

ORIGINAL

BEFORE THE INDIANA GAMING COMMISSION

PUBLIC MEETING

TRANSCRIPT OF PROCEEDINGS

DATE: August 31, 1994
September 1, 1994

PLACE: Genesis Convention Center
1 Genesis Center Plaza
Gary, Indiana

TRANSCRIBED BY: Maria W. Collier, Notary Public

MEMBERS OF THE COMMISSION

Alan I. Klineman, Chairman
Thomas F. Milcarek
Robert W. Sundwick
Dr. David E. Ross, Jr.
Gilmer Gene Hensley
Donald R. Vowels
Ann Marie Bochnowski

ALSO PRESENT

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

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I N D E X

	<u>Page</u>
Presentation by Barden/President Riverboat Casino	
Don Barden	3
Ed Ellers	12
Terry Regenis	22
Ed Ellers	27
Don Barden	43
Questions by the Commission of Barden/PRC	47
Presentation by Trump Hotels & Casinos Resorts, Inc.	
Donald Tabbert	128
Donald Trump	135
Nicholas Ribis	147
Joe Polisano	156
Patrick Dennehy	169
Donald Trump	183
Questions by the Commission of Trump	183
Presentation by the City of Gary	
Mayor Thomas Barnes	229
Senator Earline Rogers	231
Gilbert King, Jr.	238
Mayor Thomas Barnes	239
Questions by the Commission to the City of Gary	247
Presentation by the United States Coast Guard	
Captain Clay Potts	281
Questions by the Commission to the Coast Guard	286
Questions by the Commission to all Applicants, the City of Gary, and the Coast Guard	298

1 August 31, 1994
2 Indiana Gaming Commission
3 Public Meeting
4

5 (The presentation by Barden/President
6 Riverboat Casino was preceded by opening remarks
7 which were not transcribed.)

8 MR. BARDEN: My friend, who is an
9 attorney, said he didn't have the financial debt
10 that he had involved with another marina so he
11 asked me to join him to see if I'd be interested
12 in coming with him to Gary to see if we could
13 make this project work.

14 So we met in Lorain, Ohio, with the
15 mayor and I think two or three thousand people,
16 my attorney who has the project. We toured that
17 facility in Ohio then we moved back the following
18 week to Gary. I went out, inspected the site,
19 talked to officials.

20 USX officials were on that trip, and,
21 frankly, I was brought there on one side, but I
22 ended up on the city's side because at the time I
23 did not think that the city was getting the right
24 side of the deal. So I kind of told the city a
25 couple of recommendations that would enhance the

1 development of that project, and that's the
2 history of my coming to Gary.

3 And when the legislation passed I called
4 the mayor's office and asked what the process was
5 going to be. They said they were rather
6 surprised that the bill passed, call back in a
7 week or two, and we'll let you know what that is,
8 which I did, and they said we're establishing a
9 process, and you're welcome as well as anyone
10 else to apply.

11 With that I got Mike Johnson, as I
12 always try to get experts and always try to do my
13 due diligence, and I said this is a riverboat
14 gaming business, what do you need in order to
15 succeed, what are the elements of success. And
16 boat popped in my mind so before looking for a
17 partner I decided to look for a boat.

18 Now, Mike Johnson, having some 30 plus
19 years in marine experience, I said Mike, where
20 can we find a boat. He said well, David Seymour
21 is one of the premier maritime engineers in the
22 country and let me call him. He called David,
23 and David got on the phone, and we ended up with
24 several brokers.

25 We tracked down a half dozen boats.

1 This was back in July of '93, and we finally ran
2 across a boat called the New Yorker. But who
3 owns it? A company has an option on it called
4 President. The option expires in a month. I
5 said well, if they don't take it we'd be
6 interested in getting an option.

7 To make a long story short they
8 exercised their option and bought the boat so
9 then I decided to pursue President Riverboat
10 Casinos because unlike tradition it was a flip
11 side. Usually majority companies are looking for
12 minority partners. Here is a minority majority
13 looking for a minority partner.

14 So I looked President Boats up and said
15 would you be interested in selling your boat.
16 They said perhaps but probably not, we're looking
17 for opportunities ourselves. But, in fact, the
18 broker said they would be interested in joining a
19 partnership if the proposed partner has the
20 wherewithal, the resources, the expertise to be a
21 full partner.

22 So as it turned out we met, negotiated,
23 and they declared that I indeed had all the
24 credentials and the resources to partner with
25 them because the boat is a very valuable asset.

1 We learned in our research and studies that that
2 is the only Coast Guard certified boat in the
3 United States.

4 We're going to let a year go that it
5 could be ready to deploy in Gary so that we would
6 be the first ones to be operational. Having
7 formed a partnership we then pursued the due
8 diligence necessary to make this project occur.

9 We immediately came to Gary and looked
10 at the site, went to all the USX sites again. We
11 decided what are the other properties on the lake
12 front. We explored Marquette Park, Lake Street
13 Park. We even had engineering designs,
14 preliminary studies done to find out how long it
15 would take to build breakwaters, to build piers,
16 and get the facility ready so we could open in a
17 timely fashion.

18 We went on the USX site. We walked it.
19 We flew in airplanes around the city looking at
20 all the sites. Originally Buffington wasn't in
21 the picture. That came into the picture later.
22 Our focus, because the mandate was USX, is what
23 we want because we want to develop that into the
24 marina development.

25 So we went ahead with all the due

1 diligence, all the studies, the breakwaters, wave
2 action, etc. We looked at all kinds of
3 alternatives. In fact, we came up with a concept
4 of an enclosure within the lagoons there to float
5 the boats.

6 We even examined how we can cut down on
7 the breakwater in one part, float the boat over,
8 cut it down halfway, float the boat, rebuild it,
9 drain water from one side while the other side is
10 being dredged. All of that, by the way, was
11 feasible.

12 One obstacle, overwhelming obstacle, was
13 the permitting process and not knowing what we
14 would ultimately find on that site in terms of
15 contaminated water and what effect it would have
16 on the process to get Gary into position first.

17 We went to Buffington after determining
18 that on the time based factor simply, economic
19 basis, if you look at the economic impact of this
20 project over the next five years you can see that
21 we, the state, the city can ill afford to wait
22 two years or better to put USX in operation, and
23 that's what we would have been facing.

24 That's why the decision was ultimately
25 made to go to Buffington. I have a long list of

1 items over the last year that we've performed,
2 due diligence, engineering studies, surveys,
3 testing.

4 In fact, the application, the
5 information that was sent to the Army Corps to
6 keep this project on track was done by us. Our
7 engineers did it. We paid for it. We spent over
8 \$500,000 just on those kind of activities over
9 the past year.

10 And we shared that information in the
11 spirit of cooperation and a spirit of fairness
12 from the example that you have set and the
13 mandate that you have laid out for all of us. We
14 shared that information but not with just the
15 other preferred developer from the city but also
16 the other two applicants who still remain in the
17 process.

18 We said give them the information so at
19 least they'll have the facts because we know what
20 the costs are, we know what the time frame is to
21 make this project happen in a timely fashion.
22 That is the way that I've conducted my business
23 career over the past 28 years, and I think that
24 is a basic reason for my level of success.

25 There are a lot of things that I could

1 cite individually and specifically that we've
2 done in due diligence. The goal and objective
3 has been make the project happen. The people
4 need it. Jobs are needed.

5 I have a chief judge friend of mine in
6 Detroit who attended one of the economic peace
7 summits that I conducted in 1992, and he said
8 Don, you know we can't build enough jails, we
9 can't build enough anything unless we address the
10 problem of unemployment.

11 That's the only way we're going to deal
12 with crime, that's the only way we can give an
13 alternative to young people to get away from
14 drugs, to stay in their careers, to go in the
15 right direction. It has to be a combination of
16 various social and economic initiatives to turn
17 our community around, and that holds true for the
18 city of Gary.

19 Young people don't have an alternative.
20 They have too much time on their hands. They're
21 subjected to go the wrong way. They are
22 vulnerable to role models who are not what we
23 consider dream role models in the sense of the
24 American dream.

25 I'm committed to this project because

1 I'd like to see (Inaudible). I'm committed
2 because I want to see this happen for the
3 people. I think we have put together an
4 excellent organization. We have our boat. It's
5 ready. In fact, that boat's on its way here as
6 we speak this morning.

7 We have the financing, and I think when
8 we were talking earlier about this being an
9 historic day it's also an historic opportunity
10 for the first minority majority controlled casino
11 in America.

12 I think that in itself will send a
13 message to the young people. I think it will
14 project an image a positive image in the Gary
15 community, the Chicago community, and in this
16 nation that minorities, if given a fair and equal
17 opportunity and chance, can compete, can perform
18 with the high standards that we adhere to that
19 are consistent with the standards of American
20 business tradition.

21 Because I think it's so important to
22 point out due diligence in this process I keep
23 reverting back to it. We visited every agency
24 involved in this process, made a long list of
25 agencies, several state and local agencies that

1 had to be consulted. We started that, initiated
2 that months and months ago.

3 In fact, we coordinated a lot of the
4 activity with all the agencies including the Army
5 Corps, including the Department of Natural
6 Resources, including private groups such as the
7 the Save the Dunes Council. We designed a harbor
8 facility to meet their needs. They were
9 submitted.

10 We developed all the surveys. We
11 initiated especially with the railroads. We have
12 taken certain other actions to keep this project
13 on schedule awaiting unexpected events to
14 unfold. Nevertheless, we've continued on the
15 road to meet a particular schedule, and
16 everything fell into place.

17 Had the litigation not surfaced we
18 probably would have been ready to open five to
19 six weeks from today. We're still on track with
20 a schedule that is based upon certain events
21 occurring. They said it would blow over.

22 I'm just going to have to stop because I
23 could go on and on so let me reemphasize that we
24 are pleased to be one of the preferred developers
25 selected by the city. We are pleased to be here

1 before you.

2 We've tried to be very thorough with
3 just the facts, not to be overly fancy, just be
4 straightforward and let you know that we can do
5 the job, we will do the job. We're fully
6 committed to do the job.

7 With that I'd like to introduce my
8 partner, the president of President Riverboat
9 Casinos, Ed Ellers. Thank you very much.

10 MR. ELLERS: Thank you, Don. Members of
11 the Commission, Executive Director, President is
12 very happy to be in Gary, Indiana, today before
13 this Commission today. What I'd like to do is
14 talk a little bit about who we are, what we
15 propose, how we do it, how we pay for it, why we
16 believe we're good for Gary, why we believe
17 Gary's good for us.

18 Gary is unique. It's unique not only in
19 Indiana, it's unique everywhere in the country
20 because Gary is the only city that we're aware of
21 that has two licenses which, because of the
22 configuration of the site, because of where the
23 locations are, requires developers to work
24 together, requires developers to coordinate their
25 efforts because there is a site with a certain

1 amount of property.

2 And so the City of Gary engaged in a
3 process. We participated in that process. That
4 process was designed by the City of Gary, as we
5 understood it, to have a coordinated plan so that
6 the City of Gary could participate. It wouldn't
7 be left in the cold at the whim of the
8 developers.

9 And so our commitment to the City of
10 Gary and our presentation today is based around a
11 unified site plan. Now, the unified site plan
12 doesn't mean that we're going to be the one
13 selected. It doesn't mean you have to select
14 us. We don't want to say that because we know
15 that's not the case.

16 But we share with the City of Gary and
17 with our codeveloper, Dunes Monarch, a vision of
18 what the city wants, and it was a vision that was
19 developed by the city and by the developers, and,
20 again, it is something that we believe will be
21 effective and we believe will be successful.

22 As Gary competes -- and it is going to
23 compete. There's no monopoly. It may be the
24 first license, it may not be, but Gary's going to
25 have competition, and for Gary to succeed, for

1 President Riverboat to succeed, for Barden to
2 succeed, for anybody else to succeed it's going
3 to take a project that's going to make people
4 come.

5 This is not our first venture. This is
6 not the first project we've been involved in. We
7 pioneered riverboat gaming after April 1, 1991,
8 and I always take notice that that is April
9 Fool's day. I certainly didn't know in 1991 what
10 this business would become because it's very
11 different today than it was in 1991.

12 And I knew that the City of Gary in many
13 ways appreciated that. They didn't realize what
14 they had done, but by requiring developers -- and
15 they have required the developers to commit a
16 substantial amount of infrastructure to this
17 project, maybe more than the developers back a
18 year ago thought they should have or wanted to,
19 but the city of Gary is going to be proven
20 right.

21 It's going to be proven right because
22 this business is changing. One month in this
23 business is like a year in any other business.
24 One day in this business is like six months in
25 any other business, and the wisdom of what the

1 City of Gary did in requiring infrastructure is
2 going to permit, allow Gary to be successful in
3 the long-term because Gary's going to create an
4 attraction.

5 It's going to create a situation where
6 people will want to come because there will be a
7 lot to do. It's really very simple. Gaming is
8 very simple. People want to be where people
9 are. People don't want to be where there isn't
10 anybody. Yogi Berra says it best: Nobody goes
11 anywhere anymore, it's too crowded.

12 Everybody wants to be where people are
13 so what we have looked at is creating out of
14 Buffington Harbor not Disney World. It's not
15 going to be Disney World, and I don't want to put
16 pretty pictures in front of everybody's eyes, and
17 I don't want everybody to believe that this is
18 going to be the coming of Universal Studios, MGM,
19 or anything else. It's not.

20 But it's going to be a major first class
21 project with 200 million plus dollars put in
22 which will cause people not to go downtown
23 Chicago and fight the traffic because casinos are
24 going to come to Chicago, to cause people not to
25 go to Joliet because there's nothing else in

1 Joliet except the casino.

2 It's going to make people think about
3 coming to Gary because there will be other things
4 there, and we're going to tell you what that
5 project is in just a second, but I want to tell
6 you a little bit about President first and their
7 background.

8 We operate in three states right now.
9 We are licensed in Iowa, we are licensed in
10 Mississippi, and we're licensed in Missouri. We
11 operate the President Riverboat Casino in
12 Davenport, Iowa. Been there since 1991.

13 We were one of the original licensees in
14 Iowa. We stayed in Iowa despite the limits. We
15 stayed in Iowa despite adverse operating
16 conditions. We've been successful and profitable
17 in Iowa since 1991, and we have been committed to
18 that community, and we will stay there, and we
19 have done that.

20 Today we employ approximately a thousand
21 people between our hotel, the Black Hawk Hotel,
22 and the President Riverboat Casino. We are an
23 established member of that community, and we'll
24 show you a video which will give you a little
25 more background, but that is one place we

1 operate.

2 We also operate in Biloxi, Mississippi.
3 Again, there's a lot of competition. Biloxi, in
4 our view, is a saturated market. It's a very,
5 very competitive market.

6 We've been there since August of 1992
7 and, again, remained profitable and remained
8 competitive despite the changes that have
9 occurred in that market. We have not lessened
10 our commitment to the Biloxi market. In fact,
11 we've put substantial dollars into the market.

12 Similarly in St. Louis, despite the
13 adversity of the games of chance referendum and
14 things of that nature, we opened the Admiral. We
15 opened the Admiral for a bunch of reasons. We
16 thought that, one, we believed games of chance
17 would pass at some point, but also we have a lot
18 of employees that we didn't want to lose.

19 We had commitments to the employees,
20 with the city. We had invested money in the
21 boat. We carried people on the payroll when we
22 opened that property. That property has been in
23 operation not as successfully as we'd like it to
24 be, but we have one arm tied behind our back.

25 It's drawn a lot of people, but without

1 slots the revenues are not what we expected to
2 be, but it's doing about what we expected without
3 slots. But that property we think will be a
4 major property.

5 I want to talk for a second about one
6 situation that we were involved in and has come
7 up and we responded to Mr. Thar about which is
8 Tunica. I want to get it straight. I don't want
9 any confusion about it. I don't want to hide
10 behind it because the facts are very simple.

11 We had a boat that was called the
12 President. It wasn't doing anything. We were
13 approached by Jackpot Enterprises, and Jackpot
14 Enterprises said they had property in Tunica. We
15 said fine. They wanted to lease our boat. We
16 said you don't want to lease our boat.

17 They said would you consider a joint
18 venture. We said only for a short period of time
19 because we don't want to tie this boat up
20 forever. We entered into what amounted to a
21 one-year deal. It's supposed to expire the end
22 of this year.

23 Sometime earlier this year Jackpot
24 decided they did not want to pursue Tunica
25 anymore. They were going to build some barges.

1 The boat was going to be there for a year.
2 Jackpot would build barges, and the boat would be
3 taken out. Jackpot decided not to pursue it.
4 They demanded their property and the boat too.

5 Our commitment there was for one year.
6 We had agreements which we have submitted to the
7 Commission. General Hardy, who is the executive
8 director of the Mississippi Gaming Commission,
9 said very distinctly about a week ago, and I'm
10 quoting the General, "It was Jackpot that was up
11 in Tunica."

12 It was tied to a boat owned by
13 President. It was programmed in their financial
14 statistics that this boat would be leaving
15 Mississippi at the end of this year. That was
16 our commitment, and we left a couple months early
17 because Jackpot did not want to continue.

18 Everybody was paid. The employees were
19 all paid. Severances were paid. Vendors were
20 paid. We had no other obligations there, and
21 that was the deal. Again, a short-term
22 situation. Every other situation we have is a
23 long-term situation with a contract similar to
24 what we have with the city.

25 We're very, very sensitive to that kind

1 of thing. We talked to the mayor about it in
2 Davenport, Iowa. We talked to the mayor of
3 Biloxi. Talk to any of the people in Missouri.
4 I think you will see what kind of company we
5 are.

6 With that I would like to just for a few
7 minutes entertain you with a video which I think
8 will explain some things about the company, and
9 then I want to walk through the project with you
10 and tell you what we'd like to do for Gary. So
11 if we could have the video, please.

12 (At this time the Commission viewed a
13 video.)

14 MR. ELLERS: One of the first things
15 when you make rabbit stew is you need a rabbit.
16 If we have a riverboat gaming bill you need a
17 riverboat because it's not just a gaming bill.
18 It's not just building a casino.

19 One of the things that President has in
20 abundance -- because our roots are really in the
21 riverboat business. We've been transporting
22 passengers for predecessors, St. Louis and
23 Pittsburgh and New York City, for over 35 years,
24 and we still operate noncruising dinner boats in
25 St. Louis today right now under the Arch.

1 There's a lot of marine expertise. We
2 heard about the New Yorker a little bit from
3 Don. I'd like to ask Terry Regenis, who is our
4 coordinator of all marine construction, to talk
5 very, very briefly about the New Yorker because
6 the New Yorker, number one, exists today in the
7 form that it was in that photograph. That's not
8 a rendering. That's a photograph.

9 That boat is today on its way up the
10 east coast through the Great Lakes so that it can
11 be here in Gary, Indiana, on time. The boat is
12 substantially renovated, and, more importantly,
13 it's paid for. There's no money owed on this
14 boat. This boat is 100 percent owned today by
15 President with no mortgage, no debt, no nothing.

16 And we believe that one of the things
17 that we bring to Gary, Indiana, is marine
18 expertise, not just the boat, the marine
19 expertise, actual operational experience in
20 riverboat gaming because riverboat gaming is
21 different than land-based gaming.

22 People can't just come in and out of the
23 casino. They can't just walk in and out whenever
24 they want. There are marine issues. There are
25 scheduling issues. There are operational issues,

1 things we've learned over the years. Most
2 importantly is our boat, and I'd like Terry for
3 just a minute to talk about that.

4 MR. KLINEMAN: Excuse me just a minute.
5 We're kind of off schedule. You have about 30
6 minutes left. I think maybe if it's all right
7 with the other commissioners we'll take our break
8 now and come back. In the meantime we can all
9 see the New Yorker, but I'm not too sure we can
10 see the rest of your exhibit.

11 MR. ELLERS: We'd like to move them if
12 we could. If I could go through for literally
13 two minutes there's a brief film on the New
14 Yorker, and that's that segment, and then we can
15 come back. It's literally two minutes.

16 MR. KLINEMAN: That's fine.

17 MR. ELLERS: And then we'd be happy to
18 accommodate you, and we'll move these exhibits.
19 If we could just show the film real quick.

20 (At this time the Commission viewed a
21 short film.)

22 MR. KLINEMAN: Okay. We'll take a break
23 until 11:30.

24 (At this time a short break in the
25 proceedings was had.)

1 MR. KLINEMAN: Okay. You may proceed.

2 MR. REGENIS: Thank you, Mr. Chairman,
3 Members of the Committee, and Mr. Executive
4 Director. My name is Terry Regenis. I'm a
5 member of the board of directors of President
6 Riverboat Casino, and I'm a primary coordinator
7 of marine activities for the President Riverboat
8 Casinos.

9 I'm also the immediate past president of
10 the Passenger Vessel Association which is an
11 organization of about 500 companies and about
12 2,000 vessels, U.S. Coast Guard certified
13 vessels, here in the United States, and I've
14 served on several subcommittees with the Coast
15 Guard and Department of Transportation primarily
16 in regard to safety of passenger vessels.

17 I have personally about 15 years
18 construction experience dealing with over 20
19 Coast Guard certified vessels and dock side
20 facilities in excess of \$200 million dollars in
21 total budget for those projects.

22 And I must say that -- and you've seen
23 some of those projects today, as a matter of
24 fact, but I must say the background and the
25 culture of this company, President Riverboat

1 Casinos, is based on, number one, the safety and,
2 number two, the comfort of the customers.

3 We've got 35 years experience within our
4 company long before riverboat gaming was ever
5 thought of or water borne gaming was ever thought
6 of, and we started things out of a very deep
7 respect for any source that was a potential
8 danger that we might face on any body of water
9 and certainly here on Lake Michigan.

10 We've been very involved in contingency
11 planning, and I must say that we always, although
12 we're not always perfect, we always try to do the
13 right thing when it comes to safety in
14 particular.

15 Now, the foundation for safe and
16 comfortable operation on Lake Michigan, we think
17 we need to provide the safest and most
18 comfortable environment possible, and we've
19 designed and are in the process of contracting
20 permanent long-term protection systems, a system
21 of breakwaters that will protect the vessels that
22 will operate within Buffington Harbor so that a
23 100 year event which is a 16 to 18 foot wave or
24 series of waves coming out of the northeast into
25 the main entrance of the harbor would be broken

1 down to basically still water or less than a two
2 foot chop within the harbor and will protect the
3 vessels and any amenities within the harbor.

4 Now, you've seen the video. You just
5 saw it a few minutes ago before our break
6 concerning the President Casino vessel. I'd like
7 to tell you a little bit more about her and about
8 her background.

9 I've been familiar with that vessel for
10 over ten years now since we owned and operated
11 World Yacht Cruises in New York's westside,
12 Manhattan's westside, and it was moored at a
13 nearby pier.

14 It's a very good hull design by a Naval
15 architect, Robert Simons, and it was last in
16 service as a dining cruise vessel, a very large
17 dining cruise vessel, for use in New York City
18 and along the coast as far as Florida, as a
19 matter of fact, for wintertime use.

20 I've been in this vessel several times,
21 many, many times under many different conditions
22 including operating at sea, in the Atlantic
23 Ocean, and I'm impressed with this vessel's
24 handling characteristics and seagoing
25 characteristics. I'm comfortable that it's going

1 to be fine here in Lake Michigan.

2 Today the water borne casino industry is
3 exactly three years and five months old. As Ed
4 said before, and Don, April 1, 1991, is the day
5 that this all started, and we were involved at
6 that time, and we have the longest running
7 passenger vessel that's in the water borne casino
8 business at this point.

9 We were considering other sites and
10 other opportunities, and we identified with the
11 long history of this vessel shortly after the
12 start of riverboats and the water borne casino
13 industry, this vessel being the only existing
14 U.S. flag vessel that can be used in an early
15 start in a new jurisdiction that would be
16 operating in a deep water port, and it could be
17 safely and comfortably operated and is large
18 enough and grand enough to compete long-term.
19 After getting a quick start it still can be
20 long-term, and what we see is essentially there's
21 going to be a maturing gaming market.

22 The vessel is 308 feet long by 64 feet
23 wide, and the hull is 18 feet deep. She has four
24 fully climate controlled enclosed decks, and, as
25 we said before, she holds 875 slot machines, 60

1 gaming tables for a total of 935 gaming positions
2 as well as other passenger amenities.

3 As I speak, as Ed said before, the
4 President is under way. She's under her own
5 power. She's left the Mobley Shipyard where she
6 has been for the last few months and is heading
7 up the east coast to the Great Lakes to the St.
8 Martin Seaway and heading near the Great Lakes
9 where she's going to winter so she can be ready
10 and be improved before the lakes freeze in and be
11 ready to commence gaming operations here in March
12 of 1995. Thank you.

13 MR. ELLERS: Thank you, Terry. We've
14 been through a little bit now the foundation of
15 who Don Barden is, who President is, what
16 experience we have, the marine expertise, the
17 gaming expertise, the licensing.

18 I think it's time now to talk a little
19 bit about this project, talk about what this
20 project means to Gary, how we envision it and
21 what it will look like.

22 As I indicated, this site plan that we
23 are going to be talking about today is really a
24 collaborative effort. It's the city's vision,
25 and it is the city's site plan. I want to talk

1 about it in that context.

2 Number one, let's talk about Buffington
3 Harbor first of all. Buffington Harbor is an
4 interesting site. It's 155 acres, and everybody
5 says it's 155 acres, you can put anything you
6 want there, but it's not really 155 acres.

7 It's really about an eight to ten acre
8 site right here where the boats are. That's
9 where the action is going to be. That's where
10 the people need to get the gee whiz wow
11 experience. This is really the crux of the
12 property.

13 Everything that goes on out here is
14 complimentary. Everything that goes on here is
15 what we call the casino within a casino concept,
16 what's been designed and what we have coordinated
17 with Dunes Monarch, with the city, but, again,
18 it's a plan.

19 The people are really -- they're
20 important because it takes people to pull this
21 off, but the concept we think is established with
22 the city which in its wisdom has come up with a
23 great plan.

24 One, there will be a guest service
25 casino entertainment complex approximately eighty

1 to ninety thousand square feet depending on the
2 final configuration which sits right here. What
3 this will be, and you'll see pretty pictures of
4 it later, but what it will be in reality is a
5 glorious entrance way with restaurants, shops,
6 bowling alleys, all kinds of amenities that is
7 right next to the two casino boats.

8 In this case we have the Monarch Casino
9 Boat, the Barden/President casino boat. It's
10 right here so that once you get into this
11 entrance and you go to the porte-cochere, leave
12 your car, get dropped off you're immediately into
13 a pavillion, on to the boat, and you're never
14 outside again.

15 Why is that important? Because this
16 wind is horrific. We operate in Davenport, Iowa,
17 where the wind is probably 30 to 40 percent what
18 it is here, and people need to get conveniently
19 in. They need to get conveniently under the
20 shelter and on to the boat and wait for the
21 boat.

22 If they've got to walk and be exposed to
23 the elements you've lost them. They hate coming
24 back because it only takes one bad experience and
25 they will not come back. They want it to be

1 easy. They want it to be quick. The scheduling
2 of the boats creates enough of an impediment that
3 you don't need anymore.

4 You have to make this very, very, very,
5 very attractive, simple, convenient and safe.
6 It's got to be well lit. It's got to be a
7 perception that this can be a place where you can
8 come and have fun. You don't have to worry about
9 anything. You're not going to be stuck somewhere
10 all the way away from it.

11 You want to be near the action, and
12 there are a lot of interesting features here.
13 Looking at this the hotel then sits -- we have
14 the rendering right here. This is the guest
15 service pavillion I'm talking about and the
16 casino entertainment complex. This is the
17 hotel.

18 We believe that Gary needs one hotel.
19 If it needed two hotels we'd build two hotels,
20 but Gary believes it needs one hotel, and so in
21 this case Dunes/Monarch has agreed to build a
22 hotel. We're going to build some other things
23 that will have the economic equivalent of a
24 hotel, in fact, greater than a hotel.

25 We own a lot of hotels. We have the

1 Black Hawk. We're building the Broadmore. A
2 hotel employees about 100 to 150 people tops.
3 That's the full food and beverage, two to three
4 hundred rooms.

5 What we're talking about creating
6 essentially off in this area is outlet malls.
7 We're talking about cinemas. We're talking about
8 retail shopping which is complimentary to the
9 casino, not necessarily part of that casino
10 complex, but it's complimentary.

11 And we believe it will create in excess
12 of a thousand jobs in that area putting in the
13 equivalent amount of money, the same relative
14 dollars that a hotel would cost because it's
15 silly to build two hotels.

16 Again, the site needs to be
17 coordinated. The city in its wisdom has seen
18 that. So we're talking about a gorgeous
19 entrance. We're talking about making the road to
20 Buffington -- and it's really very pretty right
21 now. If anybody's been up there it's a very,
22 very pretty road. This is not a big
23 exaggeration. It's green, it's pretty, it's
24 tree-lined.

25 It's not going to take a lot to make

1 this happen, and as you pull up you will see in
2 the distance the complex as you see it here, but,
3 again, the road coming in we're also talking
4 about putting in and probably having to put in a
5 bridge at some point to get over the railroad
6 tracks.

7 People will then pull up across the
8 tracks, into the porte-cochere, into the pavilion
9 where they're going to be enclosed, entertained,
10 and they're going to experience a casino
11 experience. It's going to be in effect a casino
12 renowned gaming court.

13 The transition will then be into the
14 boat, and from there out in this area will be the
15 retail, things that are complimentary, things
16 that will bring people to the site. Again,
17 people want to be where people are, and what we
18 want to create is really a casino project here
19 and a complimentary economic development project
20 here.

21 Now, what is President committed to?
22 What is President's portion of this? We believe
23 that this pavilion -- and there's a parking
24 garage here. There's an enclosed parking garage
25 that sits here because parking is very

1 important.

2 If you ask any casino operator and if
3 any casino operator is being candid with you, as
4 I hope most of them will be, they'll tell you
5 parking is number one. You've got to have close
6 convenient parking in addition to safety and
7 convenience and all those. But parking is
8 critical. If people can't park they ain't going
9 to come.

10 One of the things we may have over
11 Chicago is that it's going to be easier to get to
12 this site. It's going to be easier to get in and
13 out of this site. It's going to be easier to
14 park on this site, and why battle the traffic
15 downtown Chicago when you can come here and have
16 a good time.

17 But you need parking so between the
18 parking garage and the pavilion that we've talked
19 about we estimate about \$30 million total of
20 which President has committed \$15 million. We
21 would expect the other developer to commit \$15
22 million.

23 As a practical matter, once that
24 developer is selected these should be run
25 jointly. There is no way in the world these

1 should be run separately. We have to agree to do
2 that, and we're not suggesting that there should
3 be one now, but, as a practical matter, this
4 needs to be done jointly, again, because of the
5 harbor being just this small, and just this area
6 for the boat this area needs to be well
7 coordinated and people need to work together.

8 You can't be fighting each other in that
9 space. This will not work. So eventually what
10 will happen is we would envision the \$15 million
11 from President, \$15 million from whoever -- in
12 this case it's Monarch -- and we would envision
13 that as a coordinated effort which it really
14 needs to be for the city's benefit and for the
15 state's benefit.

16 Everybody's talking about the city
17 here. Well, you're our partners too. Last time
18 I looked you get a pretty hefty cut of whatever
19 we pay so you're just as much a partner in this
20 as the city is or as Don Barden is or as anybody
21 else is, and you need to be looking at what's
22 going to succeed for you as well as for us
23 because it has to work that way. That's what
24 partnership's about.

25 So we think this needs to be a

1 coordinated effort, and the city I think would
2 share that vision. The hotel is going to go just
3 as you see it. We think that's an appropriate
4 place for the hotel. This is probably the most
5 realistic vision of the property that I can show
6 you.

7 This will be retail and the outlets and
8 things of that nature right here, our boat, in
9 this case we have Monarch's boat, the marina
10 which sits over there, and none of this is real
11 pie in the sky. This is pretty attainable. This
12 is pretty attainable. This is not fiction.
13 Parking garage, hotel, porte-cochere, in this
14 case Monarch has an (Inaudible) project there
15 which we think would be an appropriate thing to
16 have, and that's fine.

17 Now, that's all well and good, but in
18 March of 1995, which is our scheduled opening
19 date, you're not going to see that. That ain't
20 going to be there. We don't have time to build
21 that so because we've opened four of these, this
22 will be our fifth, we know you've got to make
23 some provision.

24 What are you really going to see? What
25 you are really going to see here is a

1 construction phasing area. Because you've got to
2 build all this stuff -- and I would think a hotel
3 is anywhere from 14 to 15 months, perhaps 18
4 months, somewhere in that area -- I believe the
5 provision could be inside of a year. It would be
6 about 12 months to build but what are people
7 going to see day one?

8 Day one, well, we've thought about that,
9 and so we've designed here what will amount to
10 self parking for 500 cars, a temporary
11 porte-cochere for President Casinos with a road
12 going around here to a temporary porte-cochere
13 for in this case the Monarch Casino so that we
14 will be able to function while we are building.

15 We are not going to be closed down, and
16 we'll create a wall here so that people will not
17 have to look at the construction or be affected
18 by the construction. Temporarily the parking
19 will also have to be on the other side of the
20 railroad tracks except for the 500 cars that will
21 go here, but there will be something here in the
22 initial stages.

23 We will solve a lot of that, but there
24 will be some inconvenience in the initial
25 stages. It's unavoidable. We will solve a lot

1 of that with valet parking, and we will use valet
2 parking. We use it everywhere else we are.

3 So what people will see day one is
4 relatively attractive, cleaned up with a
5 temporary guest service pavilion, temporary guest
6 service pavilions, two beautiful boats, and
7 construction under way which in itself will be
8 exciting. And there are things you can do to
9 wall up the construction and make it a little
10 more fun than it is now.

11 Then over the next 12 to 18 months this
12 project comes together. I don't care when
13 Chicago passes. I don't care who else is in
14 business. Nobody's going to just snap their
15 fingers and build any quicker than that. We're
16 always going to have that lead time advantage,
17 but we have thought about what this is going to
18 be in the early stages, and we think that's
19 important.

20 Now, again, our commitment to this,
21 President's commitment to it, is \$116 million
22 which has been outlined in the application. The
23 boat, as I said, we've already bought and paid
24 for. It's substantially improved. If it's not
25 90 percent done it's 87 percent done. If it's

1 not 87 it's 92. It's on its way up through the
2 Great Lakes so it's probably on the coast of New
3 England today coming around. So we have that.

4 That's part of our commitment. Our
5 commitment is to build one half of this pavilion
6 area and garage as I've indicated and then
7 basically to take responsibility for what's going
8 to go on back here in lieu of the hotel that's
9 going to go here which is the outlet mall,
10 cinemas, and other attractions, boxing center,
11 and the other things we've set forth in our
12 development package which we believe are
13 complimentary to but not necessarily directly a
14 part of this casino experience.

15 We think that's the kind of economic
16 development that will be profitable, and we've
17 done studies. We've talked to people in the
18 retail mall business. We know the kind of
19 traffic it will bring.

20 It also ties in very well with our bus
21 business. We do a tremendous amount of bus
22 business in Davenport. In fact, we run line runs
23 from South Bend, Indiana, to Davenport, Iowa.
24 We've been running those for two or three years
25 now so people actually come from Indiana to

1 Iowa.

2 One of our better markets is South Bend,
3 Indiana, so the President name is somewhat known
4 in this region. We'll spend an awful lot of
5 money initially in Chicago to lure a lot of
6 people from Chicago. We have very good name
7 recognition.

8 We will be spending in excess of \$5
9 million both preopening and during the first year
10 to, again, get the name out, but we're an
11 established company in the midwest. People know
12 the President name because of all the publicity
13 that happened in the early situations.

14 Outlet malls and bus traffic work
15 together. Boxing and casinos work together.
16 Cinemas will bring people to a place where
17 there's activity. We believe that's the kind of
18 economic development that Gary is looking for,
19 and that's the kind of economic development that
20 we have outlined here.

21 In addition to the 800 casino jobs, in
22 addition to the 800 casino jobs, we're talking
23 about 1,200 indirect fulltime jobs working in the
24 shops, working in the theaters, working in the
25 restaurants, working in the various projects.

1 We're talking about vendor purchases.
2 We average today about twelve to thirteen million
3 dollars a year in vendor purchases in Davenport,
4 Iowa, which I think is a similar type market as
5 this in that sense in addition to all the
6 revenues from the state.

7 So our concept of the project then is
8 very simple. It's what we've talked about by the
9 water. It's what we've talked about back on the
10 other side of the railroad tracks to the south
11 side. It is then a complimentary package that
12 ties together, and it coordinates with the hotel
13 as the center piece right there and parking
14 garage.

15 So you've got it all. You've got
16 convenience, you've got excitement, you've got
17 safety, you've got security, you've got a real
18 good looking facility, and for that kind of money
19 it ought to be and it will be.

20 Now we get to the question of who's
21 going to pay for all this. Where are you going
22 to get the money from? Well, I'm happy to say
23 that despite the bond market and what's gone on
24 in a lot of the emerging growth areas last
25 Friday, as I communicated to Mr. Thar yesterday,

1 we closed our refinancing of our bonds which had
2 been somewhat of an issue for us.

3 This is the \$50 million clip that
4 everybody had been talking about. It's now being
5 resolved and moved, and we've restructured our
6 debt with our bond holders so that cash has now
7 been freed up, and we have restructured our debt
8 so there is no more \$50 million question.

9 There is no more restriction on the
10 cash. There is I think, as I explained in an
11 earlier letter to Mr. Thar in response to his
12 questioning, our financial condition is
13 substantially the same as it was in the initial
14 application.

15 Now, we also have and we've committed
16 enough of those funds to get this initial phase
17 done, and, again, the boat's already paid for so
18 we don't have to do anything with that. We will
19 have close to \$60 million -- I think it's \$58.5
20 million literally the day we open either spent or
21 committed in firm contracts, \$58.5 million. And
22 the rest of it -- (End of tape)

23 -- venture we have to carve out the
24 project financing so if we need project financing
25 we don't have to go back to our bond holders. We

1 have covenants that allow us to go back and go
2 underneath the covenants to go back and do
3 project financing if, in fact, we choose or
4 decide we want to do that.

5 We also have about \$60 million -- it's
6 probably fifty-seven or fifty-eight million
7 dollars -- of unencumbered assets, assets that
8 are completely free and clear. The New Yorker is
9 free and clear. There's not any debt on the New
10 Yorker.

11 We have another boat which is now in
12 Mississippi which is not being used which has
13 been an appraised well in excess of \$22 million
14 which is pretty clear. We have the Riverfront
15 Restaurant.

16 We have a bunch of real liquid disposal
17 assets that if we have to we could turn around
18 and sell. They're not being used today and may
19 not be used. We'll lease them or sell them, but
20 we have the ability to borrow against them if we
21 have to.

22 We're not real interested in going back
23 to the bond market yet. We just did it. It's a
24 tough market. It's not an impossible market, but
25 it's a tough market. We have a certain

1 credibility. We have a certain track record. We
2 have a certain relationship with Wall Street that
3 if we need to we believe we can.

4 There are letters that we submitted to
5 the City of Gary from Bankers Trust, from
6 Oppenheimer, from Montgomery explaining that in
7 their opinion we did have that financial
8 capacity, and I think it's best demonstrated by
9 the fact that the bond deal was closed on
10 Friday. This is not a margin. For those of you
11 who know the bond market there are a lot of deals
12 being done.

13 THE COURT REPORTER: Excuse me.

14 (At this time a short break in the
15 proceedings was had.)

16 MR. BARDEN: Thank you. Mr. Chairman,
17 members of the Commission, I'd like to just add
18 to what Mr. Ellers said with respect to the
19 planning and resources of President Riverboat
20 Casinos.

21 As has been published, my great cable
22 properties are in the process of being sold. All
23 the papers are signed, and it's just a matter of
24 being in the transfer stages with various
25 developers as part of a major transaction

1 occurring with my original partner, the Detroit
2 franchise, which has been contemplated for some
3 time.

4 Towards the end of this year my fortune
5 net of debit will exceed \$100 million, but I have
6 a few dollars to spare to assist on this project,
7 and I think for the record we have submitted
8 letters from my financial institutions stating
9 that I have the capability to fund this entire
10 project if necessary.

11 So we will be working hand in glove with
12 President and their resources. We already have
13 several million dollars presently today in the
14 bank in cash liquid assets so we have all of the
15 financial resources and experience, etc., that's
16 needed.

17 Now I'll move on to the economic
18 development just because I always like to follow
19 the rules to the letter so I always go by the
20 statutes, and the statute says a hotel or
21 economic development in lieu of a hotel.

22 I just want you to know that our
23 consideration of that is that, first off, I think
24 we've said in our application that if one of the
25 other developers were selected, either one of

1 them, if the other one is not willing we'll do
2 the hotel.

3 But if the other one's going to do it --
4 in this case the preferred developer, other
5 preferred developer that the city's selected, has
6 indicated or committed to doing the hotel -- our
7 economic development in lieu of a hotel will
8 consist of a total of over \$52 million in lieu of
9 a hotel which well exceeds the cost of a hotel.

10 And that will include activities on the
11 site, the restaurants, the night clubs, the
12 shops, museums, possible outlet mall, family
13 entertainment center, movie theater complex, and
14 small transit marina there.

15 In addition to that is Union Station
16 which we have committed to build on a phased-in
17 basis which is also \$10 million so it's \$42
18 million on site and an additional \$10 million at
19 Union Station which will be converted into a
20 retail/restaurant type complex.

21 So I think if you look at it, our total
22 package, our experience, and I just happened to
23 look yesterday at the statute dealing with how
24 you determine what the criteria for selection is,
25 it says, quite frankly, that the character,

1 reputation, experience and financial integrity of
2 the applicants are really the defining criteria
3 for selection, and I think we meet and exceed all
4 those tests without any shadow of a doubt,
5 especially in character, reputation and
6 experience.

7 And most of the experience that we
8 possess from an economic development standpoint
9 and from a riverboat gaming operation standpoint
10 and a marine experience standpoint, no one can
11 top that out of all the remaining applicants.

12 Based on the merit, Mr. Chairman, as you
13 indicated which the Commission will make its
14 decision we feel very confident because under the
15 merits we think that we meet all the tests. We
16 think that our closed facilities are state of the
17 art, modern, practical. We think that the
18 revenue that goes to the state will be maximized
19 as a result of our experience and as a result of
20 us having the boat ready.

21 If you just look at that economic
22 schedule and you figure every month that you lose
23 business by not being operational it's millions
24 of dollars to the city and the state so by us
25 having the boat and by us having the experience

1 and all of the due diligence having already been
2 done we're ready to go at the snap of a finger.

3 We can be operationally first there with
4 revenue flowing to the state. Otherwise it's
5 lost money that you will never recover so we
6 think all of those factors could assist you in
7 selecting us or confirming the city's
8 recommendation.

9 We appreciate very much the opportunity
10 to appear before you today. Again, we commend
11 you on the process. We think it's been thorough,
12 and it has been very professional, and we look
13 forward to working with you in the future. Thank
14 you very much.

15 MR. ELLERS: I thank you as well.

16 MR. KLINEMAN: Thank you both, and I
17 thank all the others who made the presentation.
18 According to the schedule this will be the
19 question time. We will have a --

20 MR. THAR: I think we should skip the
21 break and go into questions.

22 MR. KLINEMAN: Right. I thought we
23 would do the questions now and then take the noon
24 recess a little later. Go ahead.

25 MS. BOCHNOWSKI: I have a number of

1 questions. One is you were talking about the USX
2 site being a problem. For one thing you didn't
3 know what was under the ground there and it would
4 take more time. Have there been any tests as far
5 as the Buffington harbor site goes? Are there
6 any problems is there? I understand that you do
7 have to abide by some federal rules (Inaudible).

8 MR. BARDEN: We've completed some
9 (Inaudible) tests, and we've done environmental
10 phase I. We're in the process of doing
11 environmental phase II. Thus far we've gotten
12 certification. This harbor, of course, is
13 already commercially being utilized by Lehigh
14 Portland Cement shipping with other cargo so it
15 is a fully active harbor.

16 The only problem that we've come into is
17 with respect to the Army Corps as to whether or
18 not we're going to have to do any dredging and
19 what portion because the measured depths of the
20 port range from 16 feet on one side to eight feet
21 on the other.

22 So depending on which boat and when we
23 don't anticipate any serious environmental
24 problems, impact from the operation of the
25 facility, certainly not offshore. Onshore

1 they're still being examined. So far the
2 evidence we have is that there's nothing really
3 harmful.

4 MS. BOCHNOWSKI: I don't want to take up
5 all the time. Now, it would be my understanding
6 from what you said that there are maybe
7 structures that have to be put up in order to
8 make the harbor safe or make the harbor calm. Is
9 that something that can be done within the time
10 frame that you have talked about?

11 MR. BARDEN: Yes, it can be. I assume
12 you're referring to the March 15th date.

13 MS. BOCHNOWSKI: Right.

14 MR. BARDEN: Yeah. We have to have --
15 according to a ruling that we understand from the
16 U.S. Coast Guard you have to have a safe harbor,
17 and I think Indiana law requires that before you
18 can issue a license that you have a permit from
19 the Coast Guard, and in order for you to get the
20 permit from the Coast Guard you have to have a
21 safe harbor.

22 In order to have a safe harbor you have
23 to have protective breakwaters in addition to the
24 breakwater that's in the harbor that's there so
25 those are the items that Mr. Ellers was pointing

1 to, and we have already taken it upon ourselves
2 to order the rock and quarry to be placed, all we
3 need.

4 We could be there -- it would probably
5 already have been there if we had the site. If
6 we get the site in a timely fashion, yes, we can
7 meet that date.

8 BARDEN/PRC REPRESENTATIVE: Don, that's
9 absolutely correct. Let me just talk about the
10 breakwater for a minute because the breakwater is
11 both a Coast Guard issue and a guest convenience
12 issue. It is possible that you could get away
13 with, under certain circumstances with certain
14 vessels under, again, certain circumstances,
15 without a breakwater.

16 The analogy I would make is flying a 747
17 through a thunderstorm. You'll make it. It's
18 safe. There's no reason that plane's going to go
19 down, but I don't want to be sitting in row 17C
20 because I'll have a couple bags in my hand. I'm
21 not going to be real comfortable.

22 So our concern is not only the safety
23 issue, but it's more important for the customer
24 convenience issue. We're in the customer service
25 business, all of us, and anybody who comes to

1 Gary and has a bad experience because the boat is
2 rocking, because the seas are bad, trust me, they
3 don't come back, especially with the other
4 opportunity they have.

5 So to us the breakwater is both a Coast
6 Guard issue and it's also a customer convenience
7 issue. We would not want to operate a boat in
8 there without the breakwater because we don't
9 think it will bode well for the future.

10 COMMISSION MEMBER: I think of the
11 applicants that yours is probably the most
12 complex ownership and equity structure that we're
13 facing. Would you be willing to run through that
14 for us and tell us where the money's coming
15 from?

16 MR. BARDEN: Yes. The structure --
17 actually I use the analogy that this structure is
18 very similar to my structure with the Detroit
19 Cable System so it's already passed the test, and
20 basically it means, first of all, I'm financing
21 everything out of my pocket to date. He's
22 financing everything out of his pocket to date,
23 and we've both spent several hundred thousand
24 dollars. But I'm fully enriched for that.

25 In addition to what we were talking

1 about I said that I will also provide funding if
2 needed for anything that's needed, but the
3 structure simply is we're in a partnership. We
4 have 15 percent minority ownership, and Ellers'
5 company, President, owns 42 1/2 percent. My
6 company, Barden Development, owns 42 1/2
7 percent.

8 We have a management committee that will
9 oversee the operation of this facility, local
10 minority component of 15 percent, and my 42
11 percent is the reason we have majority control
12 ownership of the project.

13 Financing, President has the boat which
14 is a \$30 million asset that we don't have to go
15 out and borrow, and if you look at using sources --

16 COMMISSION MEMBERS: But you're paying
17 President a rental for that boat; is that the
18 contribution of this company?

19 MR. BARDEN: Yes. As it relates to --
20 as you have noticed from the letters I sent from
21 the bank I think maybe what you're getting at is
22 that President's putting up \$35 million cash, and
23 it appears as though I'm not putting up equity.

24 COMMISSION MEMBER: No. I'm really just
25 trying to understand what the capital structure

1 is, and you had a number of investors I think
2 that are actually receiving an interest in the
3 company but without actually contributing any
4 cash.

5 MR. BARDEN: Oh, yes, they are. Oh,
6 yes, they are. I was very adamant about that.
7 The local investors are all contributing for
8 their respective percentage of capital. We're
9 contributing capital.

10 The major portion of the funding is
11 coming from the existing proceeds that will be,
12 in essence, put in the company as a preferred
13 capital investment by President, and they have a
14 preference on receiving their capital back before
15 there are any distributions which is a common
16 practice that occurs all the time all over the
17 country on all different kinds of projects.

18 COMMISSION MEMBER: But President will
19 be receiving a management fee?

20 MR. BARDEN: Yes, and so will Barden.

21 COMMISSION MEMBER: Okay. And do you
22 have any management dispute resolution systems
23 that you have considered at this point?

24 MR. BARDEN: I think that's covered.
25 I'll defer to our counselor. There is an

1 arbitration management dispute clause in the
2 application.

3 COMMISSION MEMBER: You'll be operating
4 with positive cash flow, what, after the first
5 year? Is that your anticipation?

6 MR. BARDEN: Yes. That's our
7 anticipation and projection which we feel very
8 comfortable with.

9 COMMISSION MEMBER: Would it be possible
10 for one of you to run through just briefly that
11 116 -- well, firstly I guess just the 58 figure.
12 Is that set to be expended when you open
13 operations under the 116?

14 MR. ELLERS: 58.5 is actually pretty
15 simple. It's 35 for the boat, the equipment,
16 preopening expenses, things of that nature, \$23.5
17 million in cash which is being put in by
18 President which is available from the proceeds of
19 the recently refinanced bond offer.

20 COMMISSION MEMBER: Well, I'm a little
21 confused on the boat because I still see that as
22 belonging to President, and you're renting it to
23 a new company that actually has the
24 responsibility for this development?

25 MR. BARDEN: Well, what we're trying to

1 do is compare apples to oranges so, I mean, we
2 could buy the boat from President and pay them
3 and still put that in as a line item so the point
4 is that if they didn't have the boat we'd have to
5 spend that.

6 So we're utilizing that asset so that
7 you will be able to compare us to other
8 applicants because they don't have their boat.
9 They don't have the money to finance it so they
10 have to borrow the money to get the boat, put on
11 the line item. We already have the boat so it
12 will put us on a level playing field with them.
13 Otherwise it will look like they're spending \$35
14 million more than we are.

15 But we put it in for comparative
16 analysis purposes, but it's just as easy for
17 President to sell the boat to the entity so the
18 entity on the balance sheet will incur a debt
19 instead of an operating capital lease payment on
20 an annualized basis so it's a level playing
21 field. Is that clearer?

22 COMMISSION MEMBERS: Okay. Thank you.
23 Initially I believe that there was a statement
24 that there was going to be 200 million invested
25 in this project. Could you guide us in what's

1 the difference between the 116 million and 200
2 million?

3 MR. ELLERS: I think I made that
4 statement, and I think that's a collective amount
5 of money between two developers, each developer
6 committing in excess of 100 million. The whole
7 project that you see here is a \$200 million
8 project, each developer putting in somewhere
9 around 110, 115, whatever the numbers are. If I
10 was confusing about it I apologize.

11 MS. BOCHNOWSKI: Can I just follow up a
12 little bit on the local investors? Are they
13 actually making an investment of their own
14 personal cash, or are they making some other kind
15 of arrangement?

16 MR. BARDEN: That's personal cash. They
17 are paying X thousands of dollars per unit for
18 their investment.

19 MS. BOCHNOWSKI: So that becoming a
20 local investor would be open to people who had
21 that kind of cash?

22 MR. BARDEN: Yes, it was.

23 COMMISSION MEMBER: How were they
24 selected?

25 MR. BARDEN: Probably some people we

1 knew, some people read about it in the paper and
2 called us, some people called other people who
3 they know here. And we kind of looked at
4 probably a couple of -- I don't know, I would say
5 at least 20 to 30 different type people.

6 And because there are security checks,
7 because there are other kinds of things, you want
8 to make sure you have people of good character
9 and settled that are involved.

10 COMMISSION MEMBER: People who have the
11 capital to invest?

12 MR. BARDEN: I think the minimum amount
13 was \$25,000.

14 COMMISSION MEMBER: So what you did is
15 to establish 20 percent that you opened up to the
16 general public to get 40, 40, and 20?

17 MR. BARDEN: It's 15 percent, 42 1/2,
18 and 42 1/2. It may have been that originally.

19 COMMISSION MEMBERS: It's based on
20 ownership by yourselves or just Gary riverboat
21 gambling which that would have been 20?

22 MR. BARDEN: The structure is -- I agree
23 with Commissioner Hensley. If something remains
24 on an organizational chart in order to protect
25 the local business and minority investors they

1 are a separate corporate entity so that that's
2 one entity of which we own a part of, and then
3 President has an entity, then I have an entity.

4 So when you add up all the numbers it
5 comes up 42 1/2, 42 1/2, and 15 even though we
6 may own a part of it. That's to make sure that
7 we pass relative to all investigations and the
8 licensing processes.

9 COMMISSION MEMBERS: How did you arrive
10 at 15?

11 MR. BARDEN: Fifteen, I think in the
12 city's RFB they wanted substantial minority
13 ownership in the 15, 20 percent range. It was
14 kind of the norm, if you will, and it's always
15 the case.

16 In fact, you know, back in the old days,
17 in the older years, for corporate financial
18 consolidation purposes a corporate entity, a big
19 operator, had to have 83 percent in order to
20 consolidate their tax returns.

21 Well, that goes back in the business
22 world historically probably since the last major
23 tax overhaul and probably went back three major
24 tax overhauls at the federal government level
25 where you needed that kind of ownership in order

1 to consolidate for tax purposes. Now, of course,
2 you don't need that because it's not important
3 for tax consolidation.

4 COMMISSION MEMBER: So we've rendered
5 that an issue because gaming's a good idea, Mr.
6 Ellers?

7 MR. ELLERS: No. We thought that with
8 my ownership, and you would think that's
9 substantial ownership --

10 BARDEN/PRC REPRESENTATIVE:
11 Commissioner, let me try and address that
12 directly. I think that Don said it very
13 plainly. This was a situation where the City of
14 Gary made it very clear that they would like to
15 see minority ownership of these projects,
16 community involvement as it were.

17 And we felt that that was appropriate to
18 have community involvement consistent with our
19 commitment, consistent with what we were willing
20 to make available, and at the same time satisfy
21 the city's very strong desire.

22 It's just that simple, and if the city
23 had said it had to be 35 or 40 percent it
24 wouldn't have happened. On the other hand, one
25 percent is probably too little. Essentially it's

1 something that we felt comfortable with and we
2 felt was consistent with satisfying the city's
3 requirements.

4 COMMISSION MEMBER: Are those all voting
5 shares?

6 BARDEN/PRC REPRESENTATIVE: Excuse me?

7 COMMISSION MEMBER: Are the minority
8 shareholders also able to vote on issues?

9 BARDEN/PRC REPRESENTATIVE: Not quite in
10 that context. Again, you're back to the
11 structure which I now have a chart in front of me
12 so I see where you're coming from.

13 MR. BARDEN: In answer to you, even if
14 they were they wouldn't have enough votes so the
15 answer is no. Even if they were they wouldn't
16 have enough votes to --

17 COMMISSION MEMBER: I realize that, but
18 those people in combination with either of you
19 would have enough votes.

20 MR. ELLERS: Yes.

21 MR. BARDEN: I don't think Ed would like
22 that.

23 MR. ELLERS: There will be an advisory
24 board, but in reality we will be running the
25 casino operations which we just pointed out.

1 COMMISSION MEMBER: It's more or less as
2 though you each had 50/50 control of the company;
3 is that correct?

4 MR. ELLERS: I would say control,
5 correct, of the corporation. Now, in terms of
6 economics, the economics is that the investors,
7 participants, whatever word you want to use, will
8 have economic saving ventures. In terms of
9 controlling it that was never a question. I
10 don't think they want to do it. We certainly
11 didn't want them to, and this is a gaming
12 venture.

13 Let me just make a public policy point
14 for a minute. We're licensed in three states,
15 hoping to be four. We do not want to do anything
16 that will jeopardize our license. We have to be
17 in a position where we're in control of the
18 casino operations. If that's not clear it has to
19 be, but I believe it is.

20 Don is doing some economic development
21 work. He's been very valuable in terms of the
22 things that he is doing. Don is not involved in
23 the casino operations. I'm just hoping that
24 we're getting what we think is a normal or fairly
25 standard management fee or percent for doing it,

1 and that is under our control. It must be.

2 MR. BARDEN: As far as that management
3 agreement this entity has with President, we have
4 an equal number of board members so we set the
5 policy for them to operate under.

6 COMMISSION MEMBER: At the end of the
7 first year what will each of you actually have at
8 risk?

9 MR. ELLERS: At the end of the first
10 year President will have at risk the amount of
11 our investment plus whatever has been committed
12 to so 58 from our group, 58.5, because our boat
13 is at risk and the 23.5, or whatever it is,
14 million dollars will be at risk plus whatever we
15 have committed to contractually to move the
16 second phase along which we will have to do.

17 The line items break down rather
18 precisely, but it doesn't always work that way
19 because we may not be spending money that year,
20 committed to spending money because of ordering
21 steel or whatever we have been doing so, again,
22 around in excess of \$60 million is what we will
23 be exposed to at that point.

24 COMMISSION MEMBER: But, of course, that
25 boat can move so if you bring it in and you're

1 leasing to a company and this company fails the
2 only thing you have to do is take it out, and
3 that's really not at risk the way I look at it.

4 MR. ELLERS: Well, there are different
5 ways something can be at risk. There are
6 different ways to commit vessels. It's really no
7 different than land. There are agreements with
8 the city and various complications that you have
9 that protect people from that.

10 We faced that same thing in Davenport
11 where we basically committed the boat. That boat
12 is committed to that port. Yes, it can
13 theoretically sail, but it can't be used anywhere
14 else so for all practical purposes it's committed
15 now.

16 One of the things that we used to hear a
17 lot is it's just a boat. Yet in Davenport people
18 used to talk about land-based development. Boats
19 can float, the boats can float, we want
20 land-based development.

21 Well, somebody stood up one day and told
22 me something I didn't know about Davenport which
23 is the largest piece of developed real estate in
24 America is sitting just outside of the Quad
25 Cities about ten miles which is the Caterpillar

1 plant.

2 It was built in 1979. When Cat had
3 their tough times in 1982 they just abandoned it,
4 I mean, after having put in \$55 million or so, a
5 very, very large sum of money. It's been vacant
6 buildings for 12 years so it's kind of an
7 interesting twist on land-based development
8 versus riverboat.

9 MR. BARDEN: Commissioner, just to
10 expound upon that, maybe to add, after the first
11 year not including the boat we will have spent
12 close to \$40 million in cash. That will be at
13 risk and lost if this fails.

14 COMMISSION MEMBER: Back to your
15 investor group as 15 percent, did Mr. Barden say
16 some of these people were contacted by the press,
17 that they just called? What percentage of the
18 people that you were not aware of that just
19 called President, saw your name in the paper and
20 just did that?

21 MR. BARDEN: I wouldn't know the
22 percentage, but in terms of the number of people
23 I would say three or four.

24 COMMISSION MEMBER: It appears that
25 everybody contributes about \$25,000 to the

1 venture; is that correct?

2 MR. BARDEN: I think the number is
3 50,000. I haven't found those so I try not to
4 speak to them, but I think the number is 50,000.
5 Do you have that, Andy?

6 MR. KLINEMAN: I think the records we
7 have show \$25,000.

8 MR. BARDEN: Yes, that could be. How
9 many dollars would that come to? Twenty-five
10 times ten is 250. I thought that was the
11 investment number in my mind, and I'll have to
12 look at that again. I don't have -- that's one
13 thing I did not research. I think it comes to
14 over a half million dollars.

15 COMMISSION MEMBER: How did the \$25,000
16 become the number? Is that just an arbitrary 15
17 percent?

18 MR. BARDEN: I kind of set that number,
19 and the reason I set that number was I figured if
20 we were not successful we didn't want the people
21 to lose their money. I don't believe in taking
22 local people's money and using it for risk
23 capital, but if we are successful we have to
24 pay.

25 There's no free ride. I've never had a

1 free ride in my life so I wanted to make sure
2 everybody paid something or contributed
3 something, sweat equity or some kind of
4 involvement or some kind of resource to back up
5 the project, so we stated this money is due if we
6 are successful. If not you haven't lost
7 anything. If we are you have to pay it.
8 Otherwise you can't play.

9 COMMISSION MEMBER: Is that to be shared
10 totally equally? Is that \$25,000 per --

11 MR. BARDEN: It's for playing, yes.
12 He's the only one that owns 40 percent, yes.

13 MR. KLINEMAN: I would like to inquire
14 about the exit at the end of ten years. You have
15 the right to exit it or sell your investment to
16 President; is that correct?

17 MR. BARDEN: Yes, it is.

18 MR. KLINEMAN: Do you want to explain
19 that in a little more detail?

20 MR. BARDEN: Well, any time anyone gets
21 into a transaction they commonly call it the exit
22 strategy, and exit strategy is after a certain
23 period of time as you get older you say that I
24 have to get out of this business, I have to do
25 some estate planning, I have to do some other

1 things so otherwise -- (End of tape). Most
2 investors, or sophisticated investors, always
3 have a strategy.

4 BARDEN/PRC REPRESENTATIVE: Let me also
5 add, Mr. Chairman, that while Don acts, looks,
6 and has the energy of a younger man he is older,
7 and we both have four year olds so we have to be
8 careful. But Don will be in excess of 60 years
9 old at that point, and Don said that at that
10 point he would probably not want to be active and
11 would want to do some estate planning.

12 I said to Don it was imperative he be
13 involved in this project for a substantial period
14 of time. I was not interested in a one- or
15 two-year situation. Don is an integral part of
16 this project as far as we're concerned so any
17 situation where he was going to be in for a year
18 and then gone was unacceptable to us. On the
19 other hand, I think ten years is a long period of
20 time so we agreed to that.

21 MR. KLINEMAN: And his exit then would
22 be for all his interest?

23 MR. BARDEN: I'm not saying that I'm
24 going to exit after ten years. I just want that
25 option. I'm 50 with a three year old daughter,

1 and she's already wearing me out so by the time
2 she gets to be a teenager I don't know how much
3 longer I'll be able to take it. So no one knows
4 what the future holds.

5 MR. KLINEMAN: I'm not questioning the
6 strategy or anything. I just want to know about
7 it.

8 MR. BARDEN: Usually exit strategies are
9 all or none, and in most cases you can
10 negotiate. You can do a stock conversion, you
11 can do a portion of it, but the bottom line is
12 your relationship and your taxing entity
13 changes.

14 MR. KLINEMAN: Okay. Well, explain to
15 me, is it for all your interest? Is it for part
16 of it? Is it a one-time thing at the end of ten
17 years, or does it continue at your option at the
18 end of ten years? Is it not exercisable before
19 ten years?

20 MR. BARDEN: I'd have to check that, Mr.
21 Chairman.

22 MR. KLINEMAN: And also if you could
23 tell us, is there a formula by which it is
24 exercised?

25 MR. BARDEN: I think it's fair market

1 value.

2 MR. KLINEMAN: That's in the eye of the
3 holder?

4 MR. BARDEN: Well, it's appraised value,
5 and there's a mechanism for determining fair
6 market value through an appraised process. But
7 each party usually selects one, selects another,
8 and then you get an appraisal and --

9 MR. KLINEMAN: And until then, subject
10 to the change in tax laws, you have restrictions
11 against the sale of your interest, is that right,
12 to anyone, or is it solely for you to sell out
13 before that to a third party?

14 MR. BARDEN: I don't think I can sell
15 out to a third party, but I can sell.

16 MR. KLINEMAN: And what about
17 President? Are they likewise restricted?

18 MR. ELLERS: Well, President being a
19 public company is in a little bit different
20 situation than Don is, but I don't believe we are
21 restricted in the same sense that Don is, again,
22 because we're a public company subject to your
23 licensing approval or whatever powers you have to
24 affect that.

25 That's another very strong control in

1 all of this which, having lived through this, I
2 mean, having been involved in all the regulatory
3 matters, we don't lose sight of the fact that we
4 just can't go selling these things without coming
5 back to this body.

6 MR. BARDEN: Mr. Chairman, my partner
7 just informed me that the hook continues on, but
8 it's not effective until ten years. After that
9 it goes on in that way.

10 MS. BOCHNOWSKI: I have a question about
11 the endorsement process with the city. You've
12 become the preferred developer or one of the two
13 preferred developers. How much money have you
14 invested now in the City of Gary? What kind of
15 investment was made? What other kind of
16 commitments did you have to make in order to
17 become a preferred developer?

18 BARDEN/PRC REPRESENTATIVE: I think that
19 I will speak to a little of it, and then Don can
20 follow up. We have spent to date somewhere
21 between five and seven hundred thousand dollars
22 in cash in the application process and -- I don't
23 mean the application process, the Army Corps of
24 Engineers, all of the back-up work, all of the
25 engineering, all of the things from Baker

1 Engineering, from Ashton Pines.

2 Everything that forms the package is
3 essentially our work. People we retain we pay
4 for so that's money that, as far as we're
5 concerned, we have spent on behalf of the city.
6 The city's not going to pay for our application
7 because this is the city's idea for this plan.

8 So we have spent that much money. All
9 of our agreements with the city really revolved
10 around licensing. The commitments revolved
11 around when you got a license before commitments
12 came into play.

13 MS. BOCHNOWSKI: What will happen then
14 when you get the license?

15 MR. ELLERS: With the city?

16 MS. BOCHNOWSKI: If you would get the
17 license, let's say, what kind of commitment have
18 you --

19 MR. ELLERS: Well, in addition to the
20 commitments that are in the license application
21 there's a \$500,000 payment that is due upon
22 licensing. We have talked to the city about
23 advancing that money in advance of licensing,
24 half of the 500,000. We've talked about doing
25 that because the city is incurring some expenses,

1 and we're very aware of that. We're very
2 sensitive to that so --

3 MS. BOCHNOWSKI: Are these expenses that
4 were related to --

5 MR. ELLERS: To the project, to this
6 project, to this project, their consultants,
7 their engineers, people they have obtained. We
8 have committed to \$250,000 of that. In addition,
9 the commitments we've made to the city are
10 essentially what we have submitted to the Gaming
11 Commission.

12 There are no side deals. There's
13 nothing -- I don't believe it's anything you're
14 not aware of. It's all reflected in the
15 documents that have been submitted. It's all
16 reflected in our application.

17 There have been some timing changes
18 because of things that have gone on in court, and
19 the city is stretched out a little bit further
20 than they wanted to be so we committed to help
21 them out with that. But there was nothing that
22 is in the commitment that is not in the
23 application and/or the two letters that were
24 signed with the city that I am aware of.

25 MS. BOCHNOWSKI: One problem that occurs

1 too is that originally you were looking at the
2 USX site, and that was supposed to help the
3 downtown development. Do you think this being so
4 far away from the downtown that it will have a
5 spillover effect? Is there anything that you can
6 do to help the downtown, the neighborhoods, that
7 kind of thing?

8 MR. BARDEN: Let me get back to the hard
9 questions first.

10 MS. BOCHNOWSKI: Sure.

11 MR. BARDEN: The moneys that we have
12 spent, we spent it all, or I'm sure close to
13 half, prior to our selection as preferred
14 developer, and most of the other money after that
15 was after dealing directly with the state to
16 state our position.

17 As it relates to the change of the site
18 there are automatic spillovers into downtown and
19 other communities, segments of the community, and
20 especially the neighborhoods. Now, I'm a
21 developer. I'm an investor. I'm an
22 entrepreneur. Totally unrelated to the cable
23 system I just built 146 brand new apartment units
24 in the city.

25 MS. BOCHNOWSKI: Were these expensive

1 apartments, affordable apartments?

2 MR. BARDEN: Moderate income, affordable
3 housing. I bought an office building and
4 remodeled it and refurbished it and re-leased it
5 in downtown. But those are the kind of things I
6 have a track record of doing is reinvesting in
7 the community.

8 When you have people who are making that
9 payroll -- I think there's \$85 million in payroll
10 in the first five years -- that's going to go
11 back into the community. A lot of that money
12 will be recycled within the community where
13 people will be able to pay the stores and shops,
14 and other people will build things for other
15 people to come and spend their money on.

16 MS. BOCHNOWSKI: And I agree with that.

17 MR. BARDEN: So Union Station
18 particularly is downtown that we've committed to
19 do. That's a \$10 million commitment.

20 MS. BOCHNOWSKI: My concern was that in
21 Gary this kind of thing may take four or five
22 years. Gary has some real immediate problems
23 that maybe will take a long time.

24 BARDEN/PRC REPRESENTATIVE: With the 225
25 million that the two developers have committed to

1 to put into the city, 20 of which is directly
2 downtown, 20 million of it, and with Gary's
3 revenue amount of roughly eight to twelve million
4 dollars a year they can (Inaudible) and reinvest
5 in the community.

6 The city's flow is five percent and
7 three percent additional. Gary can create an
8 economic development pool of \$200 million itself
9 for economic development downtown, for
10 neighborhood improvements, for police and fire
11 services. So this is a great opportunity for the
12 city to benefit and to expand over a broad
13 geographic area, the entire city, its economic
14 situation.

15 MR. HENSLEY: I'm impressed with both
16 the financial condition of your company's and
17 President's, and while asking these questions I'm
18 just trying to figure out how we're going to get
19 those resources protecting this particular
20 company.

21 And one of the things that we noticed in
22 reviewing the applications is that your
23 assumption as far as your revenue generation and
24 so forth has been more aggressive than the other
25 applicants. That is, you're using less space,

1 you're using fewer slot machines, you're
2 generating more revenue with fewer resources, and
3 there's nothing wrong with that if you can pull
4 it off.

5 But the projections also show that
6 you're really not profitable until fourth year of
7 operation, and you're generating a cumulative
8 cash deficit through the fourth year. This is
9 according to our records.

10 MR. BARDEN: I'm sure that we have to
11 differ with those records. We have a positive
12 cash flow that we can use as a cash flow
13 business, but I'll let Ed speak to the revenue
14 per space or per square foot. I'm not totally an
15 expert on that yet, but I will be in about six
16 months.

17 MR. ELLERS: I'm really unclear as to
18 where you're coming up with negative cash flow,
19 Commissioner. We're taking money and putting it
20 back in.

21 MR. HENSLEY: I won't go back into those
22 because these were spreadsheets and all.

23 MR. ELLERS: Maybe what's confusing is
24 we're taking money that is being generated and
25 putting it back into the project for a number of

1 years. That may be what's creating the confusion
2 as opposed to putting it in our pockets.

3 Again, these are all the -- you know, is
4 it a black zebra with white stripes or a white
5 zebra with black stripes? We won't go out and
6 borrow the money and then have to pay it back to
7 somebody else. We borrow it from ourselves.
8 It's just a financing mechanism.

9 We're putting in the cash up front, and
10 if we choose to take, in effect, our profit for
11 the first couple of years and pour it back into
12 the project that's going to affect what we're
13 doing. We're not putting it in our pocket until
14 it's in the red. I think that may be what you --

15 MR. HENSLEY: You're probably aware, I'm
16 sure, that there's a fixed investment going into
17 this project that's paid for out of operating
18 funds.

19 MR. ELLERS: I can assure you there's
20 positive cash flow here. Now, in terms of our
21 projections we've looked at a couple of things,
22 one, the operating capital, which has done
23 wonders for revenue I'm happy to add, and we try
24 to look at a way realistically to deal with the
25 Chicago market.

1 And we have not taken the high end of
2 that market. We have not taken Joliet numbers.
3 We think that those numbers are probably a
4 phenomenon as it were, and we've taken what we
5 believe to be a reasonable number, and we've just
6 simply done an analysis based on our operating
7 experience.

8 Could they be more conservative? You
9 never know. They may be conservative, they may
10 be aggressive, but within a range there's still
11 enough there, and that's our best guess.

12 MR. HENSLEY: The reason I'm asking, I
13 don't have any doubt whatsoever what President
14 and Barden has as resources to fund this
15 operation through to completion. According to
16 the schedules that we have if a person was
17 looking at this operation without the financial
18 resources behind it of President and Barden you
19 would become very, very skeptical.

20 Based on the analysis that we have that
21 these projections might be met, especially when
22 the other applicants have used less aggressive, I
23 guess, assumptions, and also with the funding of
24 these improvements out of operations creating
25 what our analysts at least have determined to be

1 a negative cash flow in ordinary business there
2 would come a time that if that deficit got so
3 great, it got greater than the capital
4 contribution that had actually been made by the
5 investors, that they may be more willing to walk
6 away from it than they would be to continue with
7 it so that's really what we're trying to deal
8 with.

9 MR. ELLERS: Well, one of the things I
10 would say to you is because we're a public
11 company and we have to be a little careful about
12 what we're going to say but it's also the
13 Chairman's wish that everything be open I have
14 certain restrictions because of the public
15 company.

16 I don't know who did the analysis. I
17 can assure you we did all kinds of things with
18 numbers. I would love to sit down with somebody,
19 and there is no way in the world there is
20 negative cash flow in this property. If there is
21 that's not something that we are aware of, and I
22 can assure you it's not the case.

23 We're in this project to make a profit.
24 We're in this project to make money for our
25 shareholders. We're in this long-term because

1 that's the nature of this business, and I just
2 don't know where these numbers are coming from
3 since I haven't seen them.

4 But there's cash flow, but I believe
5 somebody has gotten confused as to where the
6 money's allocated back. I'm looking at numbers
7 in the tens of millions of dollars available from
8 the operating cash to put back in so it's equal
9 if that could be the case.

10 MR. HENSLEY: Okay. I appreciate it.

11 MR. KLINEMAN: The management you say
12 we're going to be filing back. Are you trying to
13 also convect the management fees in addition to
14 other things? Maybe you said that might be one
15 of the problems.

16 MR. ELLERS: No. The management fee is
17 not something we're putting back. The management
18 fee is something we're actually expending because
19 we'll have people who will be putting out
20 services.

21 MR. KLINEMAN: You have a four percent
22 management -- four percent of the gross
23 management pay?

24 MR. ELLERS: Correct, which is pretty
25 standard in the industry.

1 MR. KLINEMAN: And does Mr. Barden
2 likewise have some kind of a management fee?

3 MR. BARDEN: Yes, Mr. Chairman, two
4 percent.

5 MR. KLINEMAN: Two percent. And what
6 other fees other than the rental of the boat are
7 there that will be coming out? Are there any
8 others?

9 MR. BARDEN: Not that I recall. I don't
10 think so. But in examining the revenue, the
11 gross projected revenue in gaming, our references
12 indicate and our analysis of the four remaining
13 applicants indicate that we're about in the
14 middle with two higher than us and one lower in
15 conservative projections.

16 So if at all possible we'd like to see
17 -- maybe there was just a mathematical error. I
18 don't know who did your spreadsheet because we
19 definitely show a positive cash flow, and if you
20 look at the experience of the other applicants
21 versus our experience, my partner's experience
22 especially coupled with my own experience, I
23 would think our projections would be most
24 reliable based on an experience basis.

25 MR. KLINEMAN: We do notice you exceed

1 everyone else in one category which is admission
2 fee. Do you want to speak a little bit about
3 this?

4 MR. ELLERS: Again, the sheets that I'm
5 looking at for admission fees, just the
6 comparative spreadsheet, shows that they are
7 relatively close except for one. There's just
8 one of them that's a little off. We are slightly
9 higher. Again, we've got operational
10 experience. We know what we can charge and what
11 we can't.

12 MR. KLINEMAN: What do you charge in
13 Iowa?

14 MR. ELLERS: In Iowa we charge on the
15 weekends now. We do not charge during the week.
16 We charge on the weekends. But, again, in
17 Illinois they're still charging.

18 MR. BARDEN: I think too that ours
19 declines in subsequent years. Our revenues from
20 admission declines in subsequent years which we
21 think is a trend because as competition comes
22 along you're not going to be able to charge as
23 much as often as you did in previous years.

24 MR. ELLERS: I should also point out
25 that our projections do decline over the years

1 because we believe that will happen as that
2 saturation takes place and the market matures
3 then stabilizes as more competitors come up.

4 So normally you'd take the first year
5 and build on it. We don't believe that's going
6 to happen. Could we be wrong? We could be
7 wrong, but we think there's enough cushion in
8 there either way.

9 COMMISSION MEMBER: I'm intrigued by the
10 boat, whether it's ready to go. I looked at the
11 figures, and your boat is smaller I think than
12 some of your competitors, but the amount of
13 gaming space per square foot seems to be
14 significantly smaller so I don't have any reason
15 to believe that that's improper, but how does
16 that square footage compare with the square
17 footage you have in your other boats?

18 MR. ELLERS: Terry, you may want to
19 address that. We have -- I guess the boat that
20 would be the most equivalent to that would be the
21 President in Davenport.

22 One of the problems with square feet,
23 just to give you an example, is sometimes because
24 of the configuration of a boat -- and I don't
25 want to get complicated here, but boats are just

1 not buildings where you see the walls behind you,
2 you can just move that. You want to make that 12
3 feet bigger, make it 12 feet bigger, no problem,
4 move the wall.

5 You can't do that on a boat so when you
6 get an older vessel or a vessel that has not been
7 configured for gaming there are times when you
8 have large amounts of square feet. Sometimes you
9 can't use some of the square footage, and it's
10 how many positions you can put on that boat.

11 Certain boats lay out better than other
12 boats. It's just a reality. So this particular
13 boat -- and I'll let Terry or Gary Armitron, who
14 designed the boat, give you those comparative
15 numbers, but we're looking at 875 slot machines
16 and 60 table games.

17 The square footage to us is not as
18 important comparatively as the number of gaming
19 positions, and Gary, who has been involved in
20 four or five projects I think, can address that.

21 COMMISSION MEMBER: Well, that's exactly
22 what I meant, the square footage per position.

23 BARDEN/PRC REPRESENTATIVE: Well, the
24 square footage per position, with all due
25 respect, is a meaningless number to me. It

1 doesn't mean anything because to me it's the
2 number of gaming positions we can put on
3 comfortably and enjoyably.

4 We may have -- for example, on the
5 average in St. Louis we have 70,000 square feet,
6 theoretical gaming space, with 1,500 units.
7 There are large casinos in Biloxi with that exact
8 amount of square footage but have 1,800 units.

9 So it's not a department store concept.
10 I'm looking at it from the standpoint of how many
11 gaming positions do I have, how many
12 opportunities, how many people can come on and
13 gamble at any given time, how much money are they
14 going to lose at any given time. So the square
15 footage to me is only about how many machines I
16 could put on. If I could, I'll let Gary
17 explain.

18 MR. ARMITRON: Mr. Chairman, members of
19 the Commission, my name is Gary Armitron. I'm
20 vice president of gaming for President, and in
21 answer to your question the most comparable boat
22 that President Riverboat Casinos currently
23 operates in terms of size and gaming positions is
24 the President Riverboat Casino in Davenport,
25 Iowa.

1 The President Riverboat Casino in
2 Davenport, Iowa, currently has 776 slot machines
3 and 45 gaming tables. The New Yorker, the
4 President's Gary boat, has been laid out to
5 accommodate 875 slot machines and 60 gaming
6 tables.

7 Now, the reason that we can get more
8 gaming positions on the President Gary relative
9 to the square footage is that we've taken a lot
10 of the support services, the food and beverage
11 services off the boat and located them in the
12 guest services pavilion, the guest service center
13 immediately adjacent to the boat.

14 So we've intensified the square footage
15 available to us on the New Yorker utilizing it
16 for gaming positions, and the supports and other
17 guest-related amenities are actually not on the
18 boat but in the guest service center that is
19 described.

20 MS. BOCHNOWSKI: Will people be able to
21 have something if they need something to drink on
22 the boat?

23 MR. ARMITRON: Oh, absolutely. We have
24 minimized that. There will be several food and
25 beverage outlets on the boat itself, but the

1 bays, the large sit down dining areas, are in the
2 guest service center.

3 MR. ELLERS: Let me address that
4 question for just a second. There's a lesson to
5 be learned in that. When you're cruising, when
6 you're out on the water, you have a limited
7 amount of time to gamble.

8 Most people don't want to sit in a
9 restaurant and use that two hours, two and a half
10 hours, one and a half hours, whatever the
11 Commission happens to deem it, to eat in a
12 restaurant when what they want to do is utilize
13 that time to maximize the amount of gambling time
14 they have while they are able to gamble while the
15 boat is out.

16 So by pulling most of the -- sure, you
17 can get snack food and drinks and things of that
18 nature on the boat, but most people will want to
19 eat first then go or go gamble and then get off
20 and eat so they have to work together.

21 We did have restaurants at Davenport,
22 and what we found was the people were saying why
23 should we be sitting up here during a cruise, we
24 want to gamble, we want to eat when we get off or
25 when we get on, and so it's just something that

1 works out very well.

2 MS. BOCHNOWSKI: I guess that would
3 indicate to me that you don't believe that a boat
4 -- basically the gambling boat is for gambling,
5 and any entertainment or dinner type things would
6 be on the land.

7 MR. ELLERS: Absolutely. And I think
8 when you see some of the ideas that Dunes will
9 show you on the casino entertainment complex with
10 the restaurants that we talked about in a
11 coordinated effort there I think you'll see
12 that's exactly what we have in mind, and,
13 candidly, that's what works.

14 We tried in Davenport to have food on
15 the boat, and I can't even begin to tell you
16 about the lines going around and the limited
17 amount of space with people waiting to get into a
18 buffet. It's just not a very pleasant
19 experience.

20 We then in Davenport had a large
21 sit-down riverboat restaurant, just a restaurant,
22 and the buses -- I don't know if you can
23 imagine. Mayor Barnes and Senator Rogers and the
24 good people of Gary are continually saying I
25 can't imagine 75 buses coming to Gary, Indiana,

1 on Saturday morning to go ride a boat and to
2 enjoy the other facilities.

3 Neither could the people of Davenport,
4 but there's not a worse sight for an operator --
5 this is while I was general manager at Davenport;
6 I started my gaming career with Gary Armitron --
7 when you see 70 buses pull up and everyone wants
8 to eat at the same time because they've been on
9 the road for three hours.

10 They want to get on that boat. They
11 want to gamble. They want to get out and have
12 fun, and they want a place to eat that's free and
13 open and big, and the boat is just not equipped
14 to hold all that. Theoretically it works, but it
15 doesn't work in practice.

16 MR. KLINEMAN: I understand your
17 explanation about the sit-down eating. What
18 about open areas? And I have trouble reading the
19 schematics of the boat. Are there going to be
20 open areas where people can sit down and rest and
21 so forth?

22 MR. ELLERS: I guess that what we also
23 recognize from our experience is you have to
24 provide that. We have to provide areas on the
25 boat where a person can get away from the

1 excitement, and we have provided that on the
2 President Gary.

3 There's outdoor decks, and there's other
4 decks that are available for use by guests on the
5 boat that are not gaming areas. It's important
6 that we have that mixture of gaming areas and
7 areas of relaxation available.

8 MR. KLINEMAN: Are there any indoor
9 areas?

10 MR. ELLERS: The lounge is indoors.

11 MS. BOCHNOWSKI: One complaint I've
12 heard about riverboat gambling is that it's real
13 smoky. Is there any way to segregate people who
14 smoke and don't smoke or anything like that?

15 MR. ELLERS: Well, the only place that
16 that is an issue that I am aware of, and I don't
17 know -- I know Davenport we do have a nonsmoking
18 deck in Davenport. Our third deck is now a
19 nonsmoking deck.

20 It is a really interesting phenomenon.
21 I'm not a smoker. I may be the worse person to
22 be saying this, but most people will complain
23 about smoke who are nonsmokers, but when they
24 gamble they will not go to the nonsmoking
25 section.

1 The nonsmoking section is not a very
2 popular place to be. It just isn't. Everyone
3 wants to complain about it, but they want to be
4 where the excitement is, and there's something
5 about smoking and gambling that seems to go
6 together. I do not understand that, but we do
7 have nonsmoking areas available.

8 The only vessel we have had a problem
9 with smoke is our boat in Biloxi, and there's a
10 reason for that. The reason for it is that the
11 boat doesn't cruise. The boat doesn't move so
12 you don't get the circulation, the air
13 circulation, that you would when you cruise.

14 A cruising boat that's sitting at a dock
15 -- and we put in outside generators and
16 additional air conditioners and smoke eaters, but
17 if you take a boat that's Coast Guard certified
18 and made to cruise as the boat cruises the air
19 goes through, and it circulates in a certain
20 way.

21 Sitting at the dock barnacles and things
22 get on it, and the air holes get clogged up, and
23 you're not circulating air through it so you do
24 sometimes have that problem. We're aware of
25 that, but I'm not generally aware of huge

1 problems on the boats, but that can be an issue.

2 COMMISSION MEMBER: I have a question.
3 Mr. Ellers, in reference and going back to the
4 integrity, have there been criminal history
5 checks on all the investors, the applicants, or
6 those in control of the investors? Has that been
7 done by the company?

8 MR. ELLERS: My understanding is each
9 one of those people had to submit to the Gaming
10 Commission a background check, full investigative
11 checks. Don was really spearheading the investor
12 investigations.

13 Our company did not check these people
14 because at this point they are tentative people.
15 They have signed nothing. They're waiting to see
16 if they're approved and if they're going to be in
17 at the end of the day. Before they sign they'll
18 have your background check plus ours.

19 COMMISSION MEMBER: You haven't done
20 that yet?

21 MR. ELLERS: No.

22 COMMISSION MEMBER: And that is in
23 reference to the local investors. Among all the
24 others has that been done?

25 MR. ELLERS: I'll pass it to Mr.

1 Barden.

2 MR. BARDEN: I just don't understand the
3 last part of your question.

4 COMMISSION MEMBER: My question was in
5 reference to local investors, have you run
6 criminal history checks on any of them, and my
7 question is whether on all the other investors
8 and local investors have there been any criminal
9 history checks.

10 MR. BARDEN: There are no investors.
11 I'm the only other investor with President so the
12 answer is no.

13 MR. ELLERS: The answer is yes as to
14 him, but there are no other investors. We've
15 checked with the archbishop of Detroit.

16 COMMISSION MEMBER: Your income
17 assumptions are based on certain criteria. You
18 gave us such figures. Tell me if we average the
19 assumptions of all the applicants your
20 assumptions are about -- or your revenue
21 projections are about 78 percent of the original
22 based on average assumptions. (Inaudible) are
23 they all that long?

24 MR. ELLERS: I'm a little confused.
25 You're saying we're higher than everybody else?

1 COMMISSION MEMBER: Well, when you can't
2 make the grade or points you say you're going to
3 make based on average assumptions.

4 MR. ELLERS: I'm sorry. I'm just --

5 MR. HENSLEY: Let me see if I can
6 explain.

7 MR. ELLERS: Sure, sure.

8 MR. HENSLEY: If the extended criteria
9 were used for various elements of your plan that
10 were assumed among these other applicants we took
11 your revenue per customer and applied it to your
12 number of gaming spaces, for example. I think
13 that's what Ron's talking about is that it comes
14 out much, much lower, like 80 percent or
15 something like that whereas --

16 COMMISSION MEMBER: The average of all
17 the other competitors, how do you explain that?

18 MR. ELLERS: I think it's just people
19 who are looking at these things, there's no
20 science to this. You're making your best guess
21 projections. We clearly, in fact, are in the
22 cushion factor internally for that kind of thing
23 when we look at that.

24 We presented what we believe based on
25 the Chicago market, based on what other people

1 are doing in Illinois, based on what we're doing
2 in Davenport, based on everything we know.

3 (End of tape)

4 COMMISSION MEMBER: Just using your
5 average you're 22 percent off the margin.

6 MR. ELLERS: Again, we're doing analysis
7 on that. We can only tell you what we've looked
8 at. We can only tell you how we got there. I
9 can't explain how anybody else got there. I can
10 tell you that I don't know how many positions
11 these boats are numbered. I don't know how many
12 when the Coast Guard is done with them. I don't
13 know what shape they're in.

14 We have a boat that's ready to go. We
15 believe that that's going to be an advantage, and
16 if you're asking me two years from now will that
17 number be the same the answer is no, that number
18 will not be the same. It will be less.

19 So maybe we ought to be looking at the
20 second year instead of the first year based on
21 the old numbers. In other words, if we were
22 looking at year one starting September of this
23 year maybe you ought to be looking at the second
24 year as the first year, and that would be a more
25 reasonable way of doing it.

1 But we don't know that in the water
2 because we have a boat that's ready to go. We
3 know it will be ready. I'm not saying anybody
4 else will be or they won't be. We just know --
5 and I guess I learned the hard way about
6 shipyards.

7 Contracts and things come in on time,
8 and it just doesn't always work that way so we're
9 sure we can be in the water and in business, and
10 it is entirely possible that you may need to look
11 at the second year, not the first year.

12 COMMISSION MEMBER: Would it be fair to
13 say have you had any conversations with the
14 people at Dunes, who is the other preferred
15 developer? Have you had any conversations with
16 them, a little shared information?

17 MR. ELLERS: About the projections, no.

18 COMMISSION MEMBER: You made yours, and
19 they made theirs?

20 MR. ELLERS: Absolutely. But let me
21 explain to you I think we have had a tremendous
22 amount of cooperation in working with the Dunes
23 people on the operational, how this is going to
24 work together, how two companies are going to put
25 together different philosophies, different ways

1 of operating and meshing an integrated product
2 that will work for the City of Gary. We've done
3 that at length.

4 A lot of what you're seeing is a
5 coordinated site plan, infrastructure, things we
6 know are going to work. We have not talked about
7 our hopes with them. We have not talked about
8 how we're going to operate on the boat with
9 them. They have not talked about their boat
10 which is I think under construction. So we have
11 not done that.

12 What we have concentrated on was
13 everything from the water south and how this
14 project -- how we were going to get people to the
15 boat. Once they're on the boat they're on their
16 own, we're on our own. We may market and cater
17 to people as well. There is no joint operating
18 here. We're operating ours, they're operating
19 theirs.

20 COMMISSION MEMBER: I'm just talking
21 about the basic assumptions, conversations across
22 tables. I'm not asking if this is a done deal.
23 I'm just saying, you know, you guys cooperate and
24 talk about all this infrastructure and so on and
25 you haven't commented on how many feet are you

1 going to get out of the boat?

2 MR. ELLERS: I can honestly tell you
3 that if we have I can't remember one. I don't
4 remember one, Bob, do you? I don't remember
5 one.

6 MR. BOB FARAH: (Inaudible).

7 MR. ELLERS: I would agree with that.
8 We haven't talked about that.

9 COMMISSION MEMBER: Well, you're going
10 to get together or you're farther apart than you
11 know.

12 MR. ELLERS: Well, yes, we know. We've
13 got a pretty good track record in this business.
14 Could we have been a little more conservative?
15 Maybe. Could we turn out to be too
16 conservative? We hope so, but I don't think so.

17 I think that the assumptions -- you've
18 got some analysts from Wall Street. I don't
19 think you could get any three of them to agree
20 with what these things are going to do.

21 That's a good base effort, and I think
22 it's very supportable by the reality of Illinois
23 and the reality of our other operations. I
24 cannot sit here and I will not sit here and look
25 anybody in the eye and tell you what's going to

1 happen. It's a projection.

2 MR. BARDEN: Mr. Sundwick asked but for
3 my own verification purposes how does the 22
4 percent differential that's related to here
5 (Inaudible) annual winnings per spot to our
6 slots?

7 COMMISSION MEMBER: You're taking the
8 position that every revenue per game position is
9 of average density except for all the information
10 you supplied to us excluding anybody (Inaudible)
11 and then applying them to your information, and
12 you're not going to make the number that you say
13 you'll have here.

14 BARDEN/PRC REPRESENTATIVE: Is that
15 based upon how much win per game position
16 compared to our number of positions to determine
17 the total number of revenues?

18 COMMISSION MEMBER: Are you telling me
19 you're going to pay off more than they are?

20 BARDEN/PRC REPRESENTATIVE: No. I just
21 want to understand that they are higher and we
22 are lower if we are conservative and they're
23 average earning per passenger, average revenue
24 per game, average gaming station, average square
25 foot per passenger.

1 And (Inaudible) the number there, the
2 average square foot per passenger, because I
3 think that doubles our playing field because they
4 have 30 plus square footage which is going to
5 have a tendency to boost the other end of the
6 equation.

7 MR. KLINEMAN: I'm not suggesting that
8 the two of you have already been married yet, but
9 I seem to think that you have alluded to the fact
10 that even though you're working very closely with
11 Dunes -- I'm going to ask the same question of
12 Dunes when they get up here -- this is not a
13 joint enterprise. You're willing to work, if we
14 decide to grant two licenses, if you get one,
15 with anyone else; is that correct?

16 MR. ELLERS: Let me state President's
17 position on that because I think it's an
18 important question, and it's certainly one we
19 anticipated. What we are developing here is not
20 Barden/President's plan, and it's not Monarch's
21 plan.

22 It is the City of Gary's conception and
23 vision for what they believe based on input from
24 the two of us. There's no question about that.
25 It will work. We believe it will work, and we

1 believe Dunes will work.

2 If the other operator, whoever it might
3 be, were to come in and you were to designate
4 somebody else and they say look, that's not our
5 vision, we don't see the world that way, we see
6 the world a totally different way than you do,
7 that's very nice, we're not interested, that
8 could create a problem for us because we believe
9 that, based on months of sitting down and
10 analyzing this market, what it needs is something
11 that we believe in, this vision.

12 We've had -- as my manager said we have
13 bought into this. That's not ownership as a
14 concept, okay. Whoever carries it out we believe
15 that's the concept, and we believe Dunes believes
16 that, and we believe the city believes that.

17 Now, if another developer were to be
18 chosen on the assumption that we were one and
19 they were another and they bought into that
20 program and there was synergy to have a building
21 that would not be a problem for us.

22 But if there's not -- again, I emphasize
23 to you that this has to be an integrated
24 situation because of the configuration of the
25 site, the closeness of the boats, and the fact

1 that you are really dealing with a small area.

2 And, again, I'm not suggesting who it
3 should be. It doesn't have to be us. It doesn't
4 have to be anybody. That's your decision, but I
5 am not going to stand here today and tell you
6 that I would take anybody who you designated if
7 they are not devoted to that plan. I think that
8 would be disingenuous. I don't know what else to
9 say.

10 COMMISSION MEMBER: You made the comment
11 earlier in your presentation that if the City of
12 Gary decided that you'd only have one hotel, and
13 then you made comments about this is the city's
14 vision, etc. Your marketing organization, what
15 do they say about that? Are they allowing the
16 city -- have you bought into what the city
17 wants?

18 MR. ELLERS: We totally concur. We
19 actually felt we needed to convince the city of
20 that.

21 COMMISSION MEMBER: So really this is
22 your plan, and you convinced the city that it
23 would work?

24 MR. ELLERS: I think there's been a lot
25 of joint input. There's no question that Dunes

1 and we have worked with the city. We do not
2 believe that more than one hotel is needed. We
3 don't believe that. There are certain things the
4 city wanted to see. The city has signed off on
5 us. They have bought into it as well.

6 There isn't any question the city's
7 looking to its preferred developers to come up
8 with a plan that they believe would work for the
9 city. Did the city just sit back and say that's
10 fine, you guys do whatever you want? No,
11 absolutely not.

12 The city had input into this. The city
13 had things that they wanted to see done so it's
14 been a partnership in that sense. We don't
15 believe that another hotel is necessary.

16 If it turns out to be, believe me,
17 somebody will build it. Monarch will build it,
18 somebody will build it. If there's a demand
19 somebody will build a hotel. That's not
20 difficult. We just don't believe based on our
21 experience it's needed in this market.

22 COMMISSION MEMBER: Just a minute ago
23 you said, "We bought into this project." That
24 was your comment I believe so you really set the
25 agenda and the city agreed with you, or did you

1 agree with the city? Help me out with that.

2 MR. ELLERS: Let me be very clear about
3 this. This is not this is our program and
4 somebody else took it. It's not their program
5 and somebody else took it. It's not the city's
6 program. This has been the result of a whole
7 bunch of work.

8 We have bought it and gotten ownership
9 of it. We didn't necessarily create it. There
10 have been innumerable discussions with the
11 Dunes/Monarch people. Some things in the
12 original plans did not look like this.

13 The original plans -- and I harken back
14 to a couple discussions I had with the people on
15 the staff who asked me the question rather
16 pointedly six months ago, are you guys talking to
17 each other, I mean, you got apples, and they got
18 oranges, are you sitting out of the same window.

19 And we sat down with Dunes, and we
20 thought about what is best for the city because
21 what's best for the city is best for the state,
22 and it's best for us, and we all made changes.
23 We all made changes, and then we all bought into
24 it.

25 MR. BARDEN: I think what's important

1 and what is not being said here, we submitted
2 volumes of application, not only us but the other
3 three developers who remain in the process. All
4 developed an application with commitments to the
5 city, economic commitments in accordance with the
6 statute, hotel or an economic equivalent, other
7 development.

8 That plan, that consolidation, that
9 unified type plan is merely a reflection of what
10 each of us has independently in our proposals
11 which we submitted to the state. So these are
12 independently generated, merged together to
13 create a unified plan.

14 That's why we have this presentation
15 today. We independent of them developed a
16 unified site plan endorsed, supported by,
17 consulted by and with the City of Gary.

18 Now, back to another question, Mr.
19 Chairman, I think you asked. The city has
20 adopted this as its master plan. From a
21 practical standpoint if you change that site
22 plan, especially as it relates to the harbor, you
23 have to start your process all over again.

24 If you change the engineering designs
25 and concept on your plan which is submitted to

1 the Army Corps of Engineers, and we submitted
2 that in June so whatever time that you -- you
3 would lose all of that time that you may have
4 changed from that site plan.

5 And the harbor work and the main
6 features of the structure I think are also
7 included onshore because they're all related, and
8 there are certain things that are required so I
9 think that's from a practical standpoint with
10 relation to that.

11 But to answer your question directly, we
12 have faith in our application, and I will get
13 back to the application. We have not veered one
14 bit from our application. All of what we
15 submitted, committed to, what we said we were
16 going to do, we've done that all along all the
17 way throughout this process.

18 In our application we said if we are not
19 chosen our work products will not be reimbursed.
20 We've always said this is what we're going to do,
21 and we're doing this half. We're committed to
22 that. Whoever is the other developer that's
23 selected we can still function.

24 And the understanding is it's more
25 practical and easier probably with the

1 corporation situation. It will be difficult to
2 function if it's someone other than the two
3 preferred because that's where the unified site
4 plan emanated from. However, in the final
5 analysis, yes, we can work with whoever is
6 selected.

7 MS. BOCHNOWSKI: Is the Army Corps of
8 Engineers currently working on approval of the
9 site?

10 MR. BARDEN: Yes, they are. They have
11 announced first public notice that the first 30
12 days expired this month I believe, and we're into
13 some historical gathering and information. We're
14 pretty much in the process. We expect some kind
15 of final decision in a couple of weeks.

16 MR. KLINEMAN: And exactly what is this
17 approval, approval of the harbor?

18 MR. BARDEN: It's approval of the
19 construction, the harbor, the work that has to be
20 done there to make sure it conforms with all of
21 the federal regulations.

22 It means that we will have a safe harbor
23 which means that the Army Corps of Engineers -- I
24 mean the Coast Guard will be able to say it's a
25 safe harbor and therefore complies with the

1 statutes. That's the first step in that
2 process.

3 I would like to make one other request,
4 Mr. Chairman, if I may respectfully do so. It
5 appears as though there may be some need for
6 difference, and since it's such a significant
7 component of the analysis based on the
8 information I am looking at now and based upon my
9 knowledge and my respect for the expertise of the
10 President financial people there is a material
11 difference in which there is a very healthy
12 positive cash flow each year, in fact, probably
13 far outstripping any others. Is there a
14 possibility that we can share or Mr. Thar can
15 share with us --

16 MR. KLINEMAN: We will ask that the
17 people who have done the work for us to recheck
18 those figures, and if there's still a problem
19 we'll have them get in touch with you directly,
20 and we'll tell you what material we have.

21 MR. BARDEN: Thank you very much.

22 MS. BOCHNOWSKI: I just have one other
23 small item. It seems that I read somewhere that
24 there will have to be an exit from the
25 expressway, a new exit for this particular site,

1 and who pays for that? Do you pay for that, or
2 does the state pay for that? Do you have a
3 commitment for that?

4 MR. ELLERS: Well, I think you're really
5 asking two things. There would not have to be
6 another exit. Would it be useful for there to be
7 another exit? Yes, and that is something we have
8 discussed with the Dunes people, with the city.

9 Frankly, we believe Chicago expressed an
10 interest in participating in that situation, but
11 it is really premature at this point until we
12 know whether there is going to be gaming, who the
13 people are going to be, and so on. But I think
14 that there's no question, and that was something
15 the developers agreed on.

16 MR. KLINEMAN: I have one other question
17 on the local investors. Is there an exit program
18 for local investors and, if so, on what basis?

19 MR. BARDEN: I'm not sure, but I'm sure
20 it's not going to be any better than mine.

21 COMMISSION MEMBER: Mr. Ellers, in the
22 other jurisdictions that President operates in
23 are there any plans to expand or improve those
24 operations, and, if so, what guarantees do we
25 have that revenues from the Indiana operations

1 won't be used to support those expansions or
2 improvements?

3 MR. ELLERS: Barden for one. In Iowa
4 we're pretty well built out at this point. We've
5 got about a \$60 million project there. We just
6 finished a service center. We don't anticipate
7 any material capital improvements. We will be
8 making some interior changes for the service
9 center but, again, not of a significant nature.

10 We are certainly at no such time as our
11 commitments to Indiana have been fulfilled that
12 the projections and the performance -- which is,
13 again, why we're having this confusion. The
14 money is getting poured back in here.

15 Now, at some point after we build that
16 we would anticipate upstreaming money to the
17 public company. That's fairly normal but not
18 until our commitments are fulfilled which is the
19 same as we do in Mississippi, the same as we do
20 in Iowa, the same as we do in Missouri.

21 MR. KLINEMAN: Do you have any other
22 applications pending in any other states?

23 MR. ELLERS: We have none at this time.
24 However, I should indicate in all fairness and
25 candor to the Commission that we have indicated

1 we may be filing an application for Carter Lake,
2 Iowa, which is the Council Bluffs area.

3 Again, we're the only boat there. It
4 would be a relatively small investment compared
5 to this. In addition to the boat you're probably
6 looking at somewhere around twenty to twenty-five
7 million dollars over a period of time, and that
8 would be project financed.

9 MR. KLINEMAN: Do you have a partner in
10 that operation?

11 MR. ELLERS: No. That would be ours.
12 We do not have a partner in that.

13 COMMISSION MEMBER: How many other boats
14 do you have partnerships or the same kind of
15 arrangement you have with Mr. Barden?

16 MR. ELLERS: We have a partner in
17 Davenport, Iowa, who is a five percent limited
18 partner. We have no partners in Mississippi, and
19 we have no partners in Missouri. We do have
20 other new jurisdiction situations where we do
21 have partners, but either they haven't legalized
22 or we have not filed an application or things of
23 that nature.

24 We have partnership agreements with
25 other people in other states in varying degrees.

1 Each deal is different depending on what people
2 prefer, but we do have partners but not -- the
3 only one is in Iowa. We do have a partner in
4 Iowa.

5 MR. KLINEMAN: Alert the staff we're
6 going to close in a few minutes so when we're
7 done if there's anything you wish to add -- Do
8 any of the other Commissioners have any other
9 questions? I don't want to shut this down. We
10 should take all the time we need even though
11 we're destroying our schedule.

12 Do people know we are, in fact, going to
13 have all the applicants come back one more time
14 after the Supreme Court rules, assuming that they
15 rule that we can go forward, and at that time I
16 would request that you be prepared to answer some
17 of the queries that were asked that you didn't
18 have today right at your fingertips, and we'll
19 also by that time, of course, have cleared up any
20 cash flow questions.

21 Any other questions? Mr. Thar, do you
22 and your staff have any questions?

23 MR. THAR: Mr. Ellers, both you and Mr.
24 Barden indicated that at first President
25 Riverboat Casinos has additional money available

1 for financing if necessary for your bond market;
2 is that correct?

3 MR. ELLERS: I think that was indicated
4 both in the presentation and also the letter that
5 I wrote to I believe it was Zachary that we had
6 available to us hard assets, boats, things that
7 we could mortgage that were available. We also
8 indicated at that time that we were going to be
9 consummating the bond issue transaction which
10 we've done.

11 MR. THAR: What I'm saying is that you
12 have made a statement here today that you have
13 assets available to commit beyond that; is that
14 right?

15 MR. ELLERS: That's correct.

16 MR. THAR: Beyond that which you've
17 already committed; is that right?

18 MR. ELLERS: That's correct. I think I
19 also --

20 MR. THAR: The representation's been
21 made by Mr. Barden that he has approximately \$100
22 million plus available. Our analysis of your LLC
23 agreement does not show the legal requirement
24 either by Mr. Barden or President Riverboat
25 Casinos to make additional capital investments.

1 What legal assurance can you give us that the
2 moneys represented today which are available for
3 investment would be made for investment?

4 MR. ELLERS: I think what you will have
5 from me is the assurance that President Riverboat
6 Casinos, Inc., which is the parent company, is
7 going to fund his subsidiary if it's necessary to
8 get this project done. As a technical matter,
9 the subsidiary has no money today.

10 MR. THAR: That is correct, but you're
11 only required to fund the subsidiary to the terms
12 of the LLC, and the LLC agreement, as we read it,
13 does not require -- you're not a committed member
14 to the extent that you are required to put in
15 anymore capital, either you or Mr. Barden, beyond
16 the commitments contained in that agreement.

17 You have represented today that you, on
18 behalf of President Riverboat Casinos, and Mr.
19 Barden, on behalf of himself, that you each are
20 willing to throw additional money in so my
21 question's very simple. What legal assurances do
22 you give us that that would occur if necessary
23 because right now there are no legal assurances
24 that would occur?

25 MR. ELLERS: Let me -- first of all, I'm

1 not familiar with the agreement in that kind of
2 specificity. What I'm saying is I understand the
3 agreement is that the subsidiary is committed to
4 the amount of money that is in this application.
5 If that's not the case that's easily remedied.
6 That is the understanding.

7 MR. THAR: Could you check that?

8 MR. ELLERS: I asked Mr. Hughes to do
9 that and respond. That's all I can say.

10 BARDEN/PRC REPRESENTATIVE: There is a
11 dollar amount certain that they have to fund.

12 MR. THAR: I understand that, but each
13 of you have indicated there is more money
14 available for it. That is not a legal
15 commitment.

16 BARDEN/PRC REPRESENTATIVE: I think I am
17 -- I can't speak for Mr. Ellers -- willing to
18 provide you with an instrument that would do
19 that. If it was accepted I would provide you
20 with a letter or an amendment stating an amount
21 certain. It's certainly not \$100 million but
22 within a reasonable amount.

23 MR. THAR: Well, other applicants have
24 indicated that they have legal responsibility for
25 capital cost necessary. Yours does not contain

1 that.

2 BARDEN/PRC REPRESENTATIVE: Okay. We
3 can easily cure that, and we'll put a capital
4 call on that from each of us.

5 MR. THAR: To what extent are the
6 establishments of the City of Gary guaranteed as
7 opposed to a performance basis?

8 BARDEN/PRC REPRESENTATIVE: I believe
9 that they are a performance basis, a percentage.
10 Other than the financial commitments we have
11 made, the \$10 million, that's not performance
12 based. All of this development is not
13 performance based, but the percentages that they
14 are receiving above and beyond, just as yours is
15 -- the percentage you receive is performance
16 based, this is not.

17 MR. THAR: I want to look at the numbers
18 to be sure to see if the numbers we used in our
19 analysis match what you have. Our analysis
20 indicates that you have approximately 20,000
21 square feet of gaming space on your boat; is that
22 correct?

23 MR. ELLERS: Pretty close.

24 MR. THAR: You also show approximately
25 1,250 gaming positions, 1,258.

1 MR. ELLERS: That sounds right.

2 MR. THAR: You show then approximately
3 16 square feet per gaming position. Would that
4 be about right?

5 MR. ELLERS: Yeah, if that's what the
6 math is, that's correct.

7 MR. THAR: Well, that's ballpark
8 figures, right?

9 MR. ELLERS: Yeah. Well, your first
10 numbers are correct so if your math is right it's
11 got to be right.

12 MR. THAR: Ballpark figure is 16 square
13 feet per gaming position. How does that relate,
14 the amount of square feet per gaming position,
15 with President Riverboats' other operations?

16 MR. ELLERS: I think that's the same
17 question, Mr. Thar, that was asked before, or I
18 thought we did in Gary. Executive Director Thar,
19 I believe that's comparable. I don't have the
20 precise square footage. If anything it may be a
21 little more intense than our other operations.
22 However, I'm thinking quickly through our boat in
23 Biloxi where we have 20,500 square feet, and we
24 have approximately the same number of gaming
25 spaces in that square footage.

1 MR. THAR: Let's hold that thought. You
2 project an average win of \$75.92 over five years
3 starting at approximately \$72.24 in the first
4 year and ending with \$75.92 in the fifth year.
5 Does that coincide with the numbers that you have
6 in front of you?

7 MR. ELLERS: In gaming wins per
8 passenger?

9 MR. THAR: Yes.

10 MR. ELLERS: That's it if my
11 recollection is correct.

12 MR. THAR: Are those numbers attainable
13 at the locations you presently have operating
14 with the same density of people? Our analysis
15 would show those numbers are extremely high
16 compared to President Riverboat's past experience
17 in win per passenger.

18 BARDEN/PRC REPRESENTATIVE: First of
19 all, this is a problem we start with numbers.
20 I'm sitting here trying to figure out -- I'm not
21 even sure if that's the right numbers. I'm just
22 not sure.

23 MR. THAR: Can you check?

24 BARDEN/PRC REPRESENTATIVE: Yeah, I
25 can. I don't know if I can do it standing here

1 though.

2 MR. THAR: If we can't get a result
3 today we'd like a result soon.

4 BARDEN/PRC REPRESENTATIVE: Yeah, we're
5 happy to do it. Let me explain to you that each
6 market is different in our view.

7 MR. THAR: I understand that, but one of
8 the problems we're perceiving, and I haven't
9 heard an answer yet, and we want to get it
10 straight, you're proposing 20,000 square feet of
11 gaming space. That's a static. That's not going
12 to change. Like you said, we can't move the wall
13 out and make it bigger.

14 So there's going to be so much room per
15 passenger or gaming position on that boat, a
16 projected certain amount of numbers based upon
17 the amount of wins per person, the amount of
18 passenger traffic you anticipate getting.

19 We recognize there's no crystal ball,
20 but what we want to check is whether or not the
21 numbers you've projected, what type of reality do
22 they hold based upon, as we've listened to, your
23 experience with three different riverboat
24 markets.

25 Our analysis would indicate that your

1 numbers are projecting higher than the
2 experiences that you are presently involved in in
3 Iowa, Missouri, and Mississippi. Now, let's take
4 Missouri out of the picture.

5 MR. ELLERS: We would agree with that.
6 I don't think there's any issue with that. I
7 think it's not any different. On the other hand,
8 if you look at Biloxi during the first year we
9 were open that number is light. The number you
10 have in these projections is light.

11 MR. THAR: What's the average winnings
12 you have in Biloxi per passenger?

13 MR. ELLERS: Again, it varies, Mr. Thar,
14 because --

15 MR. THAR: Give us a ballpark figure.

16 MR. ELLERS: Well, I have to -- which 12
17 months? First 12 months we were rolling we did
18 \$150 million in revenue. Today it's down to
19 forty or fifty million dollars. It's a different
20 market is what I'm saying.

21 MR. THAR: Is that market showing \$75
22 plus wins per passenger?

23 MR. ELLERS: We compared it to the
24 Chicago market which we used --

25 MR. THAR: The Illinois boats are 52.

1 MR. ELLERS: I don't believe that. I
2 just don't believe those are the right facts.

3 MR. THAR: Well, what's the emphasis
4 numbers?

5 MR. ELLERS: I don't have all of this in
6 front of me. I would be very happy if you want
7 to give me a half hour to look at the numbers --

8 MR. THAR: If you could just submit it
9 in writing before the next meeting.

10 MR. ELLERS: I would be happy to do
11 that. All I'm suggesting is that there are a lot
12 of numbers being thrown around. When I hear
13 winnings per square foot it is a meaningless
14 number. It doesn't mean anything. Win per
15 gaming position is a meaningful number.

16 Win per capita's a meaningful number,
17 and everybody's got different ways of calculating
18 this. I'm hearing we have a negative cash flow.
19 If we have a negative cash flow I shouldn't be
20 standing here. I should be home.

21 MR. THAR: I'm not trying to be
22 argumentative with you. I'm just trying to be
23 quick with you because we're running relatively --

24 MR. ELLERS: I understand.

25 MR. THAR: Win per passenger and the

1 amount of win per gaming position is, in fact, an
2 important number, and the numbers that we have
3 seen from your analysis seem to be a little bit
4 more aggressive than your experience in other
5 markets as well as the average of other markets.

6 MR. ELLERS: I'm going to let the
7 numbers be submitted in writing.

8 MR. THAR: Thank you.

9 BARDEN/PRC REPRESENTATIVE: Mr. Thar,
10 this may be helpful. In a recent realization of
11 numbers in Joliet, the two boats there and in
12 Aurora I believe, the Joliet (Inaudible) wins per
13 passenger was \$80. In the instance of
14 (Inaudible) it's \$64.

15 We have also seen with the advent of
16 gaming in Lake Charles in Shreveport that those
17 properties are generating per cap wins of seventy
18 and eighty dollars. I don't know what it is
19 exactly. So it depends on the market situation
20 and the competitive situation.

21 MR. THAR: I understand it depends upon
22 the market, and I understand that this isn't a
23 crystal ball projection, but if I take what the
24 numbers are projected here -- (End of tape)

25 BARDEN/PRC REPRESENTATIVE: We believe

1 that carrying the trend of the riverboats close
2 to the Chicago market that they are generating,
3 and have to continue to generate, higher wins
4 than in other markets when we look at the
5 northern Indiana tier which we see as possibly
6 the largest, as great as seven hundred million to
7 one billion dollars.

8 COMMISSION MEMBER: Okay. But would you
9 also agree that it seems to be warranting new
10 space for patrons or more gaming space per gaming
11 position?

12 BARDEN/PRC REPRESENTATIVE: I don't
13 generally get involved with positions. My
14 responsibility is marketing in people, not the
15 static position of the boat, and my view of the
16 situation is that the northern Indiana market has
17 the capability of seven hundred million to one
18 billion dollars.

19 The fluctuation there of 20 million
20 visitors into that market is going to be based on
21 a per capita of \$35 to as high as 50 to \$55.
22 That is why we are addressing that scenario with
23 regard to the Gary market.

24 MR. THAR: Let me go back to my question
25 and state it another way. Would the current

1 trend in the riverboat casino operations be that
2 I as a patron want to come to a place that is
3 roomier or more crowded?

4 BARDEN/PRC REPRESENTATIVE: I have not
5 seen that as an (Inaudible). I have seen boats
6 in New Orleans. I have seen other boats that
7 people seem very, very happy in their environment
8 when it's very crowded, and I've seen other
9 situations where people do not want to be on a
10 boat which is void of people. People want to be
11 where there's fun and excitement. That is as
12 important, and more important, than access to a
13 lot of stuff.

14 BARDEN/PRC REPRESENTATIVE: I think
15 generally your observation is accurate, and we've
16 seen this as the riverboat gaming industry has
17 evolved from cruising vessels to 100 percent
18 dockside vessels in Mississippi, as facilities
19 are built not on Coast Guard certified cruising
20 vessels but on barges which for all intents and
21 purposes can be equivalent to land-based
22 facilities, and those barges have greater square
23 footage per gaming unit than do cruising
24 vessels.

25 MR. THAR: So it would be approximately

1 16 square feet per gaming position that your boat
2 allows at this time?

3 BARDEN/PRC REPRESENTATIVE: Dockside
4 facilities provide more square footage per gaming
5 position than do cruising vessels, that's correct.

6 MR. THAR: How married is Barden/PRC to
7 the particular vessel that they have now? My
8 question is: If it proves to be too small will
9 you move to another boat?

10 MR. ELLERS: Absolutely. If it proves
11 to be too small we absolutely will. We want to
12 maximize the dollars that we can. We believe
13 this boat is a comfortable, safe, and user
14 friendly boat based on the existing configuration
15 and the existing number of equipment, but if it
16 turns out that we need more space absolutely
17 we'll do that.

18 MR. THAR: One or two more questions.
19 Our amounts would indicate that total operating
20 expenses over a five year average is projected to
21 be 69.8 percent of the boat revenue. You show
22 that your consolidated operations for the period
23 ending February of '93 to be 74.48 percent.
24 Suppose you run a more efficient operation in
25 Gary. Can you tell us how you would get there?

1 MR. ELLERS: I'm sorry, sir, your
2 question was --

3 MR. THAR: Your operating expenses as a
4 percentage against total revenues, our
5 projections show that Gary is based on the
6 assumption of 69.8 percent whereas your other
7 operation shows 74.48 percent. That's about a
8 five percent savings.

9 MR. ELLERS: Yeah. It's actually
10 distorted a little bit by Iowa and Lennox. As
11 revenue goes up your operating expenses as a
12 percentage should go up. That's the nature of
13 business.

14 MR. THAR: (Inaudible) was a plus for
15 your operation up there, but the point is that
16 you are showing a much leaner operation for the
17 Gary operation than what President seems to be
18 experiencing overall, their operations overall.

19 MR. ELLERS: Again, I don't want to
20 quibble with numbers because I don't have them in
21 front of me, but what you're saying is Iowa's not
22 in there?

23 MR. THAR: Iowa's moot.

24 MR. ELLERS: But are you looking at the
25 lower limits or the higher limits?

1 MR. THAR: It's fiscal year ending
2 February of 1993 so the higher Iowa limits are
3 not in there.

4 MR. ELLERS: So it would be distorted by
5 Iowa because of the lower revenues in Iowa. It
6 would be totally distorted. I think if you
7 looked at Iowa over the last two or three months
8 beyond the limit it might even be a little better
9 because your expenses are fixed and your revenues
10 go up.

11 MR. THAR: What happens? (Inaudible)
12 say there's any need for cash during the first
13 year of operations. Would that be a major cost?

14 MR. ELLERS: I don't believe so, but I'd
15 like to reserve the right to take a look again at
16 the numbers. I think I'm suffering from sugar
17 deficiency by now. I'll be happy to respond to
18 that.

19 MR. THAR: I have no more questions.

20 MR. KLINEMAN: Anyone else have anything
21 further? Well, we thank you for your presentation,
22 and with that we will adjourn for the lunch break.

23 (Following the noon recess the
24 presentation by Dunes Marina Resort & Casino,
25 Inc., was made which was not transcribed.)

DUNES MARINA PRESENTATION

AUGUST 31, 1994

Transcript prepared by Indiana Gaming Commission Staff

Mr. Klineman: Come back to order.

Mr. Jack Thar: Will all the commissioners open up their Dunes Marina Resort and Casino, Inc.

Mr. Klineman: We have one small correction. We were talking that some of the records that we were looking at showed a cash-flow deficit for Barden, and we've re-checked that and that's not correct, so with that, we'd like to correct the record that there is in fact, there is a cash flow. As you said, you wouldn't be here if there was a cash-flow deficit.

Mr. Ellers: I believe.

Mr. Klineman: And we believe that. And with that we will be ready to start the presentation of the Dunes group, so come forward and introduce yourself and we will go from there.

Mr. Douglas Brown: Thank you Mr. Chairman and members of the commission, as well as the staff. My name is Doug Brown, and I'm a partner with the Indianapolis law firm of Stewart and Irwin. It is our honor and privilege to serve as Indiana counsel to Monarch Casino & Resorts, Inc., a public company headquartered in Reno, Nevada, which operates the Clarion Hotel & Casino, the premier resort in Reno, Nevada. It's Monarch's privilege to be here today. We appreciate the opportunity. It's a particular honor to be one of the first applicants to make a presentation to this body today.

Monarch formed, in order to do this project, Dunes Marina

Resort & Casino, Inc., which is your applicant here today. We refer to ourselves generically as Monarch. Monarch is owned 74% by the Farahi family, three members of which are here with us today, John, Bob, and Ben, on my left. The remainder of the stock is held by the public; it's a public company; it went public in the fall of last year. The Dunes applicant, that I've referred to, is owned 68% by Monarch, 17% by Peter Wilday, who will be participating in this presentation today, and 15% by Lake County Investors, LLC, which is an Indiana Limited Liability Company, formed for purposes of holding a 15% interest in Dunes. The 15% interest in Dunes that is held by Lake County Investors, LLC, is effectively held by Indiana people. Ten percent of Dunes is held in that limited liability company by Indiana investors, principally from Lake County. The other 5% is held by the Gary Renaissance Foundation, which is a foundation owned by Monarch, the purpose of which is to provide economic and employment development initiatives in Lake County. So from this point forward and forevermore, if we are licensed, 5% of the net income of this venture, the shareholders' distributions, will be utilized by this foundation for those charitable purposes.

We are, too, mindful of the extraordinary responsibility that this body has in the next few days to determine what is really the two most appropriate licensees to be licensed here in Gary. We are absolutely confident that by the end of these proceedings, Friday, at approximately noon apparently, this Commission will determine then if Monarch is the appropriate

licensee. We believe that the Commission will determine that the trust that the Commission will be placing in Monarch on behalf of the people of the State of Indiana will be well-deserved, indeed.

Time is very short and with that I would like to introduce to you the person who has designed the project and principally responsible for Monarch's design of the project, Peter Wilday, who is one of the foremost casino and resort architects and designers in the world. He's been very instrumental in the project. Peter Wilday.

Mr. Peter Wilday: Thank you. I'd like to start my presentation which, is broken up into several issues. I want to first go back to Buffington Harbor, where we started. I mean -- not Buffington -- actually we did start at Buffington. Then we went to USX, then we came back to Buffington. I would like to talk about the city hall annex and our improvements to the city relative that. After we talk about that a little bit, I want to show you a fifteen-minute video that tells you who we are; we're from northern Indiana, we are from northern Indiana (inaudible) and northern Nevada, and I'd like to present that tape for you and then I'll proceed into the presentation of all this material that you see here and pick up where Don and Ed left off and see if we can't bring you from a standard space shot as a starting point and then we want to come in gradually through the transportation system into the site closer and closer and end up inside the facility itself, so you can get a complete understanding of the what we are proposing here.

I'd like to -- before I go back to the USX site -- I'd like to talk just for a second about the General Assembly. The first thing they did was to grant the 1993 approval of riverboat gaming and it says "to benefit the people of Indiana by promoting tourism in order to assist that kind of development" and the key in that to us is "tourism." That's what really rang our bell. We're from Northern Nevada where tourism is king. Seventy percent of the jobs in Northern Nevada are tourism-related. So, we've lived our lives, our adult lives, in that community doing tourism projects. So, what I'd like to start to on is to show you the resort hotel that we had proposed to do initially at USX site, and then as we included an indoor game park, I think we captured the city's imagination and our other preferred developer as we decided that this was the route we had to take. It was a tourism-based project and we felt that was important for this market. I'll start off with (this mike, is this working?) -- Is it working?

Others: Yes.

Mr. Wilday: Okay. When you hand off, they have to do that. This is sort of a reminder -- this is where we were when we started at the USX site and our vision, our dream which was Earlene Rogers' dream, Senator Rogers and the mayor, was that we could create a destination resort. So our vision was to build a destination resort. We took the marina that they had planned for years for Gary and wrapped it with an 800-room hotel, 300 of which would be in the initial portion, the balance of the 500

rooms to come later. We were going to build a marina and then build the attraction down in this area, park the cars in the back and get people shuttled into this site directly with valet drop off in here. We actually had a unique feature -- as the boats came in, they would actually pull into and become part of this indoor theme park, we called it. This is the type of attraction that we think is important for this marketplace.

When we -- as we progressed with that, we, as you notice, this is our Buffington Harbor plan that we submitted at that time and as you notice we had this parking here in the attraction down here, and it was the same kind of thing, but it was a temporary solution to that. As we've proceeded along, we've determined as Don and Ed told you earlier, we've discovered that there were environmental issues in here that would be a timing problem. It's a great site. We loved it, but there were some timing issues that would preclude getting in there, quickly. So at the time that we decided to go to Buffington permanently, our commitment to the city, our promise, was that we would bring this to the marketplace. So we picked it up and we went down to Buffington Harbor. We re-shuffled the deck and we said, how can we bring this product into this little, tiny site that Ed alluded to earlier. So that was the challenge architecturally for us.

The other commitment (I say that as background for what we actually ended up proposing to do here) -- our other plan (if you could grab this for me) our other commitment to the city was that we felt that it was very important to acknowledge the fact that

this new industry for Northern Indiana doesn't have the support facilities in place to operate. This is Gary's City Hall, we said. Look at this old Sheraton. We really need to renovate that, make this into an office administrative area connected with a breezeway to City Hall, so that it would become the City Hall Annex. We could put a fountain out here, some landscaping, the cars could come and go. We could put flags and have a grand entry and use the breezeway bridge between these two (which is enclosed) for all the new projects, for the models, the renderings, not just of this project, but of all the projects that will occur in Gary and the message to the people of Gary with this new, clean front here is, this is where you come to get jobs. You come in, you look at the projects, you go through the job applications, the job screenings, the job training and all these other offices that would be located in the Sheraton to support the city with this new industry.

In addition to that, we discovered along our development process that there were about 20,000 sq. ft. of office space currently leased by the city all over town. We said, wouldn't it be wonderful to bring all these people home. Not only wouldn't they have to pay rent, which would help the city, but it would make it more convenient to get everybody in one place. That was our vision for the City Hall Annex. We have since developed plans for that and, as you can see -- you can actually see the rendering probably better -- but this is the portgeshirre, this is the bridge connector between the existing city hall and the

annex. We were going to renovate the parking structure, make it clean and safe, and come off the back side and have people go to work, and we were going to provide a child-care center for employees in the facility.

Our plans include, at the ground level -- this is actually showing the display areas and the information center right at the center of this area. If you go over into the annex, there is a lobby in this area; we re-instated the coffee shop, put meeting rooms, support kitchens, and offices in this area. In addition to that, we went up to the second floor, produce the child-care center, which is shown here in green -- some offices. This is an existing mechanical space and parking structure, so once you get above this level, you go to this floor plan and it goes all the way up the building. So we did this as unassigned office spaces, put new elevators, completely facelifted the building, giving it a nice, clean, modern look, and we created a safe, friendly environment to work in with the ten million dollar commitment that we talked about earlier.

This is a list of all the job skills, training and acquisition-training center. I think it's worth maybe even going through for a second. The offices required for this new project -- the accounting offices, group sales, things like that, that would complement what we are doing. That gives you kind of a background for our vision at the time that we started at the USX site. That's where we were. Of course, we developed these plans since then. What I would like to do now is to quickly show you

the video. I'm gonna pull this off and set it right in front here. So if we could have the lights and the video. This will tell you who we are and what our perception of this whole industry is. Could we get the foot lights out as well? [The video -- a copy of which is included]

Mr. Wilday: Could we have the lights back on. I think that as you can see from some of the interior shots in the Clarion (and I'll get to this in a minute) but what we tried to depict here with this rendering particularly -- and I have it here in the middle for a reason.

This is our indoor theme park, so to speak; it's a family entertainment venue and as I go through the presentation, I'm going to end up here, but I want to remind you of what you saw on that tape, the interior of the Clarion is just like this. It has all the attractions -- every restaurant, every attraction, bowling center, everything we're proposing to do in here we've already done. We've tried it, we've worked on it over the years. We know how they perform. We've worked out the bugs, so as we come back to this, I want to point that out.

This is just like the interior of the Clarion -- it's actually a little grander. But there are no gaming devices in here. This is generally an entertainment center. Gaming happens to be on the boats. They come and go. It's a adult section, but we feel that this has to be a resort in the true keeping of the General Assembly's mission statement, so to speak, for this project was to create tourism. We're looking at a tourism-based

project.

I'd like to start with our -- could we have the slide projector on too? I'd like to start -- and as an architect, we always approach projects like this -- Frank Lloyd Wright once said, you know, when you think you've backed up as far as you can get, back up a little more and keep looking at it because things will come into focus that you haven't noticed before. So as we moved back and studied this site and worked with the Barden-President's team over the past year, we evolved to drawings like this where you got up real high and what became very apparent to us is that East Chicago -- this is East Chicago, this is Gary; the line runs right up what is Kline Avenue, and so everything from here over is in East Chicago. But since East Chicago is one of the candidates for a gaming license and the fact that we are sharing this little unnamed bay that we feel that should be called Emerald Bay, we gain a perspective in the market that, if we call this Emerald Bay, and if all three boats, both sides, the East Chicago and Gary, identify this, the critical mass of having three destination-type resorts in this market will give us the critical mass in the market place to be more effective in competing with whatever might come in the future, so from a -- I think that was one of the big issues with us.

Then we said, okay, we have a certain site and Ed talked about how the effectiveness of the portion along the lake was compared to the other side of the railroad tracks. But we went back further and we said, well, how are people going to get

there? Most of them are going to come by car or by bus and when Ed talked about 75 buses in the morning, that's 75 buses for one boat. Then the other boat's an hour and a half behind that, there's another 75 or 100 buses, so buses are a big issue. So, as we approach our designs on this, we went back to 80-94 and 90, and we tried to visualize what the billboards would say. As we drive around Indiana, all we see is Empress billboards everywhere we look. We were saying, well, how can we make it real simple for people to get to Emerald Bay? And we said, if we could take Kline Avenue north to Emerald Bay, that would be a great message to have up on billboards. So no matter which direction you're coming on, 90 or 80-94, we would end up on Kline Avenue North. This happens to be the Indiana Toll Road 90, here. This is the exit 10, at Kline Avenue. You'd come around and you would be approaching the site on Kline Avenue North. That's your instructions to Emerald Bay. So right here is a big sign that's visible from 90. It's also visible, if you're over in East Chicago looking in this direction. So this is a big monument sign that identifies where this is.

But the biggest sign, of course, will be the high-rise tower that's back-lit, and if you can see this picture, Chicago's in the background. It's really not very far away. Here's Emerald Bay; our high-rise hotel would be here. Well, if we can see Chicago that well, they can see us. So, if we light up this facility, and this is a nighttime rendering, it illustrates as you approach this you see at the back of our high-rise hotel we

have high-energy laser lights on top of the light-house structures that will shine up into the air and be visible from Chicago as a landmark. So, it will be very clear where this destination resort is.

But since most people are coming via car when you get to this point, there's no completion of this interchange. So we said, if we can't get the cars in here, we are going to have a real problem in the perception of this easy-to-get-to destination resort. So we are proposing, and we have consultants here with us who will talk about this later, a flyway off-ramp that goes over this on-ramp, drops down into the site to create a one-way network for the cars. We are estimating 24,000 people a day visiting this destination resort -- that's 12,000, excuse me -- actually 24,000 people, 12,000 cars at two people per car, so we felt that a one-way system would certainly make things simpler. If you got a free ride, you could come in here and the opportunity exists at this point -- there's a beautiful lake there -- it's a little overgrown around in here. If that got cleaned up and we landscaped this, this could be a beautiful park and a beautiful approach to view this facility, as you approach across it. So we have a very park-like setting that you can open up and make the water a part of. And if you come through this, it's beautiful right now.

At this point you dip down and go under the railroad tracks through the existing tunnels. There's a pedestrian walkway on one side and two traffic lanes through the middle. Then, if we

create a one-way loop through the site, when you leave, instead of competing in those two little -- with 12,000 cars trying to get passed each other -- the one-way loop that comes back around, we could put a new tunnel at this point and an exit lane that goes out on this side and as you can see there's no problem with the traffic, it all flows very well. You can go up the freeway here or get around and come up onto the freeway here and get back into the system. So the buses and the cars would approach the site from that aspect.

In our macro -- standing way back -- in our macro vision of this, we said, well how else could we get people here? The Gary airport is there, and if we ran a shuttle system -- that's big enough to land DC-9's in there, some big aircraft, so we investigated that. We thought that we'd have a shuttle to come here and pick up people on charter flights and it's really not very far to the sites. It happens to be right next to us. The next thing we noticed was that the major commuter line for the south Chicago area, all the way down here to South Bend [tape changed] and have our shuttle buses meet those trains, the 12,000 riders a day that are using that system would have an opportunity to easily access Emerald Bay resort without having to get in their cars. As we all know, some people will come, they'll stay late, they'll have a few beers and then they'll get back on the highway. So the option is to be able to provide a rail connection and promote it through the South Shore line -- it became very attractive to us. We also felt that it would be even

more fun to have a rail-to-rail connection instead of a shuttle bus. If we could bring in a diesel car, meet the train and if you get off the one train, if you want to take the fun train out to Emerald Bay, you'd have a rail-to-rail connection. And we don't have to contend with the railroad crossings and the traffic signal, which is really a long way down at the end of the runway, there.

And be able to whisk people out, so we've investigated a railroad right-a-way -- it's depicted here in yellow -- that could access the site. That's something we know will take some time to do. We have spent quite a bit of time trying to develop that, but we know that when this resort opens, we can immediately start to promote the rail business in connection with the South Shore line and meet it with a shuttle bus, with our shuttle bus system.

So we've accessed it with cars, buses and trains. There's a possibility that folks could come down from Chicago into this transit marina that Barden-President's group is doing and access the facility that way -- which wouldn't get very many people that way, but I think the major how-you-get-there we've really thought about, and we have some good solutions, and we think they're very, very critical to the long-range success of the project, and would start immediately to do the work on that. This off-ramp we think is key and we have some consultants here who want to talk about that in more detail.

This area -- this map that I have right here is a blow-up of

this little section of the -- as Ed was referring to is -- this is actually the key part of the site. But I have renderings up there if you forgotten what this site looks like. But this is the E.J.A. Railroad here. It's a very, very heavy industrial corridor, and we feel that it's a dangerous liability for us to try to have people trying to walk across there, so we want to eliminate the potential for that by building walls down the sides of the landscape ditch that's 300 feet wide. We'd like to make it go away. The way we do that is we take the facilities on this side, and we collect the people from the buses and from the parking -- there's surface parking -- we bring them up escalators at this point and across a pedestrian moving sidewalk like they have at the airports, go that distance to arrive at this destination resort. In addition to that, we build a bridge across the railroad tracks, which would also bring them into valet parking; buses would turn and drop off the patrons in here. The buses have -- they get off the bus really quick -- they come into the attraction, they can't wait. The bus can then leave, go back over and go to our bus parking area on the other side.

When they're finished, it can take 45 minutes to an hour to get all these people back on the bus, so rather than clog up this valuable property with buses, we felt the departure should be directed across the bridge and collected here and that system would work a lot better. The 1500 car parking structure that we talked about is located over here behind the attraction, so that

this can become an extension of this entry park -- it comes all the way through -- and we have this visual access to the boats and to the lake.

The high-rise hotel is sitting right in this area -- that you see pictured in that other rendering. The model actually depicts a lot of this better. It shows the bridge coming across the pedestrian walkway. This rendering which is the same view that you will see from East Chicago and is also the view that we set the model up for you so the viewer at the East Chicago site looking down towards this attraction -- you would see it right here in this position.

The units that we are showing over on the beach are part of the promise that we made originally out at the USX site. We felt that the market could support 800 rooms. So what we have done is -- is we've incorporated over 300 rooms initially in the high rise with a dome theater which is Iwerks, 50-lane bowling center, the six restaurants, and all the family entertainment value centers that we have in this facility are here in the first stage -- and the boat connections. The 500 units on the beach -- our proposal would be to start initially with this beach nourishment permit with the Corps of Army Engineers that may take a while to obtain and concentrate on getting this done. We feel that within two years from licensing, we will have spent our \$109,000,000 and it will all be right here. Then, our plan is to continue because we feel there's some demand for additional rooms and do the extension of the Clarion Hotel rooms on the two beach units that

extend down the beach, particularly in this rendering.

I want to talk just a second about our boat before I go back inside. The rendering of the boat shows that -- we actually have the marine architects and the ship builders and everybody else are here. It's a very large capacity vessel and will be a passenger vessel when it's completed. Thirty-five thousand square feet, and we envision that -- pictured on the upper right-hand corner of that drawing in the harbor -- it will sit -- if you look at this section, you will come across the bridge and you drop down into the family attraction at this point, come across the railroad corridor here, you drop down the escalators, and you're in this family entertainment center attraction.

You board the boats on two levels, the top or the bottom. The patrons will come in for our vessel on the bottom level or the top deck. The vessel itself -- if I can find it -- that's coming right down to this last atrium with our two-story entertainment center on the right there. This is a picture inside the facility with the ship being right here. This is all glass. We want to keep that promise of bringing the ships in the presence of light into this family entertainment center, this attraction. We would like both of these boats -- the other boat would be here -- our boats here would uplift like these; we would have dancing water fountains out in the water itself at night and highlight that as some of the attractions -- these two boats are attractions -- but they're not the only attractions. We have a 50-lane bowling center; we have an Iwerks dome here, up

here; we have six restaurants and other things. You get the character and feel of it. Lots of things for kids to do. When you board our vessel, you'll come in at the dock this way. This is the bottom of three levels. As you can see, it's divided into three areas. We have table games proposed along the outsides, with slots in the middle. There's a focal center and attraction in every one of these three compartments. Back here is a stage for entertainment -- we have two stages on this vessel: one on the bottom deck and one on the top deck. We have a little food area here, a cashier's cage. We have restaurants on every floor and another bar up here. They're all themed and have an excitement level, as you go from area to area, it will continue to change, so that it doesn't all look the same. This bar is back here at the cashier's cage, the pit. Another bar up in the front. And our top deck, which is really the nicest area, our high limits area, has a promenade deck all the way around the outside so you can go out and enjoy the scenery as we're cruising along down the Indiana Dunes and Marquette Park, weather permitting.

Again, I want to go back to this because this is so important -- we feel so strongly about this. This is what we've been so successful with in Northern Nevada. This creating this attraction inside that this rendering depicts.

Then the issue -- once we came up with this dream -- and we felt that this is the right product, we had to decide how can we

assemble a team of experts that will be able to make this dream a reality, to deliver that tourism product. So we went out and searched out the very best companies in America, each with their specific--we either worked with them before on other projects or felt real comfortable --we put together a team, and we've assembled them here today, and they're each going to say a few things to you and let you know who they are and what their role in this team effort will be. And so, I'll turn it over to them a little bit and let them do it.

Ken Bailey: Thank you, Peter. My name is Ken Bailey and I'm president of Brown Building Company, and I'd like to thank you also for this opportunity to present to you today. We are really pleased to be a part of this Monarch team and we share and I believe that this is the finest assembly of expertise that you could find for the delivery of this product. Our role will be to manage the construction, to insure on time, in budget and high quality construction. While doing that, we will be a climate that will create a absolute maximum opportunity to local contractors, suppliers, tradesmen and minorities and will truly become a part of the community and make the community a part of the project.

Brown and Root is a 75-year-old company. We are consistently in the top ten around the United States in engineering and construction. We do over a three a half billion dollars annually. We have 40,000 employees around the world. We were selected by the U.S. government for such projects as the re-

building of Kuwait and the support of our troops when we went to Somalia. We have the resources and the knowledge to make this project happen and happen by March of next year. With Monarch's selection we can immediately go to work, working with local contractors, local businesses, building trades, and minority organizations, to get the involvement that I just talked about and make certain that this is a local project.

We just completed a project of similar scope to this in Plymouth, Massachusetts. Throughout the course of that project, we achieved a 95% Massachusetts participation and 65% Plymouth County participation on construction of the project. And we can do better than that here because you have a better pool of craftsman and contractors. We'll work closely with the city and its consultant, Flur Daniel. We were recently a teammate with Flur Daniel where we put \$160,000,000 worth of jail beds in place, design and construction, in six months. We did that in [inaudible] with the city's consultant, we can work with them and be very effective. We have the right attitude, the right dedication, and in closing, in the interests of time, I want to say that if Monarch is selected, you have my commitment to bring whatever resources and to do whatever it takes to make this project a success from our point of view. Thank you.

Mr. Patrick Long: Good afternoon. My name is Patrick Long. I'm with MSE Corporation. We're an Indianapolis-based engineering firm, one of the largest in the state with 180 employees working out of Indianapolis. Our experience in

projects like this include projects like the Hoosier Dome, the Circle Center Mall, Deer Creek facility in Indianapolis, high-volume generators. We've been asked to look at the off-ramp that Peter was talking about earlier. It is critical to this project. Our feasibility study shows--and there's some information included in your book, that this is the--that the ramp will cost about five and a half million dollars and that it can be done in about eighteen months. This will give the proper kind of access to a project that has tremendous vision and it is the kind of project that the City of Gary and the State of Indiana can be really proud of.

We've also studied the local traffic situation. This ramp will not only enhance the local or the traffic to this new facility at Emerald Bay, but it will also enhance the traffic in the surrounding neighborhoods. So once again we affirm that this is a necessary element to the project, we are honored and privileged to be part of this team, and we look forward to working on it.

Mr. David McMillen: My name is David McMillen and I'm with John J. McMillen and Associates, naval architecture marine engineers, with a corporate headquarters in New York, the largest design firm in the United States with currently over 860 employees in offices throughout the country.

In January of this year, we were pleased to be made part of the Monarch team to develop the design for the modification of the former Washington State Authority, the motor vessel, Chinook.

We are modifying it into a large gaming vessel with the appearance of a modern passenger ship, as you can see from that rendering there. This ship was designed to operate in open waters on Lake Michigan. One thing I would like to call to everybody's attention on the panel is that the U.S. Coast Guard certifies vessels for lakes within basically two operating categories: 1) to operate in shallow [inaudible] areas and the other, to operate on open water. The Coast Guard currently considers the Buffington Harbor area, that is not a sheltered facility. It's considered to be open waters. Therefore, we designed the vessel -- Monarch [inaudible] has designed the vessel to be able to operate upon Lake Michigan, within a three-mile limit. The basic rule is that if the vessel is designed to operate in sheltered waters, it cannot operate in open waters. We selected our Great Lakes design division [inaudible] to accomplish the work because of their prior [inaudible] experience in gaming boat design and the knowledge of Great Lakes operations in [inaudible] Sturgeon Bay, Wisconsin. [Inaudible] met that challenge.

When projects the magnitude of this particular project related to the marine operation, approximately half the time is spent not only in the design of the vessel, but the necessary planning. Monarch did it right. They started the design effort early in January. It took us approximately four or five months to complete it. It is done. It has ABS (American Bureau of Shipping) and U.S. Coast Guard certification for its use. The

[inaudible] design has been turned over to Monarch, and with the selection of vendor, it can get under way in ample time to make the required delivery. We believe this ship will be a centerpiece for the Emerald project.

Mr. Tom Bender: Tom Bender, President and CEO of Bender Shipbuilding. We've been in the shipbuilding business for 75 years. We employ approximately 1,000 people. We have -- we were the leading builders of casino riverboats in the country, having delivered and constructed fifteen vessels in the last three years. Customers who are in a hurry come to us for delivery. We opened the first casino vessel in New Orleans, in the State of Louisiana, the first vessel in Illinois, and the first vessel in Northern Mississippi. We have a contract with Monarch to build a 238 ft. U.S. Coast Guard certified vessel suitable for operation in Lake Michigan and deliver to Gary in March of '95. The reason this is possible is -- this six months delivery is possible is -- because of what Monarch has already done. They've purchased a vessel and delivered it to our yard in May. The engineering is complete. The work has been ongoing since May. And this is the reason it can be done, and will be done. As mentioned earlier, they want delivery in March of '95, and that's what we intend to do. Thank you.

Mr. Jeff Partosic: Good afternoon. I'm Jeff Partosic. I'm Vice-President of Hadley-March consultants and we are a marine engineer firm located in Benton Harbor, Michigan, and Mishawaka, Indiana. And we certainly hope that the necessary permits for

construction of the breakwater can be completed by April 1, 1995. With our experience of being involved with -- familiar with over 200 projects over the past fifteen years in the Great Lakes, we don't think that's likely: 1) because it's been our experience with projects of this magnitude that permitting process usually takes about twelve months; 2) to be completed by April 1, '95, construction will need to occur over the wintertime. And with construction on Lake Michigan, winter being a very hairy situation, if a severe weather -- winter occurs, that could significantly delay that April 1st completion date.

In the event that construction is not complete by April 1st 1995, we have investigated two different options that the Monarch vessel could have and could still operate within the harbor. As was stated before, the Monarch vessel is certified to operate here in the waters of Lake Michigan up to three miles off shore.

The first option is that they could operate within the harbor without any modifications at all and we've performed a frequency analysis and show that they might have to suspend operations up to eight times a year.

The second option we looked at was some various wave attenuating devices, whether that be a sunken ship in the harbor or floating barges and incorporating those two -- one of those options - the suspension of operations could be cut down to one day per year.

So again with the certification that the Monarch vessel has a grand option where they can begin operations April 1st without

construction of the permanent breakwaters.

Mr. Rick Eckert: My name is Rick Eckert and I'm Regional Vice-President of Choice Hotels, and I represent the Clarion Grand that's being proposed here. I think I probably have the easiest job in the room, as we have a licensee over here who is Monarch that is a proven commodity that jumped to the top 5% of our system. We have a product that meets or exceeds Clarion standards. We have a market here with demographics that boggle the imagination. We have said -- [inaudible] situation for us. Who is Choice? We're a half billion dollar company. We own 3600 hotels world wide. And our commitment today is to throw all those resources behind our licensee, Monarch, to deliver business to this hotel. We estimate 130 to 140 thousand people will house here every year. Our job is to layer in 30 to 40 thousand people. Any applicant that does not align with a global marketing system like Choice is at a serious disadvantage in building a hotel today. Thank you for your time.

Mr. Bob Dean: My name is Bob Dean and I'm the director of [inaudible] and Leisure sales for Iwerks Entertainment based in Los Angeles, California, and Sarasota, Florida. For those of you who don't know, and not many people do, we're the world's leader in the design, manufacture and installation, and installation especially theater attractions for the theme park course destination, gaming can be [inaudible] markets. Our various clientele includes Disney, Universal Studios, Bush Entertainment, Six Flags, Circus-Circus, MGM Grand, Paramount, and many others

worldwide.

Our routes are deeply based back in the early 1900s in Walt Disney [inaudible]. Our relationship with Monarch in this project concerns the installation of a [inaudible]-specialty theater and identical to that which is featured in the National Bowling Hall of fame in Reno, Nevada, and quite similar to that which is featured at highly-successful Fox Woods Casino and Resort in Connecticut.

Our specialty in virtual reality technology is responsible for attracting and entertaining thousands at Fox Woods, the second largest casino in the world, and many other locations throughout the world. By specialty in virtual reality I refer loosely to the entertainment technology that uses the cutting-edge techniques to deliver the feeling that the audience members are within the screen, or within the attraction, or within the movie. To make more movies interactive and bigger than life, is really what Iwerks is all about. Many film experiences currently exist to drive the attraction; it's not from a typical technology. The ability to re-program these attractions just by changing film experiences makes this attraction different from any others in the sense that it's always fresh; it's never old. We're very eager and very pleased to be a part of the Monarch project here and invite you to look in your packages to find out more about us.

Mr. Jim Bennett: Good afternoon. I'm Jim Bennett of the Brunswick Corporation. We're located over across the line here

in Lake Forest, Illinois. We're the largest manufacturer of bowling equipment installation, service, and support in the world. Next year we are proud to say we will be 150 years in the bowling business and bowling is certainly our roots. We're proud to be part of the Monarch-Farahi Brothers (inaudible) Associates Team and we commend the city fathers and folks of Gary for their vision with this marvelous tourism project. Brunswick is also extremely proud to be associated with Peter Wilday in the new Reno Bowling Stadium. All that equipment out there will be 80 lanes of Brunswick state-of-the-art, and certainly everyone should make an effort to try and see this marvelous facility. It's really the Madison Square Garden of the bowling world.

Gary is in a very positive bowling setting. Within 300 miles or six hours of driving time -- Indiana, Michigan, Ohio, Wisconsin, Indiana -- you have the bulk of the bowling market. You also have tremendous tournament activity within that region that travels throughout this whole area and the rest of the country.

Bowling is trending, along with this league activity, toward more family recreation, open play. There are 75 million people that bowl in the country today. It gives Gary the distinct opportunity to be able to bid for the WIBC the (Women's International Bowling Congress) and the ABC the (American Bowling Congress) tournaments. And it's very interesting for you folks to realize that these tournaments bring six million dollars on a weekly basis during the duration of those tournaments to a

market, and it could be the Gary market. That's incremental income, non-gaming revenues.

Lastly, bowling is an important piece of this plan. It does and covers three issues. It brings tourism; it contributes to the economic development of Gary; and it creates jobs. Thank you very kindly.

Mr. Bruce Raven: Good day. My name is Bruce Raven. I'm co-head of investment banking and a member of the Board of Directors of Jeffreys & Company. We're a publicly traded, nationally recognized investment bank with investment grade rating. I'm here with my partner Lee Izaard.

I'd like to make a few comments about our credentials and about the funding of this project. Previously, [inaudible] Jeffreys, I was a Senior Vice-President at [inaudible] where we pioneered the accessing of institutional capital to the gaming industry. At Drexel I personally supervised financings in excess of five billion dollars.

Beginning in 1993, we at Jeffreys have raised approximately five billion dollars capital for our clients. We've an active backlog currently of about a billion - five. In that, we raised approximately five hundred million dollars in capital to gaming companies and in addition, we have re-structured approximately five hundred million dollars in previously outstanding gaming securities. We have 150 institutional salesmen, who cover approximately 2,000 institutional debt and equity accounts. We have made a very significant [inaudible] to the gaming industry.

We currently have three senior research analysts in the field.

On the equity side, we have Lee Izaard, who is one of the best known, highly-regarded analysts on Wall Street in gaming and entertainment. He's been in business over twenty years and is regularly quoted in the Wall Street Journal and on CNN.

In addition on the bond side, we have two analysts, Ray Cheeseman and Eric Saplefield, who are very highly regarded by the bond-buying community. This October we are holding an institutional bond conference in New Orleans with all the major institutions in attendance. We will have one day devoted completely to gaming. It is our intention to showcase this project over here if Monarch is granted a license in Indiana.

As regards to the funding of the project, Monarch is and is considered a successful public company with credibility. With capital markets credibility is everything. As such, Monarch has access to all major sources of capital -- public equity markets, public and private debt markets, and the bank market.

It is currently contemplated that the project be funded with twenty million dollars of equity and eighty-two million dollars in debt. The company has a registration statement prepared in draft form for an equity [inaudible]. The company is prepared to file that document with the SCC the day after a [inaudible] license is granted. We'd be prepared to bond six weeks after that.

The placement of bonds would be in a similar fashion, in a similar timetable. We consider funding this project to be a

relatively easy proposition. Monarch has great credibility in the investment community, and they've earned that credibility by doing what they've said they would do. The project will be perceived as having a very short-term and long-term strategic value. The demographics and transportation characteristics of the project are very attractive, and the strength and quality of the parent and the management will be perceived as very strong positives.

On the bond side, we are considered one of the leaders on Wall Street in placements of less than one hundred million dollars in debt. The market for these securities is measured in billions and billions of dollars. Interest rates can go up, interest rates can go down. Nothing conceivable can jeopardize the feasibility of this project. We are totally committed to Monarch in this project. We have never failed to complete a financing that we've [inaudible]. Thank you.

Mr. Lee Izzard: Good afternoon. My name is Lee Izzard. I'm a managing director at Jeffreys. I have been following the casino industry for over 25 years, since the first two companies, Showboat and [inaudible]. [Had to change tapes.] In August 1993 I was the person who brought Monarch public. Since that time, Monarch stock has out-performed really all stocks in the casino industry, with the exception of Caesar's. The reason for this is that the company unlike a lot of companies that produce press releases about they are going to do, the company basically goes out and does it. And as a

result, the company has built up a great deal of credibility within the financial community.

At the time of the August 1993 offering, Monarch stated that they were going to enter into a major expansion of their Reno facility. Subsequent to that they started expanding that facility. They are now virtually complete on that expansion and as we are beginning to see with the first thirty days of August, their revenue results were up over 50%, and I think this suggests the first impact of this greatly expanded project. But this has not been unnoticed by the financial community in that it reflects the fact that Monarch did exactly what they said they would do. As a result, we are now looking in Reno, where in the first 30 days of August, Monarch lured approximately 6,000 more tourists into the community, as they sold more than 6,000 room nights during that 30 days. These actions and results continue to enhance Monarch's reputation and credibility within the financial community.

Therefore, it is our conclusion that if Indiana legalizes gaming, (1); if (2) Monarch is granted the license, they will have no problem whatsoever of getting the funding that they want, or whatever funding they want from the financial community, many of whom already own stock and will be perfectly happy to invest more if that option is available to them. Thank you.

Chairman Alan Klineman: Doug, your time is getting close now. I do want to hear your presentation but be aware of the . .

Mr. Bob Burstein: I'll make this quick, some of it is

repetitious. My name is Bob Burstein. I'm a Vice President with PT Securities, Corp. which is an affiliate of Bankers Trust Company, which is a major New York money-saver bank.

To give you a little background on our capabilities, since 1992, Banker's Trust had raised over two billion dollars for gaming companies with operations in established gaming markets and in new jurisdictions. In the next two months, we expect to raise another \$750,000,000 for gaming companies with operations in established gaming markets and new jurisdictions.

I was introduced to the company earlier this year by First Interstate, who is their current agent bank, who we work closely with. We were brought in to discuss financing alternatives. Since that time, I've spent a lot of time with the company in Reno in discussing this project to the extent of due diligence, and I have been very impressed with the company and their operation in Reno and the preparation they have done for this project.

We believe the company has rapid access to capital. The company and the project will both be extremely well received in the capital markets based on the demographics in the Chicago market, the performance of the existing Chicago-area riverboats, and most importantly, management. A management which has grown its business and dramatically increased profitability, which is ultimately what investors care about.

As evidence of our support in the company, Banker's Trust Company has provided a commitment to make a \$10,000,000 loan,

excuse me, to provide the initial funds for the project. We are very happy to be part of the Monarch team. Thank you.

Mr. Allan Rachels: My name is Allan Rachels. I have partner responsibility for gaming, hospitality, government, not-for-profit for Crowe Chizek, an Indiana-based accounting and consulting firm, which happens to be the 12th largest accounting firm in the country and the 10th largest consulting firm. We employ almost 1,000 professionals and para-professionals in the Mid-West, and we have almost 100 professionals and para-professionals in our Merrillville office and our Michigan City office, and almost 800 in the State of Indiana.

We were asked by Monarch to do the economic impact portion of Part II of their application submitted to you some time ago. Knowing that we are running short of time and also having observed this morning that apparently you've taken a hard look at these various applications that have been submitted, we will be very brief and anticipate possibly some questions in the question-and-answer period. We will try, Mr. Chairman, to hold our presentation down to about four or five minutes.

We have gaming clients that we've been working with for the past five or six years in Nevada, Louisiana, Mississippi, Illinois, and Iowa. And we are working with some gaming clients in Indiana -- in fact, experience working with the City of Gary, Gary Sanitary District, District of Public Transportation, and other Lake County officials, and we feel we know the area. Before we talk about the economic impact, a statement that we

filed with you earlier, I'd like to present one of my colleagues, who will talk a little bit, very briefly, about the numbers in the project and the financing of the project. It is a pleasure for me to present to you one of our staff accountants, a graduate of the University of Notre Dame, Danielle Black. Danielle.

Ms. Danielle Black: Thank you, Allan. Monarch is prepared to develop this project with a capital investment of \$109,000,000. Now this includes a boat, gaming equipment, gaming signage, and pre-opening costs of \$35,000,000. It includes improvements to the harbor of \$5.6 million dollars; a boarding dock of \$2.2 million dollars; site utility of \$2.4 million; site parking, rows, lighting, and landscaping of \$4.4 million; a \$15,000,000 entertainment pavilion, with entertainment amenities of \$3.9 million; a major hotel with 300 rooms with \$85,000 per room, costing \$25.5. It also includes land acquisition of \$5,000,000 and renovation to the Sheraton Hotel of \$10,000,000. So the total Monarch commitment is \$109,000,000.

Now Monarch has already acquired a passenger boat, and it's one of the largest in the industry. And it's in the process of being renovated for use at the Buffington Harbor site.

Now, the initial funding for this project will come from various sources. Twenty million dollars will come from equity funding. Of this amount, \$16,000,000 will be invested by the Monarch group and \$4,000,000 will be invested by Peter Wilday. Eighty-two million dollars will be from debt financing, that's interest-only bonds with a five-year minimum payment. And the

remainder of the financing, \$7,000,000, will come from vendor equipment financing.

And unlike other projects, the initial funding for this particular project was not based on cash flows from operations, so the total initial funding for this project also amounts to \$109,000,000.

Mr. Rachels: Thank you, Danielle. I'd also like to present to you one of our senior managers, [inaudible], has directed the economic impact analysis, is a graduate of Wabash College, and also a born-and-raised son of Lake County from Crown Point, Chris Johnson.

Mr. Chris Johnson: Thank you, Allan. Emerald Bay Development is going to create an [inaudible] economic impact for the citizens of Gary, Northwest Indiana, and the State of Indiana. Our five-year economic impact projection amounts to over \$800,000,000 with over \$700,000,000 coming from operations on an ongoing basis, construction of \$64,000,000 - - that is essentially all components of this development outside of the boat equipment and pre-opening expenses, and finally as was mentioned earlier, \$10,000,000 cash contribution towards the renovation of the Sheraton Hotel.

I would just briefly would like to go through the individual components that make up that \$800,000,000 figure. As stated earlier, we have a \$64,000,000 for the site harbor improvements and development of the hotel and other amenities. There are going to be new jobs, arranging from about 1,000 to 1,200 new

jobs with a payroll over \$20,000,000, not including tip income. New taxes, approximately \$42,000,000 a year, split between 19,000,000 locally, 23,000,000, for the State.

In the local portion, which includes not only the wagering and admissions tax, but also personal and real property taxes, the innkeeper's tax, 5% for sales, room sales, in addition to other taxes that I won't go into at this time.

Other operating input requirements -- Any business needs goods and services to operate, whether it's a casino or dry-cleaning services. We estimate that at the range of \$20 to \$33 million dollars. In addition to that, those purchases, because Monarch plans to use local vendors and suppliers, that would be a cash infusion to the regional economy which would have multiplier effects, and which we'd use both state multipliers from the Bureau of Economic Analysis, in addition to Northwest Indiana multipliers, primarily Lake, Porter, and LaPorte Counties. We see that as additional output of \$58,000,000 per year. You essentially multiply those annual figures times five and come with over the \$700,000,000 figure.

In addition to that, Monarch has entered into an agreement where 3% of the adjusted gross receipts is pledged to the City of Gary, or 15% of the net income, whichever is higher. In addition to that, 1/3 of the local equity interest as Doug Brown mentioned, will be owned by the Gary Renaissance Foundation. Their equity distribution will be used to fund educational, social, and economical development projects. And finally, the

Sheraton Hotel renovation -- (inaudible) contribution of \$10,000,000.

The other key component, as Peter mentioned earlier, is that this frees up the City of Gary from its current lease obligations until approximately a quarter of a million dollars a year, which then they can move into a single space which will provide a much more efficient operation; and in addition, they probably only need 20,000 sq. ft. of that facility. This would open up the redevelopment of this building, would open the use to the remaining space to other entities.

Mr. Rachels: You've heard about the project. You've heard how it's going to be financed, and we believe that the litany of the project, that this \$800,000,000 - \$900,000,000 economic impact project for the citizens of Northwest Indiana and the State of Indiana is viable and would be assured long-term success. Thank you very much.

Mr. John Farahi: Good afternoon. I know that you have made a closing. I just wanted to say a few words on behalf of myself, and my brothers, Ben and Bob. Bob has been the principal person with whom you will be working on this project. I would like to take this opportunity to thank the commission. We would like to thank the staff and the City of Gary for this opportunity. The team that we have put together has a proven track record to get the job done. They have all the components of this project in place to open for operation in March of 1995. As a matter of fact they are the only company with a boat that can operate in

open waters in Lake Michigan. We would appreciate your support and assure you that the project that we intend to build will be a credit to the City of Gary and the State of Indiana. Myself and my brothers are here and happy to answer any questions you have and thank you.

Mr. Brown: That's it, Mr. Chairman, thank you.

Chairman Klineman: Okay, thank you all. I think we'll take a break now and then we'll come back with the questions.

QUESTIONS AND ANSWERS

DUNES MARINA

Mr. Klineman: We will now start the question period of Dunes Monarch. I guess we'll ask you Mr. Brown to be the moderator and move some people in and out. They don't have to all stand all the time, just as the questions come up. I'll lead off with an easy question. I'll ask the architect a couple of questions.

The exhibit you put up here a few minutes ago, while we were out, show several buildings to be retained and a cement site, is that correct? That's, okay --

Mr. Wilday: It was our plan with the Barden-President's group from the very beginning that they were going to do -- as I said, all that was mentioned -- work on that side of the tracks. We were going to concentrate our efforts up on the [inaudible]

part of the track, so part of their presentation they alluded to the conversion of some of the existing buildings in that area.

Mr. Klineman: I guess I didn't hear the word "conversion." I heard "discount malls" and "retail" and so forth. I just didn't hear the word "conversion."

Mr. Wilday: Some of those buildings are really probably worth saving and others are not. And I think once we get access to the site and can continue the site investigations, we can determine that, but we think that there's some value to what is there.

Mr. Klineman: So, you're labeling that the existing buildings are to be retained? It's still an open question, as long as you think [inaudible] you look in on this. Okay. And the rest of the cement plant would obviously be gone?

Mr. Wilday: The Buffington Harbor plant, that's pictured in the upper right of the drawing behind there--if you can see it, way up at the top of the right-hand corner--that will stay.

Mr. Klineman: I'll be your pointer. You're talking about up here?

Mr. Wilday: Yeah, that will stay -- that's the power company. Right in here -- that stays -- and this last building on the right, over by the railroad tracks, stays. Come on up a little bit higher, a little bit higher. That's an operational plant, so our plan is to landscape around that, if you [inaudible] might show here, this plant that you just pointed--a picture--to would stay operational, so the Lehigh-Portland people

with barges could still come into the harbor. They would process their limestone, come over, and trains actually come out of this area here, so you'll notice on our joint site plan, we've landscaped and walled off all of this to create a barrier. So it also reflects that on the model. Genesis Center pointer.

Mr. Klineman: Anyone else have any questions about the site plan?

Ms. Ann Marie Bochnowski: Yeah, I have a couple questions about the -- whoa -- I have a couple questions about the site. First of all, I'm real confused about the status of this site. Are you involved in that? -- or possibly that's a better question for the Gary people.

Mr. Wilday: Mayor Barnes.

Ms. Bochnowski: Well, we can wait for them to make their presentation.

Mr. Wilday: I'm just kidding.

Ms. Bochnowski: Are you okay on that -- on that status of that?

Mr. Wilday: Doug can probably bring you up to date on this.

Mr. Brown: Commissioner Bochnowski, I might be able to respond to that. We have been working with the city along with our co-preferred-developer, Barden-President, to assist the city in its negotiations with Leheigh, which were ultimately unsuccessful. As the Commission is probably aware, there is an imminent domain proceeding now pending which remains in the court. It's our hope that that will be resolved in fairly short

order.

Ms. Bochnowski: Okay, and the financial part of that has all been worked out satisfactorily, or is there still some question about how much will be paid for that?

Mr. Brown: That depends upon what the court orders. There will be an evaluation process that's done by the court to determine what the ultimate value of the property will be. That will be split evenly between the two developers.

Mr. Klineman: Have there been any objections to the condemnation based upon the purpose of the taking?

Mr. Brown: I don't know the answer to that question, Mr. Chairman.

Ms. Bochnowski: Now, I also have a...I have a question -- I'm also a little confused, I'm not sure if this is really a site question so much, but I'll move on. It's regarding the breakwater. Now, I was under the impression that that breakwater could be -- that that could be constructed by March 15 -- according to the President people, and now, there was some indication that that might not be possible.

Mr. Wilday: It's all -- you know, we've -- the Barden group is really -- and Flur Daniels and the city and us, we've all been anxious to protect that harbor, and we've done everything possible to start the quarrying of the stone in time to place it before the October 15th deadline. So, we're doing everything we can, but it all hinges on a Corps permit. We have to get that Corps permit, then we can begin that operation.

Ms. Bochnowski: Have they given you any indication -- have you had conversations with them about what kind of timetable they are working on?

Mr. Wilday: They just opened the reports, the public hearing reports last week, and I believe we should be getting a written report from them very soon as to if there were any objections or anything that might delay it. Hopefully there aren't.

Ms. Bochnowski: And how long do you think that might would take to build once you get that

Mr. Wilday: Well, if we could start October 15th or before, then we could have it in the spring -- we'd have a protected harbor. But if we miss the winter, then it could be -- then we can't get the harbor. That's the situation.

Ms. Bochnowski: Is that a problem? -- even though your boat now is okay for open water -- it's safe. I mean, I've been on Lake Michigan and it can -- can pretty wicked with the north wind. Is that really feasible to put a boat out there, and young people?

Mr. Wilday: Well, if you look at that drawing in the next to last part there, it's an aerial view of looking into Buffington Harbor and of course it is semi-protected; it just doesn't meet the Coast Guard [inaudible], and they decided that it wasn't protected in its current state. It needs to be improved. And it's our intention to improve it. However, since our boat is legally licensed for use in open water, we can bring

it in there regardless of whether the Corps permit is issued or not. So we can be in operation whether or not the harbor is further improved. Now, it becomes less an issue of if that's legal [inaudible]. It becomes more an issue of passenger comfort. So one of the things we thought of to mitigate that, because we want to create the jobs and get things started, would be to sink a vessel directly in front of it, which would also knock down the waves, and I think our consultant talked about, if that was done, we would only have to suspend operations one day out of the year because of passenger discomfort, not for any legal reason. The fact that the vessel can set in this direction and the waves come with it--the vessel is as long as a football field--so it is going to take a 4 ft. wave from that direction -- it's hard to move the boat around and know where it becomes uncomfortable.

Ms. Bochnowski: Isn't that an environmental problem in sinking a vessel in the harbor like that?

Mr. Wilday: No -- you refloat it.

Ms. Bochnowski: Pardon me.

Mr. Wilday: You refloat it. Our consultant suggested that one option would be to bring a vessel in, load it with rock, and sink it. Then, take the rock off it to build the breakwater, once the Corps permit is issued, and refloat the boat and sail it back out.

Ms. Bochnowski: Yeah

(Inaudible)

Mr. Klineman: They do that in Northern Nevada all the time.
Laughter.

(Inaudible)

Mr. Robert Sundwick: You'd made the comment a minute ago about the only sea-worthy boat. What does that mean again?

Mr. ?: I didn't make that comment.

Mr. Sundwick: I mean the Great Lakes -- 4 ft. wave -- open water boat. Somebody did. We have a list of people up here -- who's the one who made that statement? You can do it.

Mr. ?: Could you repeat the question for me?

Mr. Sundwick: Yes. Somebody made the comment about the only -- because of the size of the boat, the only sea-worthy vessel, or lake-worthy vessel, or -- what does that mean?

Mr. ?: Well, it means that the vessel is designed to be outrigged under open-water conditions, rather than being in a sheltered harbor.

Mr. Sundwick: It says here

Mr. ?: So, it's designed for taking various wave levels, sea [inaudible], those kinds of things.

Mr. Sundwick: So, you said the [inaudible] is the only boat, the only boat being proposed, now?

Mr. ?: It's the only boat that I know of that's being . . .

Mr. Sundwick: So the people that were heard from this morning -- they had the only "something else" boat. [inaudible]

(Laughter)

Well, I'm trying to get it clear -- [inaudible] -- see, I'm from

Southern Indiana and we don't have big lakes down there.

(Laughter)

Mr. Bob Farahi: I am Bob Farahi. From what I know we are the only applicant that has a boat that can be in the area in March and that can operate in both waters. There are two certain classifications. Certifications of class [inaudible] the kind of boat that can go -- can operate in open waters, and the kind of boat that can operate in protected waters. As of right now, Buffington Harbor is unprotected -- it is considered open waters, so for you to operate a boat out there, it has to be certified by the Coast Guard as a passenger vessel for Great Lakes.

[Inaudible] boats that can operate in open waters and boats that can only operate in protected waters. Once the breakwater is installed, then the harbor will become protected waters.

Mr. Donald Vowels: What is the present status of that boat now? Where is it?

Mr. ? Farahi: Our boat [inaudible] now in Bender Shipyard in Mobile, Alabama [inaudible] and will be in Gary in March.

Mr. Donald Vowels: Is there some litigation potential with that boat?

Mr. Bob Farahi: No, there's no litigation on the boat. The only boat is free and clear.

Mr. Sundwick: I'd like to finish my question because it appears to me that the sister boat that we featured earlier does not meet the requirements then, if that's the only boat on the other side then that can't meet the requirements.

Mr. Bob Farahi: What does that mean is that the other boat can only operate in protected waters [inaudible].

Mr. Klineman: Well, there really is some confusion there, and I guess it might be out of order but maybe we need to get Barden people to explain to -- the best I can tell the boats are just now opposite New England and are running around in open waters.

Mr. Terry Wolgenus: My name again is Terry Wolgenus. I'm with the Barden group, Barden-President, and it is a rather complex issue. I'll try to keep it as simple as I can. The President Casino operation vessel, our President Casino, is not certified for unprotected waters, and we don't intend to have it certified for unprotected waters. Nor would we be interested in this project, if we had to have a vessel that was on unprotected waters. The definition of unprotected waters in this case is something which is operating more than x number of miles from shore and also [inaudible] the southern coast or the southern part of Lake Michigan (and Buffington Harbor's part of that). Corresponding with the water temperature--becomes--is considered by the Coast Guard to be unprotected waters between May -- or actually, between October and May. Because -- basically because of cold water and the possibility of hypothermia in the event the passengers are in the water. And because of the storm conditions that can occur on the -- on the southern coast of Lake Michigan. It just so happens that the worst storm that can come into Buffington Harbor, the worse wave conditions have to come

directly from the northeast, which is the least protected part. Those waves can come in between 16 and 18 feet height, and I wouldn't want to be in there with any kind of boat, if we had that type of hundred year event, or if we had even a 12 ft. wave, which just happens to be considered a ten-year-event. You can expect it to happen once every ten years.

So, that's why we believe very firmly that this harbor or any location which would have casino vessels must at least have a place to run to or to get out of the way -- harm's way if a storm would come. Again, so our vessel is not going to be considered, nor do we want to be considered, for an unprotected route. Primarily, if you'll look at that -- we think we have an alternative safety to staying within a protective harbor. There are also some manning considerations that are considerable and some additional equipment considerations that are considerable for a -- in addition to the type of vessels you are talking about -- in order to qualify for operating in unprotected waters -- you must have the ability for all your souls -- for every soul on board -- every passenger, crew member on board, to be out of the water, to have a safety device or anything -- life-saving device -- that will keep them 100% out of the water in order to qualify. You also must have a lifeboat, a qualified lifeboat for every -- life raft or life boat that you have on board. We calculated what it would take if you wanted to do it or if you could do it for any other reason with our boat, we were talking about having to having on each session or each crew change, over seventy-five

personnel who would be trained and certified as life-boat men. And we just didn't choose to go in that direction and in concurrence with the Coast Guard, when we get a protected or partially protected harbor and our vessel is allowed to --- is certified to operate in partially protected water -- and if we get in that condition, then we are willing to be able to make our investment in the Buffington Harbor site.

Mr. Klineman: I don't mean to misdirect these questions but I think we wanted to clear up that one point.

Mr. ? from Barden: It's very important, but there one final thing. We did say this morning that we are the only certified boat, and we are, today. We have a certificate on the boat. Any other boat that is under construction or is gonna be constructed might be ready, might not be ready, or you think it will be ready -- that kinda thing -- . We have the certificate today. We -- our boat is sailable. The other thing that I want to re-emphasize, and as I said it this morning, to us, it's not just a safety issue. Safety issue is paramount -- that's number one. It's a customer convenience issue to us, and Terry said it, and I want to re-emphasize it, we are not interested in running a boat out of Buffington Harbor, USX, or any place else, whether it's legal or not, unless it is comfortable because of the competitive things we talked about--again that 747 that can get through a thunder storm. Now, I've no doubt that some of these boats will. I think our boat will -- but we're not interested in doing that - - so now hopefully the confusion is resolved, and that we are

certified today and that there are two classes of certification. They're in one and we're in another.

Mr. Sundwick: And you don't intend to be in their class?

Mr. ?: No.

Mr. Sundwick: If it did make any difference -- if I were a passenger in your boat, what would be the difference be -- if I were a passenger in both boats? [Inaudible - changed tape].

Mr. ?: [Inaudible] under the rules or the regs, the legislation, it would be up to the master of the vessel to make the decision on whether or not it would be safe to sail, and we would certainly -- neither vessel would be taking their vessel away from the dock in conditions with squalls of probably over three or four feet -- even if some right now -- Buffington Harbor site with six foot waves coming in over the summer months from the northeast, and it gets worse in that harbor the way it is right now-- there's a reflection off of those solid [inaudible] that make it -- that just accentuate rather than smoothing out the conditions, and what we are heading for is something that will actually break up those waves. Thank you.

Mr. Gene Hensley: Could I ask one question, please?

Mr. Klineman: Yes.

Mr. Hensley: I think the statement was made this morning that one of the values of your boat was that it would be ready and capable of generating revenues before any other boat. Does this change -- the delay in the breakwater change that analysis?

Mr. ?: The delay in the breakwater at most would

potentially delay our vessel preparation by the -- I can't remember the exact date but it's 4 to 6 weeks until we get to the date in May when the water becomes protected or partially-protected water in Lake Michigan, the water temperature goes above the temperature that's required to be considered partially protected.

Mr. Hensley: That's not a construction issue?

Mr. ?: Only from the standpoint of that six weeks which we view as significant, and we have proceeded pending receiving the Corps permit and limited access to the site to be on schedule to get that rock significantly in place so that the Corps and Coast Guard will be comfortable -- and we will be comfortable with operating at that point.

Mr. Klineman: We might hear more about this issue from the Coast Guard tomorrow.

Mr. Brown: Mr. Chairman, if I might -- could I have one short follow-up to Commissioner Sundwick's question. [inaudible]. The importance of this distinction from Monarch's point of view is this. We, the city, and our co-developer, Barden-President, all wholeheartedly agree that we want these harbor improvements made because in order to have the type of entertainment experience there with the comfort of the passengers that we think is desirable and appropriate in the long-term, it needs to be done. Our concern, though, has been for quite some time and remains today that despite the city's, despite Barden-President's, and despite our best efforts, it may be a case that

the Army Corps of Engineers will not issue a permit for the harbor construction in a manner that is timely to allow the improvements to be done, and to allow these boats to begin operating in March.

With that in mind, we bought a boat that could operate in that harbor with or without harbor improvements. We think that it's extraordinarily important to the people of Gary that this operation begin immediately and as quickly as possible in March, so that the revenues can begin to flow, and we're prepared to do that.

Mr. Sundwick: I'd like to -- Is Mr. Bender still here?

Mr. Bender: Here.

Mr. Sundwick: Is it your company that is responsible for the reconstruction of this ship?

Mr. Bender: That is correct.

Mr. Sundwick: Is there anything unique, uniquely different about this ship, other than the--or problems that you see? Other than that were stated, on this reconstruction problems?

Mr. Bender: Unique in--as to problems, or unique -- ?

Mr. Sundwick: As to the refitting the ship?

Mr. Bender: No, it's ordinary shipyard, construction-type work. This vessel unlike -- will not be river service, it will be suitable, you know, for going on Lake Michigan, which changes some of the [inaudible] rules. They're a little bit stringent in the life-saving and some of the life-safety areas; otherwise, it's about -- it's ordinary shipyard work.

Mr. Sundwick: How old is the boat?

Mr. Bender: I don't know exactly. I think Mr. Farahi might be able to tell us that.

Mr. Farahi: [Inaudible]

Mr. Bender: Mid-40's. The vessel will be -- the Coast Guard of course sees to this-- but audio gauge where you check the smallest details, any deterioration will be brought back up to Coast Guard and Navy standards.

Mr. Sundwick: Is there any characteristic of a 1940s-built boat that would cause you any problems?

Mr. Bender: No, we've already checked all that. The stability was checked and, like I say, the design and engineering is complete on this vessel. There are some [inaudible] being added which will make it wider than its original configuration, which will add to the stability. [Inaudible] that's an ordinary, that's done on quite a few --

Mr. ? (short man with glasses - design person): I might help Tom a little bit in that because that's part of the design process. As the vessel was reviewed in its current state, there was some [inaudible] done and some decisions made to straighten the [inaudible]. There was some changes made in the subdivisions so that we could meet Coast Guard requirements. Those plans as they were developed were all submitted to the [inaudible], and they have all been responded to, comments, approvals, that kind of thing has gone on so that it could be certified for its intended purpose. So there should be no

difficulties.

Ms. Bochnowski: Was the reason for using an older boat and rehabilitating it -- was the reason financial, was it speed? What was the reason to do that rather than to build a new boat?

Mr. John Farahi: Mainly it was a time factor, there. It was taken, from what I know and observed last year, that it would take us a good fourteen months or longer to design a new boat and to build a new boat. Whereas, this way, it will take us now from this point six months to [inaudible] in Gary. So, timing is everything. If we can open a day early in Gary, we want to take advantage of that. [Inaudible].

Mr. Brown: Mr. Chairman, if I might, before we leave the subject of the vessel -- there was a follow-up to, I think, to Commissioner Vowel's question -- you asked whether there was a litigation pending affecting the boat, and the answer to that was correctly noted by Mr. Farahi to be "no." However, when the boat was delivered, there was a dispute with the company that delivered it from Seattle, Washington, down the west coast of the United States, around Mexico, through the Panama Canal, and up through the -- up to the Gulf Coast of Alabama, it was a question about-- Monarch believes he made demands that were not legally founded for additional payments that were not agreed to. It was a dispute about that. It's my understanding that with the Maritime Law that when there's a dispute involving a vessel, there's a liening procedure that can occur where a person in his position can lien a boat. That happened for a brief period of

time. The Monarch posted bond, the lien was erased and the boat is free and clear. As I understand that that litigation is pending in Mobile, Alabama, and is being handled by Monarch's counsel in Mobile. It should be resolved in the next couple of months.

Mr. Vowels: Was the bond equivalent to the request for damages as planned?

Mr. Brown: Yes.

Mr. Bender: One point is the only thing from the hull up is all new. I didn't know whether you know that or not, but just from the main deck, the first casino deck, up, is totally new.

Mr. Farahi: All new super structure.

Mr. Vowels: Is there anything different about a boat that was built in the 1940s in reference to the structure or anything along that line, not the structure, but the interior that wouldn't be allowed today?

Mr. Wilday: No, actually you would never construct a boat from scratch the way this boat was built. The history on this boat -- it was during 1946, of course, we were still in the war. The government contracts in the Seattle boat shipyards were for destroyers, and this boat was being constructed, the hull was being constructed and the four big engines and with twin screws were being designed for a destroyer-class vessel. The -- you wouldn't do it -- you couldn't afford to do it today. This vessel will go 28 knots; you can water ski behind it. (Laughter)

[Inaudible]

Mr. Vowels: How about insulation? Type of insulation?

Mr. ? (designer): I hope I can answer this question, if I might. There has been obviously some rule changes that have taken place since the vessel was initially built.

Mr. Vowels: For example?

Mr. ? (designer): Sub-divisions -- Those have been taken care of with crews, so there will be some additional structure in the basic hull of the ship to provide sub-divisions for that instability, but that's designed into the ship. The shipyard will provide that internal structure. If anything, a ship that's that old, it's usually, frankly, [inaudible] built, than ships that are constructed today.

Mr. Klineman: Alright. Any other questions along this line or along other lines? I guess I'll ask a question that I asked the Barden people about, even though you're not married, are you prepared to separate and work with other developers should we choose another one, in addition to choosing new people?

Mr. Wilday: I think we can sum it up very similar to what Ed Eller said. We've joined hands with the City of Gary, with Barden-President's group. We've supported each other on this project and if another developer came in with a different plan that didn't have the value, the entertainment value in terms of delivering the promise of tourism to Northern Indiana, then I don't know if we would want to be a part of it. We would have to see what that plan was. We feel very, very secure, very good about the product that we've brought to this market.

Mr. Klineman: Well, I think Ed did say that, but then Mr. Barden, I thought, said something a little bit different. Is your answer positive that you don't want --

Mr. Wilday: I guess you could say that we would have to see what the direction of the project would be. If we had to take this vision and bring our vessel into someone else's vision that we didn't feel was appropriate that would work, then we'd have to really look at that hard. We've worked very hard to get to this point where we have unanimity, we have a project that we know will work.

Mr. Klineman: I guess now I'll ask a question that you may not be able to answer, but you've probably in some manner reviewed the proposals from the other two applicants, have you not?

Mr. Wilday: Yes I have.

Mr. Klineman: Is there one applicant who proposes something you just feel would not be compatible with your ideas and therefore you would not be willing to work with them?

Mr. Wilday: No.

Mr. Klineman: Okay.

Mr. Vowels: Are you now or have you ever been an investor in any other gaming license anywhere besides Gary?

Mr. Wilday: No, actually I have a little slot machine route license for four slot machines in Reno that I've had for about fifteen years in a car wash.

Mr. Vowels: Well, I understand that you have \$2.2 million

contributions for capital financing for this matter. The staff has had some questions as to source, the source of that contribution. Would you care to explain or expand on that?

Mr. Wilday: Sure. I was the project architect for the licensee, Argosy Jazz, in Baton Rouge, Louisiana, which was recently granted a license. Actually, it's opening this weekend. As project architect, it's \$150,000,000 project, and the fees that I will derive from my architectural services from that project are what I'm using to invest in Gary, Indiana.

Mr. Vowels: So the fees that you receive from the other --

Mr. Wilday: Are architectural fees --

Mr. Vowels: And you have not at any time been an investor for a license in the State of Louisiana?

Mr. Wilday: Right.

Mr. Klineman: And the fees that you're -- it's an expectation, it has not yet been paid to you?

Mr. Wilday: No, a portion has been paid and the money that has been paid to me has been invested in the project to date, so to date I've probably spent in the neighborhood of \$650,000 of my own money in the acquisition of the vessel and the work you see here. In addition to that, I've sent them an invoice last week for an update of my current monthly billings and I'm expecting a check. They usually pay within about a week and a half.

Mr. Vowels: Are you -- are you familiar with what I'm referring to as far as the questions the Gaming Commission staff had as to [inaudible]?

Mr. Wilday: Yes. I discussed with them -- they wanted me to be a partner of theirs in that project.

Mr. Vowels: They being -- The Jazz?

Mr. Wilday: The Jazz, and 'cause I had basically brought a product very similar to what we bring to you to Baton Rouge and the city embraced it and said this is going to work and went with it. The Jazz people felt that I would be a strong partner for them in that continuing relationship, but because of my commitment with the Farahi's in Indiana I needed the funds to invest in this project. So I stayed as their project architect. I'm currently working in that market right now.

Mr. Klineman: Along the same lines, Doug, do you have any one person who could summarize the source of the total investment of Monarch and the source, and I know I've heard from the investment bankers and so forth, but I don't know if I've really heard other than the developer from Banker's Trust an exact amount of money that would be available. So if you could just run through that for us. The total, I guess, is \$109,000,000, is that what we're working towards?

Mr. Farahi: Yes, Mr. Chairman. The total project cost is \$109 million dollars, \$55,000,000 which is for the boat and including improvement and [inaudible] \$10,000,000 (inaudible) for the city hall annex, and the [inaudible], and close to \$5,000,000 on the land, and the remainder spent on the improvements so the [inaudible] from Monarch and Peter Wilday --

Mr. Klineman: How much is that, excuse me?

Mr. Farahi: \$20,000,000.

Mr. Klineman: \$20?

Mr. Farahi: Yes.

Mr. Klineman: Okay.

Mr. Farahi: \$7,000,000 [inaudible] slot machine manufacturers and [inaudible].

?: What is the second one?

Mr. Farahi: \$7,000,000 [inaudible] slot machine manufacturers [inaudible].

Mr. John Thar: That is a -- that would be financing so much as to a 100% financing of the machines that you intend to buy from them, rather than [inaudible]?

Mr. Farahi: Yes. That's [inaudible].

Mr. Hensley: Could I ask a couple of questions?

Mr. Klineman: Sure, go right ahead.

Mr. Hensley: You have 10% of your ownership, I think, that is in local investors, but this is being financed by your organization for those investors on a non-recourse debt and you're going to pay for it out of the profits of your company?

Mr. Farahi: Yes, sir.

Mr. Hensley: Is that a gift? Because that's what it sounds like.

Mr. Farahi: Well, it's not really a gift. What we are going to do is going to loan the required capital in the venture, and then we pay it back [inaudible].

Mr. Sundwick: Let me -- the local stockholders then, it

becomes -- they're going to pay you back after you get the license and -- out of their earnings? Is that what you're saying?

Mr. Farahi: Yes, out of their profits off the venture.

Mr. Sundwick: How did you select your local shareholders?

Mr. Farahi: We thought it best to select from all walks of life -- from professionals, unions, and [inaudible] and we got a list of people from all walks of life [inaudible] and [inaudible]

Mr. Sundwick: Where did you receive it?

Mr. Farahi: These have a [inaudible] 25, or 3% or 1%, and I think we have some several up there [inaudible].

Mr. Sundwick: But how did you derive the list? I mean, you didn't use the phone book or anything?

Mr. Farahi: We --

Mr. Brown: Let me back up just a second. The Indiana Gaming Act says that gaming applicants are supposed to demonstrate that there will be an economic development over a wide geographic area. We thought that that would be -- seem difficult to demonstrate if all the money is simply coming in and going back out to Reno. We felt that it was important to have a local ownership group, where money was staying here in Indiana. The shareholders distribution's ownership of this property would stay here in Indiana. Having cited that, we decided that we wanted that to be a very diverse group. We wanted it to be economically diverse. We didn't want to limit it to only people who could write big checks because there are lots of people in

this community who can't write big checks. We wanted to limit it to -- we wanted it to be racially diverse, religiously diverse, and we wanted it to be diverse from a gender point of view, and we have a very diverse group of individuals, many of whom are, we felt, prominent, respected people in their various communities and that's how they were chosen. There's a [inaudible] -- we didn't actually arrive at [inaudible]. The Indiana advisers helped compile that list through people they know and people they have had a relationship with.

Mr. Sundwick: You didn't use a newspaper there, then?

Mr. Brown: No.

Mr. Klineman: You said the Indiana, excuse me, the Indiana bunch; do you mean yourself and who else?

Mr. Brown: Ah, Mr. Rachels and other people that we had assisting in the project in an advisory capacity.

Mr. Sundwick: It says local. Local meaning -- not Gary?

Mr. Brown: Right. We committed to the city that we would have a substantial portion of local ownership available to Gary residents, which we have done. We didn't however feel that, given the fact that we were required by the Act to demonstrate economic development over a wide geographic area, we couldn't just limit it to Gary, we had to involve throughout the --

Mr. Sundwick: [Inaudible] of Gary -- I think you had two from Gary.

Mr. Brown: Well, the Gary area is what we were earlier referring to --

Mr. Sundwick: You have ten of them from Indianapolis. Well, you said local. Local is local.

Mr. Brown: Yeah, it's difficult to distinguish what the, what the definition of a wide geographic area is, but we thought probably Indianapolis is [inaudible]. I also indicated a third of the local ownership is held by the Gary Renaissance Foundation, which has usually been good with people here, and [inaudible] and that was [inaudible] to our thinking that maybe it wasn't also right to just pick out people and allow them to participate in this investment. Perhaps it was well to establish a situation where all people could benefit from it, so that's why we wanted the Foundation.

Mr. Hensley: If this is not technically a gift, is it practically a gift, because they don't ever have to pay it back from proceeds of their own?

Mr. Brown: It's a fairly common means of structuring all forms -- all kinds of different transactions in the Gaming industry and otherwise, it's called a [inaudible]. It's very -- I'm a business lawyer and we discuss transactions of [inaudible] of interest in different businesses all of the time.

Mr. Vowels: About the investors -- back to the statute dealing with the integrity, primarily the character and reputation of the applicant, I didn't make myself clear in an earlier question [inaudible] statute. Preference with this question, what due diligence was used to ascertain the character and the reputation of any person who is directly or indirectly

controlled by an applicant or by a person either directly or indirectly controlled by an applicant. Can you tell me what background checks -- how did you know that so-and-so from wherever-it-is had not had a felony conviction before.

Mr. Brown: Sure. We did that as best we could recognizing that those of us who are not in the law enforcement community have a difficult time doing that, with the efficiency the law enforcement officers can because we are actually, legally, not permitted to get a formal criminal history on a person. We did as -- the best we could. We checked with people who knew these people and got character references. We subsequently determined in conversations with the staff that there might be a couple of issues concerning two of them. We addressed those in a responsible fashion, so we did as much to those as we could, frankly recognizing that this body would be an arbitrar [inaudible].

Mr. Vowels: Were you aware of the two people situation that you mentioned before the staff brought that to your attention?

Mr. Brown: I was aware of one of the people -- of one of the things that the staff brought to our attention was in fact [inaudible]. The gravity of the problem was not accurately apparently reported. I was aware of the situation but -- but as I said, the information that was apparently provided to the staff was not correct.

Mr. Vowels: Were you able to reconstruct the records to show [inaudible]?

Mr. Brown: Yes.

Mr. Sundwick: I don't want to try to belabor the issue and I certainly don't want to put you on the spot, but I think it's fair to the people of Indiana when you're talking about giving about 10% of the casino away and ask for no repayment, gift or business [inaudible], or whatever you want to call it -- That seems a little strange to people. Being a businessman myself it seems very strange to me.

Mr. Brown: I know why you say that. But the problem is if you limit it to only people who can pay, we don't just want to give the benefits of this project to a bunch of millionaires. If you're going to give it to only people who can pay cash money out of their pocket or their interest, you limit it in a fashion that we felt was not appropriate, too.

Mr. Sundwick: Then you imply, in fact, that there was some criteria you used for these people?

Mr. Brown: Well, certainly we wanted them to be well-respected members of their communities and people whom we felt reflected favorably upon Monarch.

Mr. Klineman: On the same lines that we asked this morning -- as these local investors, is there some agreement that they will sell their interest at a given price, at a given time or under a formula?

Mr. Brown: Absolutely not, Mr. Chairman. We're aware that in other jurisdictions local people have been involved in a project only to be purchased on -- bought out on a pre-negotiated

basis. We could not in good conscience do that. The people are in the project are long term. In fact, there is a buy-sell agreement in the material which I believe we provided the staff concerning the offering of -- which says that if they choose to get out, then they have to offer it to the other investors. But it's their election, not the election of the company.

Ms. Bochnowski: If, for example, they were to try to sell and nobody wanted to buy it among the investors you've chosen, would that then have to be offered to somebody locally or how -- who would buy that? Would that be available then -- to the general public?

Mr. Brown: Frankly, again, we have not contemplated that problem. In fact the other investors in the company have the first right of refusal on the side, and if they choose not to exercise that first right of refusal when the investor would offer it back to them, then it would be available on the open market, so we'd have to really -- other than the fact that the securities laws state that [inaudible] can certainly prevent that stock from being freely tradeable, and if there would be a substantial limitations in the securities laws on how the stock would transfer.

Mr. Hensley: Somewhere, it's in the discussion about equity -- before we came up with \$60,000,000 of it coming from Monarch and \$4,000,000 of it coming from Mr. Wilday and I think he answered with what -- \$2.2 million?

Mr. Farahi: Ah, if Peter Wilday can not come up with 4 or

only \$4 million, as compared to [inaudible] \$2.2 million, the difference will go to Peter Wilday.

Mr. Hensley: Could we also ask -- the investment that you are making of \$109,000,000 in total --

Mr. Farahi: Yes.

Mr. Hensley: -- is shown in your pro-forma as having been spent all in the first year. You've indicated that it's going to actually be over a two-year period. And you mentioned something about phased constructions, first phase and the second phase -- could someone give us sort of a calendar or whatever as to what construction is going to take place at each phase and in -- some timetable, I guess, that [inaudible] would look like in two years. Two years it's going to be finished, according to your plan.

Mr. Bob Farahi: There is no phasing. [Inaudible] \$109 million dollars is [inaudible] as soon as we can. [Inaudible] we feel we can open the public facility as soon as we can. [Inaudible] as soon as we can open the restaurants before the hotel is open [inaudible].

Mr. Hensley: Were you going to point out to us where those --

Mr. Wilday: Yeah, I think what Bob's referring to is this area here will be completed in construction before the tower, so as soon as possible -- as soon as we can get this open, we're going to move in, start using the restaurants and the attractions, even though this is still under construction.

That's not really a phase. If they all start together, we can open sequentially. It's just like we did in Reno.

Mr. Hensley: I thought I heard someone say that Phase 1 was going to include the hotel of 300 rooms and so forth and when I hear Phase 1, I always expect it to be followed by Phase 2.

Mr. Wilday: I know what -- I think it was me and I was referring to additional rooms. We think the market and the Clarion and everybody else feel that we can support more than 300 rooms. If you put more rooms in here, of course, the construction process would take a lot longer. We want to be completely done with this in the two years, so our game plan is -- let's get this done, take the 109 and get this done as fast as possible. Let's immediately start with the beach nourishment plan and the agency approval to allow us to do that, so that we'll be in a position after the two years if the market demands, to go on with our dream to build another 500 beach units that the Clarion feels we could support as well. That's not really a phase in terms of the 109. The 109 is done. And I think all architects look at -- I've never done a hotel that we haven't expanded. Never. We're always adding on. How do you do it? If you come back in and try to build a second tower on this site, you impact your operations to the point that it hurts everybody's jobs and the revenue, so by getting it out of this area we can keep this clean and green. We can keep it operational while we construct more rooms in the future. So that's our --

Mr. Hensley: Do you have a feel for how much money you will

have really spent at the end of the first year, or by the end of the first year?

Mr. Wilday: By the end of the first year --

Mr. Farahi: By end of first year [inaudible] gonna finish within two years. [Inaudible - change tape]

Mr. Hensley: [Inaudible - changing tape] construction workers [inaudible] by the end of the first year.

Mr. Wilday: By the end of the first year the tower will be coming up. This will probably be nearing completion so with the cash flow -- out of \$109 we may have \$10 to \$15,000,000 left to complete the tower. And that's just a rough guess, but it's something like that. It's our intention to bring this product to the Gary market as fast as we possibly can. It's to our advantage and to the people of Northern Indiana.

Mr. Hensley: And you'd mentioned earlier that you had personally invested \$650,000 to date in -- and how much has the other equity holders invested?

Mr. Farahi: I [inaudible] \$10,000,000.

Mr. Hensley: \$10,000,000?

Mr. Farahi: \$3,000,000.

Mr. Hensley: Three.

Mr. Sundwick: What part is your selected partner -- can you point out on the map what they are responsible for?

Mr. Wilday: Yeah, everything from the railroad corridor back this way except for the common areas, which we'd call the parking lots. We feel that this vehicular bridge is something

that we should share the cost of. Because we would like our co-developer to spend \$109,000,000 the same way we are -- right up front. We would hope that this parking garage could be built as a component of that and in our discussions with Ed Ellers we think there's a possibility that they'll come in and -- because we've spent all of our money -- that they'll go ahead and see the wisdom of this and contribute the money to do this. It's a 1500-car parking structure that will probably be built in the neighborhood of \$7,000 a car.

Mr. Sundwick: So they have to come up with the wisdom to do that? [Laughter] I'm using your words, but really they have the buildings in the back, and if possible, some share in the overpass, and with some wisdom, the parking garage?

Mr. Wilday: But of course we're paying for half the harbor; they're paying for half the harbor improvements. They'll build this pavilion which is their staging area. We're going to build the rest, and the hotel. They plan to build the transit marina thing.

Mr. Sundwick: How will the management -- if they have the transit tower and you have the rest of it -- who controls it? Is that controlled by each individual company?

Mr. Wilday: We will control -- the way it stands right now we would control the hotel through the Clarion. Everyone of the things that we've proposed in here we've already done, and we already have the people in place, we've gone through this whole thing so the Iwerks, the bowling center, the family

entertainment center, all the restaurants, we would operate -- on our side. They would operate all the things that they're going to do back in the back that add to the entertainment value, as well as their stage -- their pavilion, the boarding pavilion and Tiffany Pavilion.

Mr. Sundwick: Like a lot of marriages today, they break up. What happens if you don't like what they're doing when you get down the road?

Mr. Wilday: I don't understand.

Mr. Brown: We contemplate preparing and signing an extremely detailed development and operating agreement which we feel [inaudible] rules and regulations, if you will, the project afterwards. Certainly as to how soon we exit the project would be something that would be subject to consideration by this Commission, I believe, and it would involve someone leaving a location that is licensed by this Commission.

Mr. Bochnowski: Now, you've said in the construction of all this that you have a commitment to hiring local contractors, local companies, etc. -- do you have a specific commitment? Is there a numbered commitment?

Mr. Brown: Yes. On January 5, 1994, Monarch entered into an agreement with the City of Gary, which is contained in Exhibit 54 of Part II of Monarch's application, paragraph number 20, which states labor requirements concerning local and unionized labor, minority-owned businesses, with particular emphasis upon the inclusion of small minority owned businesses and women owned

business enterprises. It says, notwithstanding previous commitments the exact terms shall be negotiated in the joint development agreement, which is the one I just referred to, that we would be contemplating entering into with our co-developer and the City of Gary upon such timing as the license were issued.

Ms. Bochnowski: Did you at that meeting make specific promises as to a percentage of --

Mr. Brown: There's a, there's an employment commitment involving the employment of Gary residents, and I can't put my finger on it.

Someone: Page 9.

Mr. Brown: Page 9. Paragraph [inaudible].

Ms. Bochnowski: Would you find that the same kind of commitment as far as hiring local contractors versus bringing in other outside --

Mr. Brown: I don't know that we're contractually committed to do that, and it was certainly our intention to do so.

Ms. Bochnowski: Because I know you've mentioned you could get above 95% or something [inaudible].

Mr. Brown: It is our goal to use as many local vendors, suppliers, contractors as is possible.

Ms. Bochnowski: And if nobody else has a problem on that, I'd also like [inaudible] to explain to me in more detail possibly that this local charitable group, that -- the investments -- I don't even know what to call it. Oh yeah, the Gary Renaissance Foundation, that's it.

Mr. Brown: The Gary Renaissance Foundation which will be controlled by the City of Gary, and it will be a board of directors of seven members, four of which who will be appointed by the mayor of Gary, two of which will be appointed by the Common Council of Gary, and one of which will be appointed by Monarch. And the purpose of that foundation is to utilize these funds to promote economic and employment development in Gary.

Ms. Bochnowski: So they get a 5% stake in that?

Mr. Brown: That's correct.

Ms. Bochnowski: And whatever the profits may be generated from that 5% stake will go into this foundation?

Mr. Brown: That's correct.

Ms. Bochnowski: And be distributed in --

Mr. Brown: And Commissioner Bochnowski, I'm trying to put my finger on the provisions that you were requesting and it said that the development agrees to make all reasonable efforts to assure that 80% of the contractible goods and services go to qualified local Gary-based businesses.

Ms. Bochnowski: Great. Okay.

Mr. ?: If I could add to that concerning the local hiring. It is the intention of the -- it is certainly our intention to work with the local building trades [inaudible], so we would expect to show you full and total compliance in that area.

Mr. Hensley: Does this foundation receive dividends? Does it receive a proportionate share of dividends or is it a percentage of the income?

Mr. Brown: Proportion-share dividends.

Mr. Hensley: Do you add to the schedule for payment any time during this five-year period that we are talking about? I didn't see them in the pro-forma.

Mr. Brown: Not a dividend scheduled percentage -- there's only one class of stock in this corporation, and they would be entitled to their share of the shareholders' distributions, along with Monarch and Mr. Wilday.

Mr. Hensley: This cash is actually going to be distributed out?

Mr. Brown: Yes.

Mr. Klineman: What about the upfront fees? What fees are going to be paid by the entity that is Monarch or Peter or any of the other more majority people?

Mr. Brown: None that I am aware of. There will be no salaries [inaudible]; there will be no front fees to Mr. Wilday or to anybody else.

Mr. Klineman: Well, I presume Mr. Wilday will see his usual architectural fee? [Inaudible].

Mr. Wilday: I wish. [Laughter]

Mr. John Farahi: Part of management team going to be managing the properties northeast. Of course Peter [inaudible] in managing of the property and the sense of contributing to the success of the property. So there would be no fees. Just salaries for the management.

Ms. Bochnowski: So you would receive salaries instead of

fees?

Mr. John Farahi: If you are management that are running the property, yes, they are going to be receiving salaries.

[Inaudible]

Ms. Bochnowski: Do you not pay on a percentage basis then, you're paid whatever salary you [inaudible]?

Mr. Klineman: What are the present plans with respect to the owners being employees? Is it contemplated that several of the owners will in fact be employees, and if so, under what sort of salary?

Mr. John Farahi: Mr. Chairman, we are going to be hiring general manager and different positions for the property so they would be getting salaries, but these would be as officers of the company. The parent company would be getting our salaries. So this project alone by itself -- no, they will not be paying direct salaries. It would just get salary at the parent company.

Mr. Klineman: My next question will be -- does anybody else have anything along these lines?

Mr. Hensley: One other thing. Do you plan on paying out 100% of your income each year? Do you plan on distributing that out to shareholders each year?

Mr. Brown: No, this is a C coordinated company and it would be hard to do that to the extent that they need to reserve for future [inaudible].

Mr. Hensley: I'm just trying to get it clear on all the distributions that you said would be made to the shareholders.

Mr. Brown: It is certainly in Monarch's and Mr. Wilday's interests to distribute as much net income as possible bearing in mind that it is a necessity to keep business reserves on hand. But, no they're not legally required to pay out every time with that income.

Mr. Klineman: And you won't be retiring any debt for that first five years, either?

Mr. ? Farahi: Yes, we will. [Inaudible] Farahi family, one of the first things we do is we do this. That's the way we always done it and that's the way we do here. We will do what's good for the company first. [Inaudible]

Mr. Hensley: So the information that's in your pro-formas is just taking what's possible, instead of what you actually plan to do?

Mr. John Farahi: [Inaudible]

Mr. Hensley: Sir?

Mr. Brown: Mr. Hensley, is there a particular schedule that you are looking at?

Mr. Hensley: Well, no, I think that what I heard at some point here -- what was that? -- you were going to issue \$82,000,000 in bonds without interest, or with interest only? With a five-year balloon?

Mr. John Farahi: [Inaudible]

Mr. Ben Farahi: If you look, I'm sorry, my name is Ben Farahi. If you look at our five-year [inaudible], \$82,000,000. We have the option to raise \$82,000,000 [inaudible] if need be,

that is discounting any cash flow from operation, even though our experience says there's going to be some cash flow from operation. Looking at the payment of the debt, we do see [inaudible] year by year. The five year -- again we have the option of not paying a dime under the old five year, but we are [inaudible] required to be paid, but we will retire the debt as fast as we can.

Mr. Hensley: If you make the distributions out of earnings to the shareholders, instead of paying down the debt, it seems to me that -- how, how's the debt getting paid in that particular case? Does everybody get the same share of distributions whenever they're made? Does - do these 15% equity holders that are not the principal investors -- do they get the same distribution?

Mr. John Farahi: It's going to be one class in the start. Therefore, [inaudible] same distribution as everybody else. Because whether it is Monarch, Peter Wilday, the Renaissance Foundation, or any other particular stockholder because it's only one class at start. As far as the [inaudible] distribution is concerned after the retirement of debt, so it is conceivable that early in the first year when there will not be any distribution although realistically there will be one because [inaudible] if our projections are correct and it is at the bottom of the scale, there should be -- the bottom should be a smashing success and we should have considerable [inaudible] cash flow and allow us to retire the debt in a fashion that we like to do and speed that up

and still allow some distribution to the stockholders. But those are not projected in, because that would be unconservative.

Mr. Klineman: Could I understand the \$30,000,000 slot machine company [inaudible] and how that's to be repaid?

Mr. John Farahi: That's \$7,000,000, that's \$7,000,000. This [inaudible] is paid 12 to 24 months.

Mr. Klineman: So that would be a debt repayment?

Mr. John Farahi: That's correct. It is the same thing we have done with our project in Reno, both times.

Mr. Klineman: Nobody is questioning whether you've done it before, we just need to know what the facts are.

Mr. John Farahi: [Inaudible].

Mr. Hensley: There's -- in the pro forma information we have I think the acquisition debt was originally projected as being \$66,000,000 and it's been increased now to \$82,000,000, and the equity contribution has been increased from \$11,000,000 to 23.

Mr. Brown: As the Commission is probably well aware, the capital markets have been going through a substantial change relative to gaming stocks in the last several months and perhaps someone can explain that more expertly than me, but --

Mr. Klineman: I think that's a given. I think all of us are aware of -- that there's been a substantial diminishment of values of gaming company stocks.

Mr. ?: The principal reason for the change is the original sources and uses anticipated and some of the operating cash flow

anticipated would be used to fund the project and in the interest of conservatism, and to give the city and the state commission comfort that the funding was not depended on probable operations, the debt and equity size have been increased. It is -- everybody's intention in fact it will be probably very quickly that there will be excess cash to be used to amortize debt but the reason for the increase in debt and the equity is to have no dependence whatsoever on probable operations initially.

Mr. Brown: If I might just give one further follow up to Mr. Hensley's question concerning the shareholders' distribution -- this is not a "get rich quick" scheme for local investors, this is a long-term investment, and we want them to benefit with a long-term commitment to the company. Obviously to the extent that the debt is paid down and therefore the shareholders' distributions are not made, the shareholders' equity goes up and therefore their investment becomes more and more valuable. So we think it's in the best interests of the company and shareholders as a whole to pay the debt service as quickly as possible.

Mr. Klineman: Are you prepared to represent to the Commission that all of the local investors who are going to participate -- were, in fact, chosen without any influence from any public official at all?

Mr. Brown: Mr. Chairman, certainly, as far as I am aware.

Mr. Klineman: Anybody have anything further to say along those lines?

Mr. John Farahi: I concur with him.

Mr. Klineman: I'm sorry? You concur?

Mr. John Farahi: I concur, on behalf of the company.

Mr. Hensley: Still, during this first five years according to your projections you are going end up with about an \$108,000,000 in debt, and so I guess the 15% that you are giving away at that particular quarter, distributing out, comes to about \$15,000,000 which is, you know, a pretty significant fund or amount [inaudible], but it still seems a little -- the pro-formas that we have showing no debt retirement and showing no distribution to shareholders obviously leaves us with a very, very good-looking cash flow for that period of time, but I'm not sure I understand exactly how this is going to wash out if you do these distributions.

Mr. Brown: Commissioner, are you referring to an exhibit in [inaudible]?

Mr. Hensley: In internal documents and I know I made one mistake already today, but this is from your pro-forma income statements, I think, that was provided to the Commission.

Mr. ?: I wasn't involved in the preparation of those numbers but the way a lot of these projects have been financed has been with high-yield debt, which does not allow amortization for "x" period of time. In other words, if you have a bond, that's an eight-year bond, you can't amortize any of it for the first four years. So to the extent they showed no amortizing, that could, in fact, be the case. It could be generating a lot of cash, but not be allowed to take down that debt.

Mr. Sundwick: Is that what happened or is that what you're assuming happened? -- I'm unclear.

Mr. ?: I wasn't involved in the preparation, and so I can't state to [inaudible] projection, but what I can say is this, standard expectations respect any onset --

Mr. Klineman: This -- this debt isn't in place yet, so you don't know what you have to -- what the terms are going to be?

Mr. ?: That's correct.

Mr. ? Farahi: Bruce was correct [inaudible] with a high-yield bond [inaudible]. If you have a high-yield bond and [inaudible] for two or three years. [Inaudible]. But that does not mean that the company can't take the cash and put it in CD or something needed for retirement, so that when the time comes your cash is available, and I think that might be what this schedule is looking at. It shows the cash is increasing--anticipate for retirement of the debt and that is allowed.

Mr. Hensley: But you could have some sort of sinking fund for something like that as for as your pro-formas are concerned?

Mr. Farahi: That is correct, but I cannot get into detail with you [inaudible] to go to market to get the fastest retirement schedule [inaudible] is wrong in case things do not come out [inaudible] do not go overboard in trying to retire [inaudible] short of cash. You have to look at both sides of the equation. Then the time comes when you [inaudible] them all.

Mr. Hensley: It just concerns me a little bit that you have \$82,000,000 in debt, and you're generating all this cash over

this period of time. You're generating \$105,000,000 in cash, but your statements show that you are not paying down the debt. I hear that you are probably going to distribute the income, so it seems to me that if you are really not building up the equity in this particular venture that I would assume that all of us like to see.

Mr. Farahi: [Inaudible] in the schedule you are looking at [inaudible]: 1) We have to [inaudible] on the cash to retire the debt; 2) Probably [inaudible] requirement of the bond that all the cash cannot leave the company [inaudible] this company or any other company that [inaudible] requirements of high yield, so that's why you see the bit of cash that is not retiring the debt. [Inaudible] you can pay off the debt while at the same time, they go on and get paid because they won't have such a high yield. So that's why you [inaudible] duration of the agreement and then you pay off as [inaudible].

Mr. Klineman: Well, the concept of the sinking fund as a reserve or something that, I think, that --

Mr. John Farahi: That's very true. [Inaudible]. If you're looking at what it is at this juncture for us to make any kind of commitment that is accurate, [inaudible].

Mr. Klineman: Do you have any other, anyone, have any other applications at any other locations in any other states? I mean on behalf of Monarch -- ?

Mr. John Farahi: [Inaudible] application [inaudible] looking elsewhere, but nothing that we can discuss.

Mr. Klineman: But you are looking to -- at this time to go forward with other applications?

Mr. John Farahi: Nothing that certainly would be in conflict with our commitment in Gary that will come down the line in 18 to 24 months [inaudible]. Really nothing [inaudible] outside of this speculation [inaudible].

Mr. Klineman: Well, we would very much want you to be committed to this project if we chose you and not get the feeling that you were moving off into other directions and maybe using up your borrowing power and other things that you represent would be in place for Gary, some place else.

Mr. John Farahi: We were asked the same question on our road show a few months ago by our investors, and I think that we have testimonies to that effect. We have been in business [inaudible] over 60 years. We are going to [inaudible] and we do not intend to tarnish our reputation.

Mr. Klineman: Anyone else have anything? Mr. Thar.

Mr. Jack Thar: A couple of questions. I believe that you've indicated that your total amount in the Gary project is \$109,000,000, of which there's a line item of \$5,000,000 for land acquisition. Assuming for the moment that your share of land acquisition cannot be obtained for \$5,000,000, where does the additional amount of money come from? Does it come by reducing another portion of that \$109,000,000 commitment or does it come by increasing that \$109,000,000 commitment?

Mr. John Farahi: Mr. Thar, our total commitment is

\$109,000,000. So we have the land costing over \$5,000,000, then we would have to do our best to save from other areas of the project --

Mr. Thar: Would that come from part of your project costs or would that come from part of the incentives to the City of Gary? [inaudible]

[pause]

Mr. Brown: While these deliberations are ongoing I might just point out that I don't believe that issue is addressed in our agreement with the City of Gary as a legal matter, so I --

Mr. Thar: I'm not trying to turn it into a legal matter. I'm trying to into -- let's assume for the moment that Buffington Harbor land acquisition is a \$20,000,000 split between two licensees. You've budgeted \$5,000,000. Where's the other \$5,000,000 come from? Is it going to be a permanent item within that \$109,000,000 commitment, and if so we'd like to know that, or are you willing to toss it, in addition to 114 of that, would they like to know that? If it's coming from \$109,000,000, are you just going to say, we're not going to do the Sheraton, or are they going to say, we're just going to put in 200 rooms, I don't know.

Mr. ? Farahi: We will have to look at if we can [inaudible] clauses. And we will have to see, is it \$500,000 or \$5,000,000? Our total commitment is \$109,000,000. That is our total commitment.

Mr. Thar: Well, you'll have to increase that if the line

item goes up \$5,000,000. You'll just have to find another way to with that \$109,000,000 to finance the land acquisition?

Mr. ? Farahi: That is correct.

Mr. Thar: It is my understanding from the analysis of Monarch -- that Monarch's presently under certain restricted borrowing covenants with regard to the \$30,000,000 remodeling loan in Reno involving a line of credit. Is that true?

Mr. ? Farahi: That is correct. [Inaudible] restriction, as far as I know nothing more than ordinary in these type of loans.

Mr. Thar: Okay. Assuming that they are ordinary, I'd like to know how do those restrictions affect a) Monarch's ability to contribute to the \$20,000,000 of equity you are talking about? and b) How do those restrictions affect--to get of--Monarch's ability to go \$80,000,000 more into debt?

Mr. ? Farahi: Ah, you take the equity side first. There is no restriction as far as Monarch being able to sell additional stock and inject that to a subsidiary, as far as we can remember.

Mr. Thar: Now, would that be done by Monarch? Or would it be done by the individual Farahi -- ?

Mr. ? Farahi: That would be done by Monarch. Monarch is selling additional shares that would complete [inaudible] and then Monarch would take [inaudible] subsidiary. As far as debt is concerned, traditionally, Monarch might have to guarantee that debt. In that case, FID Bank has to consent to that, that guarantee. [Inaudible].

Mr. Thar: And once that debt [inaudible], would that

increase the cost of the debt?

Mr. ? Farahi: That I don't believe that it would affect the cost of the debt. It would just mean we have to get a consent from FID Bank Group. The cost of the debt [inaudible] today, we are talking about \$82,000,000.

Mr. Thar: We are talking about the \$82,000,000.

Mr. ? Farahi: I don't know -- that, that should affect [inaudible] affect what happens [inaudible]. I don't believe [inaudible]. The experts, maybe they can answer that for you. I don't believe that.

Mr. ?: As regards to the \$80 -- approximately \$82,000,000 in debt, that would be issued by the subsidiary, a non [inaudible] recourse by Monarch, not guaranteed by Monarch, and therefore not requiring [inaudible].

Mr. John Farahi: But I'd like to point out to you please, Mr. Thar, if you look at the [inaudible]. I think that [inaudible] and we have full cooperation with [inaudible] covenants.

Mr. Thar: Well we are talking about Monarch financing certain aspects of this project, and it's obvious that by the setup between Monarch and its subsidiary, that if Gary becomes a very profitable operation, the profits would certainly flow back to Monarch and Reno. Is that correct?

Mr. John Farahi: By all means, yes.

Mr. Thar: Then what assurances do we have that profits shall not be [tape had to be changed]

Mr. John Farahi: [tape had to be changed] -- [inaudible] because after all it is a commitment we are making and [inaudible] previous commitments [inaudible]. It is our intention to use this again as another stepping stone so that [inaudible] maybe in three or four years we can [inaudible].

Mr. Thar: Well, I understand what you've done to the Clarion and what you've done there, but in this particular instance this applicant is a subsidiary of Clarion.

Mr. John Farahi: That's correct. It is being controlled by the parent company. The parent company is [inaudible].

Mr. Thar: The question was brought --

Mr. John Farahi: I was just reminded as we indicated earlier there will be covenants in the \$82,000,000 note that would require us to give up [inaudible] cash to retire the debt.

Mr. Thar: Mr. Klineman had brought up a question earlier, I must ask a little bit more specifically -- Clarion is part of the initial proposal [inaudible] Dunes, part of this proposal says we're going to build a 300-room hotel, I believe, however, the market is for 800 rooms, based upon the presentation I've heard today --

Mr. John Farahi: I'm sorry, I cannot answer that question, but that's not the area I've concentrated and focused on.

Mr. Thar: Sorry, I don't care who answers --

Mr. Thar: [Inaudible] Your proposal shows a 300-room hotel, and you've indicated today that your market research indicates that you believe 800 rooms to be supported in the

future, is that --

Mr. John Farahi: Yes, from our experience we believe that today we can support 300 rooms, but building this resort destination we feel that there is going to be a need for another 500 rooms down the road.

Mr. Thar: Okay, now, let's assume for the moment -- and this is a hypothetical question, that the Commission agrees with you that in fact 300 rooms is not enough, so the only other applicant before us in this process is Trump that is proposing a hotel. How does your project integrate with Trump's proposal?

Mr. John Farahi: We really have not looked at Mr. Trump's project. I feel I've indicated that we have put a lot of time in working on this project with President-Barden Group. We feel very comfortable working with that group [inaudible]. Frankly, if Mr. Trump comes into the picture, then it's a totally different thing for us. We have to look at it- and go from there.

Mr. Thar: Does the possibility exist that if the Commission were to select you with any other applicant other than Barden-President, that what we see here today may not be what the proposal will be between you and another -- applicant?

Mr. John Farahi: Well, obviously we are only half of the equation and we can only make half of that decision. Frankly, we would have to sit down and talk to that applicant and we do not know what the outcome would be.

Mr. Thar: Obviously you are committed to what you have

shown to us today, but if another applicant's proposal was believed by the Commission to be stronger, would you still want to be in Gary if you did not put up a hotel?

Mr. John Farahi: It depends on what kind of arrangement we can make with the other applicant. [inaudible]

Mr. Thar: The staff has received phone calls with regard to the fact that there was asbestos on your boat, when it was originally purchased. What is the present status of the asbestos on the boat?

Mr. John Farahi: [Inaudible] part of the agreement with Bender shipyard it was possible to remove the whatever (inaudible) there was on the boat, to go from there to give the shipyard the possibility to take care of the project on site.

Mr. Thar: Has that [inaudible] been taken care of to date?

Mr. John Farahi: Not all of it. Part of it has, but the majority (inaudible) the shipyard -- the shipyard is going to take care of, that's part of the contract.

Mr. Thar: We are also aware of the litigation that occurred -- that I guess is still at issue over towing of the boat. Were the different sides taking different positions.

Mr. John Farahi: [Inaudible]

Mr. Thar: In part of the investigation we noted that there seems to be a lot of litigation with regard to Monarch and debt. Do you care to clarify the litigation?

Mr. John Farahi: I would like to refer that to Michael Bonner.

Mr. Brown: Michael Bonner is Monarch's Nevada counsel.

Mr. Michael Bonner: Members of the Commission, Mr. Thar, Michael Bonner of the law firm of Commert, Kemmer, Bonner and Renshaw (?) in Las Vegas, Nevada. We were retained last year and acted as counsel to Monarch in its initial public offering. In connection with the initial public offering, we handled all matters seeking approval for the Nevada Gaming Board, the Nevada Gaming Commission, which as you probably are aware is required for companies going public under the Nevada Gaming Control Act. This issue was brought up in those proceedings and because of that I was asked to come here today just in case the issue came up today. We took a look at that issue, Mr. Thar, and did some analysis. I think that if you look at the record there was a broad, very broad brush painted with respect to the litigation history. We took a look back over a period of approximately ten years -- from 1993 when we appeared before the gaming authorities back prior to the first time the Golden [inaudible] Group appeared before the Nevada authorities, and during that time the litigation could be broken down very basically. Approximately twenty cases over that 10-year period of time were with reference to the operation of the Clarion. Approximately seven of the twenty, more than a third, had to do with very common, day-to-day hotel/casino operation litigations -- slip and fall cases, one employee dispute, things that in my experience as counsel to hotel/casinos in Nevada are just part of day-to-day business, like any other businesses. Two-thirds of that group had to do in

certain respects with certain vendor disputes, and most of those, in fact, were small claims court matters.

The gaming authorities in Nevada spent some intention on those and I think, frankly, the Farahi's habit, if you will, of putting principle over kinda the time and effort of -- their own personal time and effort of carrying on small-claims court issues is really what gave rise to this issue. Generally, and I think it's fair to say that when you look at those -- the history of the litigation, you will see that over a ten-year period of time, you have less than two issues arising a year. Most of the litigation arose out of vendors who failed to perform the contract in connection with the 1991 expansion, and I really think the characterization that, at least that was made before the Nevada Gaming Control Board, was somewhat inaccurate in that regard.

There's another group of litigation I'd also allude to which has to do with Farahi's and other business interests in Nevada and again over that ten-year-period of time there was approximately another group of about twenty lawsuits. The Farahi's group family partnerships controlled approximately ten other real estate orientated businesses. They control approximately 750 apartment rental units in the northern Nevada area. In that broad grouping over that ten-year-period of time, we have roughly again short of twenty lawsuits, so again on an average of less than two a year.

If you look at that group of lawsuits you will see that

approximately five of those were actually instituted by the Farahis, in the sense that two challenged zoning and planning issues, three were condemnation actions and in which an evaluation of real property and [inaudible] was at issue. And so, again, there is an analysis, if you get down to a case-by-case look, there's a few matters that were challenged by the Farahis [inaudible] with people claiming a payment due when the Farahis felt it wasn't due, and that was really I think the source of -- There was one other very small group of litigation that had to do with personal [inaudible] what I call personal matters. One in fact involved a matter involving a purchase -- an intended purchase of a home. That went to trial in [inaudible] County District Court. The court found in favor of the complainant -- actually, the defendant, Mr. John Farahi. The other side [inaudible] Nevada Supreme Court and the Nevada Supreme Court confirmed that on appeal and in fact, ruled that the other side had filed a frivolous appeal. So, broadly categorized, I think the litigation issues are at-- and when you look at a particular cases involved from a businessman's perspective are explained in an understandable business [inaudible].

Mr. Thar: I will get to that. You represented the Farahis with regard to this matter in part before the Nevada Gaming Control Board?

Mr. Bonner: Yes, sir.

Mr. Thar: Did they in fact advise the regulated entity that

they thought that the amount of litigation over vendor disputes was excessive for someone they were regulating?

Mr. Bonner: Mr. Thar, I think that is a fair paraphrase of some of the comments made.

Mr. Thar: It's my understanding since the comment has in fact been made that the amount of litigation of the defendants has substantially lightened. Is [inaudible].

Mr. Bonner: There's no question and again unfortunately I think the Nevada Gaming Control Board did an injustice to the Farahis in painting a broad brush, because I think they didn't look at the underlying -- underlying cases, they looked at the quantity of cases, not what comprised the cases. But I will tell you that we had a litigation search made this morning in [inaudible] County, and since the July appearance before the gaming authorities last year, there were approximately seven new cases involving the Clarion. They are very typical plaintiff's slip-and-fall-type cases.

Mr. Thar: Slip-and-fall-type cases -- My question now is what philosophy the Farahis and Monarch have in Indiana? Is it the one that they had before the Nevada Gaming Control Board talked to them about this issue or is it the one that they now have afterwards with regard to the Reno operation?

Mr. Bonner: Mr. Thar, I think that the Farahis believe in the principle that if you give your word to do a project and agree to the amount of money you pay for that project, then you perform the project. If you perform the project, you'll be paid

in full. If you fail to perform -- if you breach the contract, then the Farahis are going to contest it. It is not their intention -- and we've got into heart-to-heart talks about this -- they do not -- they believe in the principle of the contract and they will fulfill that obligation.

Mr. Thar: Okay.

Mr. Klineman: One follow-up question. I wasn't sure that you had completed your answer. Since you're now in litigation and you said they were all slip-and-fall cases?

Mr. Bonner: Now let me just give you a quick recitation -- there are 42 records in [inaudible] County District Court; 3 plaintiff's [inaudible] cases have been filed against the Clarion; 1 unemployment -- there's 1 employment dispute, 1 a commercial dispute that's been settled, in which the Clarion was a defendant; 2 cases in which the Clarion is the plaintiff, one of which was resolved in the plaintiff's -- in the Clarion's favor -- ; they enjoined a party that was picketing on their job sites, trying to correct an economic distortion or even basically -- the court found in the Clarion's favor on that one; and then there's one breach of contract action against the defendant who had failed to provide some supplies for a contractual obligation -- very typical operating-type actions for an operation of that size.

Mr. Bonner: I might just comment. We do represent several hotels in Las Vegas. That quantity of lawsuits -- seven in a one-year-calendar of time is very much the norm, unfortunately.

Mr. Klineman: You know, you do really have to exclude the slip-and-fall cases. That's the cost of doing business for anyone knows [inaudible], I'm sure. The other matter is that I think Mr. Thar has been inquiring and apparently the authorities in Nevada were very concerned. Does anyone else have anything?

Mr. Vowels: I'm looking at the list here. For example, the -- it looks like a security deposit returned dispute, ah -- judgement for the plaintiff against the defendants, Farahi, doing business as [inaudible] \$49.76 plus \$29.50 in court costs so the judgement (inaudible). Are you telling me that something like that is represented by an attorney who goes [inaudible] trial on something like that as a matter of principle?

Mr. Bonner: No, sir. In fact, my understanding of the Farahis in those days, I think if you checked out the lawsuit it is probably several years old, and Mr. Farahi -- one of the Farahis or their apartment complex manager would have appeared. That would have been a small-claims court action that did not require counsel.

Mr. Vowels: I'm just trying to see the business sense behind paying somebody whatever it is that you all charge out in Nevada per hour to represent people for a small claim. I may move out there. [Laughter]

Mr. Klineman: Does anyone have anything else -- or any other questions of anyone?

Mr. Sundwick: I have a question regarding the feeder or exit ramp so spoken of. You're going to build an exit ramp --

that's your proposal?

Mr. Bonner: Exit ramp?

Mr. Klineman: The Kline Avenue --

Mr. Wilday: Okay.

Mr. Sundwick: My understanding is that you are going to do that. I mean, that's a --

Mr. Wilday: Yes, absolutely! We think this is very, very important to the marketing of this facility.

Mr. Sundwick: Is this a split cost for yourself and your selected partner?

Mr. Wilday: We think it should be.

Ms. Bochnowski: Is that included in the [inaudible]?

Mr. Wilday: Yes. We don't know how much it will be. We were given a range and a time range of by our consultants and I don't know if they're still here or not --

Ms. Bochnowski: But is that part of the \$109,000,000?

Mr. Wilday: Yes, that would be part of the site costs, and we think that's the most important thing, so we would pay for our half, our co-developer we would hope would pay for the other half. We're both going to use it.

Mr. Sundwick: But you haven't worked it out yet? You're still on -- you wish they would.

Mr. Wilday: Well, I think the city has the ability -- all of our contractual agreements allude to the fact that if we can't agree, the city can mediate it and enforce that. So we would hope, and we would hope that we would not have to go to mediation

on it, but we think clearly that both parties who use that ramp will have to be safe and beneficial for the product -- for the project.

Mr. Sundwick: You also talk about -- I think the word you used was, park-like setting --

Mr. Wilday: Around that lake.

Mr. Sundwick: Is that -- was that just an idea, or is that going to be done?

Mr. Wilday: That's going to be done.

Mr. Klineman: Were we going to get an estimate or did we get a cost?

Mr. ?: We've estimated the cost of that off-ramp at \$5.5 million dollars.

Mr. Klineman: That's the whole thing -- all the way into the complex?

Mr. ?: That's simply taking where we must start on Route 912 with the proper taper and running over the ramp as is existing from the industrial highway Route 12 onto Kline Avenue basically, to complete this interchange. Currently the traffic nearing the site is about 500 vehicles a day, maximum. We want to put 12,000 vehicles a day in there. This ramp is necessary.

Ms. Bochnowski: I'm assuming that there's a way to get back on, too?

Mr. ?: That part's already there.

Ms. Bochnowski: Oh, okay.

Mr. Klineman: I think that [inaudible] ramp is very

favorable from what I know of [inaudible].

Mr. Wilday: Well, that -- if you can see real close -- if you look real close, there's these high-rise electrical towers here. That price as a conservative engineer which we're asking him to be includes the flyway starting back here, going up over this on-ramp, and back down and re-locating these towers. It may not be required to re-locate those towers. If it is not, and if there's enough room through here at the speeds that we want to do it -- at 30 mile an hour, free right-hand turn, it could be substantially less -- more in the two and a half to three million dollar range. The big cost is in moving the towers.

Mr. ?: This has all been done according to state and federal highway requirements.

Mr. Klineman: I'm from Carmel. We build \$90,000,000 additions to our high school. [Laughter] Anyone else have anything further? The client. The client wants to talk.

Mr. ? Farahi: Mr. Chairman, I would like to say something about what Mr. Jack Thar asked us regarding our patience. We operate [inaudible]. Probably the most difficult aspect to decide here in Indiana is that we're going to have two operators working at -- from the same site, operating from the same site. If the two people do not get along together [inaudible], this project will not be successful. Having six restaurants, having an entertainment center, a hotel, an entrance, all the other things [inaudible], I urge you, whether it is us or anyone else that gets the final OK from the Commission, that they should be

able to work with each other. If not, I can tell you from the operation side of this that this will be a very difficult operation to succeed.

Mr. Peter Wilday: Mr. Chairman, if I could make one more point that I think is a little bit undone here is the idea about the 300 rooms and the additional 500 rooms -- what we've found is that if we develop a great product and the room occupancies are like they are at The Clarion in Reno in the over 90%, we want to build more rooms. That's why we always keep adding on.

I failed to make in my presentation the fact that this is a single-loaded corridor. Every room looks only to the lake. This is a beautiful view, this is a beautiful lake. There are no rooms that look this way. These are corridors. The elevator tower's in this lighthouse. The same thing holds true for the units down along the beach. There's a solid wall against the railroad corridor. Every room has a view of the lake. We feel that this type of design which costs a little bit more to do gives us a better opportunity down the road. There'll be the demand there and we'll actually go ahead and continue on with the development. Thank you.

Mr. Klineman: Anything further? Do I hear a motion that we adjourn these proceedings?

Mr. Vowels: I'll so move.

Mr. Sundwick: I second.

Mr. Klineman: All in favor say aye.

All Commissioners: Aye.

Mr. Klineman: Thanks, everyone for coming, I appreciate it.