh County. Currently from a
5 minority standpoint, our Vanderburgh County
6 population is 9.3 and our minority work force is
7 20 percent. Our male-to-female ratio is roughly
8 50 percent. I think we find difficulty in
9 probably areas that nationwide they're having
10 difficulties these days, and they are entry level
11 positions, cleaning positions, dish washing
12 position.

13 COMMISSIONER DARKO: Those are the ones
14 that are hard to fill?

15 MR. BROWN: They'll continue to be and
16 they are in other industry too.

17 COMMISSIONER DARKO: What kind of salary
18 do you pay at those beginning positions?

19 MR. BROWN: Roughly anywhere from \$6.75
20 to eight dollars.

21 COMMISSIONER DARKO: Are any of your
22 employees represented by labor organizations?

23 MR. BROWN: Not at the current time.
24 Our facility was built completely by union labor
25 though.

1 COMMISSIONER DARKO: Do you have any data
2 yet on the occupancy rate of your hotel? How
3 long has the hotel been open? Six or eight
4 months?

5 MR. BROWN: Roughly ten months.

6 COMMISSIONER DARKO: Do you have any
7 idea of occupancy rate?

8 MR. BROWN: Hotel occupancy is in the 70
9 percent range this month. I think that the
10 ramping up of hotel occupancy look a little
11 longer than we expected it for the past four
12 months. We have been in the 70 to 75 percent
13 range.

14 COMMISSIONER DARKO: For food service
15 you've got a buffet and deli?

16 MR. BROWN: We have a buffet. We have a
17 sidewalk cafe. We have an upscale snack bar. We
18 have a 24-hour restaurant/coffee shop. We have
19 an Italian restaurant and we have a gourmet
20 restaurant.

21 COMMISSIONER SUNDWICK: Any consideration
22 given to -- is it a Toyota plant that's going to
23 come? Aren't you concerned about that Toyota
24 plant coming to town? You might have a real
25 labor problem.

1 COMMISSIONER DARKO: It's 25 miles away?

2 MR. BROWN: Yes, there are so many
3 applicants and we feel that in the positions that
4 we would get hit the hardest we can re-staff. I
5 don't believe we're going to have a problem.

6 COMMISSIONER SUNDWICK: Any consideration
7 in your community about the problems you're going
8 to face after staffing up that plant?

9 MR. BROWN: Not that I've been involved
10 with. We have a satisfied work force and a lot
11 of people that are doing much better than they
12 were before we arrived here. We've surveyed our
13 employees about interest in Toyota anonymously so
14 that they don't put themselves on any perceived
15 lines, but we think we're going to get hit by
16 maybe a hundred, two hundred people, and that
17 wouldn't be a problem to get back on line from
18 that.

19 COMMISSIONER SUNDWICK: I don't know if
20 I'd let that plant come to town.

21 MR. BROWN: It's a wonderful thing.

22 COMMISSIONER MILCAREK: With the hotel at
23 75 percent occupancy (inaudible).

24 MR. BROWN: That's a complicated answer
25 that I'd give you. Our rack rates, our average

1 right now is roughly \$73. 20 to 25 percent of
2 our rooms are complimentary to players and we do
3 discounted rates. Variable cost of renting a
4 room is in the \$18 to \$22 range, but so many
5 other factors influence it in mixed costs and
6 utilities that we do break even on variable costs
7 but not all encompassing break even, but our
8 hotel has been a profitable piece of the
9 facility.

10 COMMISSIONER DARKO: I didn't hear. Did
11 you say what percent of your rooms are
12 complimentary? 20 to 25 percent?

13 MR. BROWN: 20 to 25 percent.

14 CHAIRMAN VOWELS: Back to the Casino
15 Magic/Harrah's. We had talked earlier about the
16 flood plain. I had asked a question if there
17 were any pictures taken from the spring of '97
18 flood, but I didn't ask did that area flood where
19 the proposed land development would be? Does
20 anybody know or does anybody want to tell me?

21 JOHN STUTZMAN: John Stutzman,
22 Leavenworth Town Council President. The area
23 that the hotel would be on would be about, from
24 what I've seen on the drawings, would be about
25 where the water level subsided before it started

1 going back down. The road itself in that area
2 which follows under the hill in that area never
3 was covered by water. The pavillion area would
4 have had water on it but very little. Dave
5 Carter, the present owner of the property, is
6 here and he might be able to address that better
7 than I could. There are some pictures that I
8 have at home of it that I could get to the
9 Commission to where it was at that time.

10 DAVE CARTER: My name is Dave Carter.
11 I'm the present owner of the property. On the
12 property is a red house and a red barn, and we
13 had that house rented at the time of the flood.
14 The day the flood reaches the people came up to
15 pay the rent, much to our surprise, and told us
16 that the water stopped just at the bottom of the
17 door. Didn't come in the house. The area
18 proposed for the hotel is just above that house.
19 So the flood we had this year would not affect
20 it.

21 CHAIRMAN VOWELS: Is there anything in
22 the proposal closer to the river from the hotel?

23 DAVE CARTER: Yes, the hotel is the
24 farther thing from the river. The boat, of
25 course, is in the river and the pavillion on

1 which the people board the boat from is closer to
2 the river than the hotel.

3 CHAIRMAN VOWELS: So that area was
4 flooded?

5 DAVE CARTER: Yes, but not very much.
6 They build that on stilts as they plan the part
7 that the people would use would not be in the
8 flood plain.

9 CHAIRMAN VOWELS: Any other questions
10 along that line? Anybody else have -- we'll
11 start at the end. Commissioner Swan, any further
12 questions?

13 COMMISSIONER SWAN: No.

14 CHAIRMAN VOWELS: Commissioner Ross?

15 COMMISSIONER ROSS: No.

16 CHAIRMAN VOWELS: Commissioner Darko?

17 COMMISSIONER DARKO: Did I understand
18 correctly that the Switzerland County people have
19 committed to donating half a million dollars to
20 Crawford County if you get the license?

21 BOB LIST: That's correct. It's money
22 that comes both from the operator from Hilton/
23 Boomtown and from Switzerland County.

24 COMMISSIONER DARKO: Why Crawford County?

25 BOB LIST: I guess the thought is they

1 historically have been economically needy and the
2 sense is that it's the right thing to do, that
3 they get something out of this even if they don't
4 get a boat.

5 COMMISSIONER DARKO: Consolation prize.

6 MIKE JONES: Both counties have that
7 built in. I don't know if you call it the
8 consolation prize or what, but I think it was the
9 understanding that help would go to that county
10 that needed it.

11 COMMISSIONER DARKO: Is it a one-time
12 payment?

13 MIKE JONES: Every year.

14 BOB LIST: It's actually a percentage
15 that we estimate to be approximately a half a
16 million dollars.

17 COMMISSIONER DARKO: Per year?

18 BOB LIST: Yes, it's recurring forever.
19 Ripley would also get a half million and
20 Jefferson one million.

21 CHAIRMAN VOWELS: What is the revenue
22 sharing plan for Switzerland County then? I'm
23 sorry. For Crawford County.

24 CHARLIE PARKS: Charlie Parks, Chairman
25 of the Steering Committee for Crawford County.

1 We have a revenue sharing plan that will serve
2 five counties, Dubois, Orange, Perry, Washington
3 and Switzerland. The revenue that will be
4 distributed will be distributed on the basis of
5 need. Those counties that are more affluent will
6 receive less. Those who are more disadvantaged
7 will receive more.

8 CHAIRMAN VOWELS: How do you figure that
9 out?

10 CHARLIE PARKS: It was done on the basis
11 of the assessed value at the time our committees
12 met, and at that time Dubois had an assessed
13 value -- and I'm rounding these off for ease.
14 A little over \$396 million. Orange County had an
15 assessed value of over \$118 million.

16 CHAIRMAN VOWELS: How do you come to
17 those figures?

18 CHARLIE PARKS: Those came from the
19 statistics published by the Farm Bureau in the
20 analysis of the various taxation of the different
21 counties.

22 CHAIRMAN VOWELS: So you took those and
23 used some percentage and figured out what would
24 be given?

25 CHARLIE PARKS: Yes.

1 CHAIRMAN VOWELS: I follow you.

2 CHARLIE PARKS: Perry at that time was
3 \$97 million. Washington County was \$139 million.
4 Switzerland County at that time was \$42 million.
5 Switzerland will share at the same rate that the
6 most disadvantaged county on our borders would
7 be, and that's Perry. They will share the same
8 amount as Perry. In addition to sharing with
9 each county, we intend to share with each
10 incorporated town within the counties. The
11 county would get a sum and each incorporated town
12 would get a lump sum.

13 COMMISSIONER BOCHNOWSKI: What would
14 those sums be? Let's just take an example. For
15 example, Switzerland County is anticipating that
16 Crawford County would get what? Half a million
17 dollars. So what do you think they'd get?

18 CHARLIE PARKS: Not knowing what revenue
19 figures they used to come up with their half
20 million, I can either give you an estimated
21 dollar amount or I can give you a percentage
22 amount. Would you like both? A dollar amount
23 Dubois County and the five towns that would share
24 within Dubois would receive approximately
25 \$156,000 per year. Orange County and the four

1 incorporated towns within would receive an
2 estimated \$282,000 per year. Perry County and
3 the three incorporated towns would receive
4 \$307,000 per year. Washington County and the
5 eight incorporated towns within that county would
6 receive \$327,000. Switzerland with two
7 incorporated towns would receive \$288,000, and
8 that's predicated on the original revenue figures
9 that were estimated at the time that our
10 committee developed this revenue sharing plan
11 percentage-wise.

12 COMMISSIONER BOCHNOWSKI: That may end
13 up changing because the size of the boat changed?

14 CHARLIE PARKS: Revenue goes up, the
15 sharing goes up.

16 COMMISSIONER BOCHNOWSKI: And vice versa?

17 CHARLIE PARKS: Yes, ma'am. Dubois for
18 rounding purposes -- yes, sir.

19 COMMISSIONER SUNDWICK: You had those
20 assessed values again. Did I hear Switzerland
21 County was \$42 million? Is that what you said?

22 CHARLIE PARKS: Yes, at the time we did
23 this.

24 COMMISSIONER SUNDWICK: What was the next
25 lowest one?

1 CHARLIE PARKS: The next lowest one on
2 our list at that time was Perry at \$97 million.
3 Currently Crawford is right at \$52 million.
4 Percentage-wise, Dubois would get around eleven
5 percent, Orange would get around 20 percent,
6 Perry 22 percent, Washington County 24 percent,
7 and Switzerland 21 percent of the grand total.

8 CHAIRMAN VOWELS: Anything further for
9 him? Thank you.

10 COMMISSIONER DARKO: Nothing else from
11 me.

12 CHAIRMAN VOWELS: Mr. Sundwick? Miss
13 Bochnowski?

14 COMMISSIONER BOCHNOWSKI: I had some
15 concerns -- we have seen some real delays in the
16 final approval by the Army Corps of Engineers in
17 Harrison County. I'm just wondering in Crawford
18 County I'm sure there's a reason why there's a
19 national forest there. There's a lot of
20 unspoiled natural area. I'm just anticipating
21 all kinds of problems there. I don't know what
22 your feeling on that is. Anybody who wants to
23 talk about the potential problems in the
24 environment from either the boat or from the
25 company or the county.

1 MARTY BOSCACCY: This is Marty Boscaccy,
2 Harrah's. As we've experienced in all of our
3 riverboat projects and all of our Indiana casinos
4 that we've helped develop, we take the NIBA pack
5 at face value and follow all the dictates of NIBA
6 and look at all areas of cultural concern.
7 Casino manager prior to us had done some
8 investigation of environmental issues. When we
9 decided to take a look at this project, as I had
10 stated earlier today, we spent a considerable
11 amount of money to determine what we think some
12 of these areas of concern are. In the letter
13 from Shelton of the Corps he said there were
14 significant cultural resources on this particular
15 site. We have their information as well as other
16 information that indicates there's one pocket of
17 cultural resource that sits on the western end of
18 the site far away from our development. There's
19 been speculation of different species that pose a
20 problem, including the Indiana bat, the gray bat,
21 the eastern woodrat and a fresh water mussel
22 called the Club Shell. All of the research
23 that's been done to date is inconclusive. The
24 methods of testing for the mussel beds which is
25 called scuba which uses a rake that goes along

1 the bottom of the river is inconclusive. We have
2 in the audience with us a gentleman who is a
3 marine biologist that if you wish to ask some
4 more questions about the mussel bed he can
5 answer. We did -- we sent some people in the
6 field. They found no habitat for any of the
7 endangered species on our site. There are a lot
8 of Indiana bats and gray bats in the caves,
9 Marengo Cave, but there are none -- none were
10 trapped on our particular site and the wood rat
11 was not found on our site. The property that
12 we're developing is currently developed. It is a
13 trailer park and marina.

14 COMMISSIONER BOCHNOWSKI: Right, we've
15 been down there.

16 MARTY BOSACCY: We've addressed those
17 issues and obviously we're going to continue to
18 work. We've had a meeting with the Corps and a
19 meeting with the DNR. Obviously they are not
20 going to take anything under advisement.

21 COMMISSIONER BOCHNOWSKI: We understand
22 that.

23 MARTY BOSACCY: We've taken the
24 necessary steps to get us comfortable that a lot
25 of the issues will be addressed on the front end

1 so that when we do get with our completed Corps
2 application we'll be aware of what we think will
3 happen. Thank you.

4 COMMISSIONER BOCHNOWSKI: Thank you.

5 BOB LIST: Perhaps I can add just a
6 point or two to our response earlier today, Madam
7 Commissioner. As I understand it, the resolution
8 that is being worked out with Mr. Webster and the
9 IDNR calls for mitigation and what it really
10 calls for is actually making a sanctuary on that
11 peninsula alongside the inlet which would be very
12 good from their perspective.

13 COMMISSIONER BOCHNOWSKI: That's what
14 you're committing to?

15 BOB LIST: Yes, we're prepared to do
16 that as well if that appears to be their desired
17 course. I would also mention frankly that we
18 feel that our environmental problems are so
19 solveable that it's quite possible that we would
20 be open before the Harrison County boat.

21 COMMISSIONER BOCHNOWSKI: Don't even do
22 that. Don't say anything like that. We don't
23 want to hear it. You never know.

24 CHAIRMAN VOWELS: Commissioner Milcarek?

25 COMMISSIONER MILCAREK: No.

1 CHAIRMAN VOWELS: Just to Harrah's.
2 Let's talk about the boat a second. In your
3 presentation this morning you talked about the
4 possibility of another boat that might be
5 available instead of this \$30 million 290-by-78
6 foot boat. What I'd like to know is because
7 we've changed. It went from 1,900 positions to
8 1,250 or so. What would happen if we had a
9 different boat? Or do you have a particular boat
10 in mind?

11 MARTY BOSCACCY: Yes, we've got a
12 particular boat at one of our operations that we
13 could move to this site. It's 268 feet by 78
14 feet with again a little over 30,000 square feet
15 of gaming space. It's got ample space.

16 CHAIRMAN VOWELS: How many positions on
17 that boat then?

18 MARTY BOSCACCY: The same.

19 CHAIRMAN VOWELS: That is 1,250?

20 MARY BOSCACCY: A thousand slots and
21 fifty tables.

22 COMMISSIONER SUNDWICK: Are you already
23 on the boat?

24 MARTY BOSCACCY: Yes.

25 COMMISSIONER BOCHNOWSKI: The law does

1 require --

2 MARTY BOSCACCY: Yes, it cruises.

3 COMMISSIONER BOCHNOWSKI: On the river
4 it has to have a certain look. They have to look
5 like a riverboat.

6 MARTY BOSCACCY: It's a replica of an
7 18th century paddle boat.

8 CHAIRMAN VOWELS: Because it if didn't,
9 we'd have to paint those big paddle wheels on the
10 side.

11 MARTY BOSCACCY: It's a stern wheeler
12 and it meets all the requirements. Missouri has
13 the same requirement and this particular boat
14 resides in Missouri.

15 CHAIRMAN VOWELS: Is that the only
16 alternative?

17 MARTY BOSCACCY: There's a smaller boat
18 in dry dock that we could potentially use as a
19 temporary boat. We would never envision using it
20 as a permanent boat.

21 CHAIRMAN VOWELS: What would the specs be
22 on that?

23 MARTY BOSCACCY: I couldn't tell you the
24 size of the boat. I'm going to guess it's
25 somewhere around 210 feet by 65 feet and would

1 handle probably nine hundred slots and thirty
2 tables.

3 CHAIRMAN VOWELS: Which boat would you
4 use as a temporary boat?

5 MARTY BOSACCY: If we did a temporary,
6 that's what we would use. We're in the process
7 now of determining whether or not the site is
8 developable for a temporary casino.

9 CHAIRMAN VOWELS: In December we give you
10 a license. What would you do? Would you have a
11 temporary boat or would you --

12 MARTY BOSACCY: Going to have to get a
13 permit in order to dock a temporary boat. We're
14 going to go through the process. If we can
15 develop on the site a temporary facility while
16 the main building is under construction, we would
17 do that.

18 CHAIRMAN VOWELS: That then would be your
19 temporary boat if that would happen?

20 MARTY BOSACCY: Yes, sir.

21 CHAIRMAN VOWELS: Then if you didn't have
22 a temporary boat -- I guess my question is \$30
23 million of your \$170 million proposal is a boat?

24 MARTY BOSACCY: Yes.

25 CHAIRMAN VOWELS: One of the other

1 commissioners asked. This 268-by-78 square foot
2 boat is something you already own?

3 MARTY BOSCACCY: Yes.

4 CHAIRMAN VOWELS: It has the same amount
5 of gaming positions. Why not use that one?

6 MARTY BOSCACCY: I think we would prefer
7 to have a new boat with the deck level such that
8 the ramping system that's defined for this
9 facility you can do it on two levels. The
10 current boat that we have is three levels.

11 CHAIRMAN VOWELS: Any other questions
12 about that? Does anybody have anything else, any
13 other questions? Mr. Thar, do you have anything?

14 MR. THAR: I have just a couple before
15 you sit down. Your vessel that you might
16 construct at 295-by-78 is not a very big vessel
17 by Indiana standards. Would it have -- you
18 talked about higher ceilings. Would it have
19 escalators? Do you intend on having a modern
20 boat or one of the earlier generations?

21 MARTY BOSCACCY: We would have a modern
22 boat if we built it today. It would not be one
23 of the earlier generations like the one we
24 currently own.

25 MR. THAR: You're not committed as to

1 building new or older generation?

2 MARTY BOSCACCY: Yes, correct. One of
3 the things we've got to determine is slot
4 availability in the shipyards. Currently the oil
5 exploring has got most of the shipyards pretty
6 well overordered, and we looked at the
7 possibility of using Jeff Boat which is just
8 upriver, and they don't have the capacity to
9 build a boat of the width that we would need.

10 MR. THAR: If you were to get a license,
11 would you at some point in time build a new boat
12 for that market or are you not committed to that?

13 MARTY BOSCACCY: We are committed at
14 first trying to get a new boat into that market.
15 We just alluded to that both that we have one in
16 case the availability of a slot in a shipyard
17 pushes it out past a reasonable date, we have got
18 an alternative solution.

19 MR. THAR: I'm still not hearing the
20 answer to the question I asked.

21 MARTY BOSCACCY: Yes, we're going to
22 build a boat.

23 MR. THAR: With regard to project cost,
24 you said \$170 million. Does your loan commitment
25 to the project encompass \$170 million?

1 MARTY BOSCACCY: Yes, sir.

2 MR. THAR: With regard to your loan
3 commitment, in theory if Harrah's was not found
4 suitable, then there would be no financing from
5 Harrison to the project?

6 MARTY BOSCACCY: Correct.

7 MR. THAR: If Harrah's was found
8 suitable, what type of money is Harrah's prepared
9 to expend with regard to this project from the
10 period of time of the award of the certificate of
11 suitability and the finding that Harrah's is
12 suitable to take over Crawford County Casino
13 Corporation?

14 MARTY BOSCACCY: We have not developed a
15 budget, but as I stated earlier this morning, we
16 would start the development and finalize the
17 Corps application. We would start schematic
18 design so that we can get an accurate price. We
19 would seek a slot in a shipyard and start boat
20 design at that time.

21 MR. THAR: It's all design work; you
22 would not make actual expenditures on
23 construction equipment or, if there was an
24 immediate slot open, vessel construction?

25 MARTY BOSCACCY: If there was an

1 immediate slot for vessel construction and once
2 the plans were done, we obviously would start
3 construction on the boat.

4 MR. THAR: Would it be safe to say would
5 you not fund this to the same extent you would if
6 you already knew you were found suitable?

7 MARTY BOSCACCY: You're saying we
8 wouldn't commit \$170 million?

9 MR. THAR: Between the time of the award
10 of the certificate of suitability and being found
11 suitable that your funding today during that time
12 period would not be the same as if you already
13 knew you were suitable?

14 MARTY BOSCACCY: Yes, that's probably
15 accurate.

16 MR. THAR: So there would be some
17 slowdown in funds going to the project until you
18 got those questions answered?

19 MARTY BOSCACCY: Yes.

20 MR. THAR: For some reason I thought I
21 saw a slide that indicated that you would not
22 fund the project until all permits had been
23 obtained.

24 MARTY BOSCACCY: That's construction.
25 We'll start funding the design and development of

1 the design of this project once the award of
2 suitability is received by Crawford County Casino
3 Corporation.

4 MR. THAR: So construction aspect?

5 MARTY BOSCACCY: correct.

6 MR. THAR: That's all I would have for
7 Harrah's. May I ask -- wait. I'm sorry. I do
8 have one more. We'll ask the same question of
9 Boomtown/Hilton. Mr. Land had asked that we make
10 of record your commitment to the road
11 construction necessary by INDOT because, as he
12 indicated, he had new players. Are you willing
13 to make a commitment?

14 MARTY BOSCACCY: Yes, sir, we will. We
15 assume that commitment and have that commitment
16 in our budget and we assume the commitment with
17 the assumption or the purchase of Crawford County
18 Casino Corporation. If he needs us to meet with
19 him to solidify another commitment under our
20 name, we'll do that.

21 MR. THAR: I think he would like to meet
22 with you and get a letter that contained your
23 name on it.

24 MARTY BOSCACCY: We will do that.

25 MR. THAR: I would ask Mr. List the same.

1 BOB LIST: Yes, we make the same
2 commitment on behalf of Hollywood Park and
3 Boomtown/Hilton and we'll commit that to writing.
4 We told Mr. Land we would.

5 MR. THAR: Mr. Jones, how much money has
6 Switzerland County received from Ohio County as a
7 result of revenue sharing?

8 MIKE JONES: Mike Jones, Switzerland
9 County Council. I wish -- I don't have those
10 numbers with me today. I could get those numbers
11 to you. I know that is the first -- I think the
12 first two -- the first check that we received the
13 projection had been around just under \$200,000,
14 \$189,000 for the year. That was based on Hyatt's
15 projections. I know the first quarter that we
16 received would have been above that and I think
17 that check was in like February maybe. I can get
18 those for you.

19 MR. THAR: Switzerland County has
20 received in excess of \$200,000?

21 MIKE JONES: For the year we would
22 receive that.

23 MR. THAR: You have received money today?

24 MIKE JONES: yes, we have.

25 MR. THAR: Give me a round figure.

1 MIKE JONES: I'm thinking that the
2 checks -- I can just really tell you for sure I
3 know the first quarter was around \$50,000 for the
4 first quarter that we were to receive, but I can
5 check that and let you know for sure.

6 MR. THAR: Could you?

7 MIKE JONES: Yes, sir, definitely will.
8 Is that all you had?

9 COMMISSIONER DARKO: Maybe Hyatt knows
10 what they're paying them.

11 MR. THAR: This comes out of the Rising
12 Sun foundation.

13 MIKE JONES: They set up a revenue
14 sharing fund that is separate from the
15 foundation. There is a Rising Sun Regional
16 Foundation which Switzerland County is eligible
17 for and entities within have received grants for
18 that.

19 MR. THAR: So if I ask Ohio County and
20 Rising Sun Foundation what they have distributed,
21 would you have any problem with the accuracy of
22 their numbers?

23 MIKE JONES: Absolutely not.

24 MR. THAR: I think we can get that
25 information if we have not already received it.

1 MIKE JONES: I know there should have
2 been probably around by now I would think three
3 checks, two or three checks on the revenue
4 sharing.

5 MR. THAR: If the checks averaged around
6 \$50,000, for today's purposes it would be about
7 \$150,000?

8 MIKE JONES: Well, I think based on the
9 first check that we received. When I projected
10 that out it would have been around \$200,000.

11 COMMISSIONER SUNDWICK: Annually?

12 MIKE JONES: For one year.

13 MR. THAR: Thank you. With regard to
14 Crawford County, is there anybody who can answer
15 how much money they've received in revenue
16 sharing to date?

17 DAVID JONES: David Jones of the county
18 council. We have not received any revenue
19 sharing fund. The only funds that we've had that
20 we received initially from Casino Magic was
21 \$100,000 they had given to us to prepare for
22 this, and they have -- I couldn't tell you an
23 exact figure. We probably have received about
24 \$130,000, \$140,000.

25 MR. THAR: That's from an applicant, not

1 from another county?

2 DAVID JONES: There is no revenue
3 sharing from our applicant or any other counties.

4 MR. THAR: You have part of a revenue
5 sharing with Harrison County?

6 DAVID JONES: Yes, but I'm very shakey
7 about that one. They have come back and
8 determined that their money will be distributed
9 yearly by their county council. We have no
10 agreement with Harrison County. They have not
11 sent us anything. So we may get eight percent
12 the first year and nothing the second year.

13 MR. THAR: You have yet to enter into a
14 written agreement with Harrison County?

15 DAVID JONES: We have not received
16 anything from Harrison County.

17 MR. THAR: Thank you very much. That's
18 all I have.

19 CHAIRMAN VOWELS: In reffernce to the
20 Hilton takeover of Caesar's, this morning there
21 was discussion -- takeover of ITT. If the
22 takeover occurs, Boomtown and Hollywood Park
23 would buy down to the ten percent figure. Let's
24 have someone from Hilton come up and I have a
25 couple questions. Assuming that the takeover

1 occurs and then Hilton will become the owner of
2 the certificate of suitability in Harrison
3 County, at some point in time Boomtown and
4 Hollywood Park will buy Hilton down to the ten
5 percent. At what point in time will that happen?
6 At the time the license is granted or as soon as
7 the takeover occurs?

8 TOM BALTIMORE: As soon as the takeover
9 occurs.

10 CHAIRMAN VOWELS: What would happen if
11 things fell apart in Harrison County? We granted
12 a certificate of suitability extension until
13 next April and then there was a decision that it
14 was not going to be granted or extended any
15 longer. Then you'd be stuck with nothing and
16 have ten percent over there?

17 TOM BALTIMORE: Given that scenario, that
18 would certainly be the risk.

19 CHAIRMAN VOWELS: That answers my
20 question. Anything further? If there's no
21 further questions, then I guess procedurally this
22 is the part I didn't pay too much attention to
23 Chairman Klineman. There would be adjournment
24 and possibly adjournment because we haven't made a
25 decision and we're going to address this fifth

1 license sometime between Thanksgiving and the
2 early part of December when we can figure out our
3 calendars; is that correct?

4 MR. THAR: I think what we had discussed
5 was sometime between around mid-November until
6 around mid-December based upon availability of
7 the commissioners and space. As soon as we know
8 the date, even without an agenda, we'll put that
9 date out. If we could -- immediately following
10 this, if anyone knows their availability or, by
11 the same token, would it be easier for us to just
12 make phone calls next week? We'll call next week
13 to get commissioner availability plus room
14 availability. As soon as we know the date, we'll
15 put that out and we'll try to establish an agenda
16 for what other business also transpires.


17 CHAIRMAN VOWELS: Do we then adjourn
18 this meeting?

19 MR. THAR: Recess this hearing.

20 CHAIRMAN VOWELS: The business meeting
21 is adjourned. Hearing is recessed, for all those
22 who are sticklers for Robert's Rules of Order,
23 and we shall pick it up again at a date uncertain
24 within the parameters of what Mr. Thar's just
25 told you. Thank you.

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

4 I, Deanne S. Hutson, Stenographic
5 Reporter within and for the County of Marion,
6 State of Indiana, do hereby certify that on the
7 23rd day of October, 1997, I reported the foregoing
8 proceedings; and that the transcript is a full,
9 true and correct transcript made from my stenograph
10 notes.

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12
13 
14 -----
15 Deanne S. Hutson,
16 Residing in Marion County, Indiana

17
18 My Commission Expires:

19 November 6, 1998
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