

STATE OF INDIANA)
) SS:
COUNTY OF LAKE)

BEFORE THE INDIANA GAMING COMMISSION

PRESENTATION BY LAKESIDE RESORTS

September 1, 1994

BE IT REMEMBERED that the following proceedings
were had before me, KAREN M. PRICE, Registered
Professional Reporter, Indiana CSR No. 93-R-1000, on
Thursday, September 1, 1994, at the Genesis Center, Gary,
Indiana.

KAREN M. PRICE & ASSOCIATES

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APPEARANCES:

On Behalf of the Indiana Gaming Commission:

ALAN I. KLINEMAN, Chair

ANN MARIE BOCHNOWSKI, Vice-Chair

GILMER GENE HENSLEY, Secretary

THOMAS F. MILCAREK

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

1 MR. KLINEMAN: I think we're ready to go now.
2 The meeting will come to order. The first item on our
3 agenda today is the presentation by Lakeside. And you
4 may proceed.

5 MR. DONALD SMITH: Thank you. Good morning,
6 Mr. Chairman, Ms. Bochnowski, gentlemen. My name is Don
7 Smith. I am co-counsel along with Kightlinger & Gray,
8 for Lakeside Resorts. Doctor, don't worry about being
9 late; I have that same trouble with my wife. Anyway, we
10 have a brief time to explain to you this morning why we
11 feel we're best qualified to have this license. You've
12 had time to assess our documents. This morning, I'd like
13 for you to assess our people and our qualifications
14 firsthand.

15 Now, we have consistently, throughout our
16 application, this presentation, taken what I call the
17 Hoosier approach. And that's this: To assemble the most
18 qualified members for our team. Number two, to make this
19 a team effort with you, the City of Gary, and the State
20 of Indiana. And the chosen like the city that we'd have
21 to work with. And number three, to confirm to you and to
22 the people of Indiana that we have a commitment to ethics
23 and integrity. And we think that's clearly important.
24 Number four, to deal with you in terms of fact and not
25 fantasy. That is to say, to approach the process and the

1 problems that we're gonna be facing realistically without
2 deluding you or ourselves as to the efficacy of our
3 proposal and its probability of success. And we have
4 assembled a team of strong Indiana roots and businesses'
5 experience to become your partners and the licensees to
6 be your partners in this venture.

7 As to the Hoosier approach, I grew up in southern
8 Indiana. And after a military career returned here. And
9 I find some things have changed, but some haven't.
10 Hoosiers haven't changed. They still have a great amount
11 of common sense and the ability to separate fact and
12 fantasy.

13 Now, when I say Hoosier roots and Hoosier approach,
14 is that just a buzz word or some sort of hype to get
15 favor with you? And I think not. I want to tell you how
16 I think that relates to the real world. As you're gonna
17 learn this morning, our major partners in Lakeside have
18 done millions of dollars of business in this state. They
19 have millions of dollars invested here now, and they will
20 continue to do millions of dollars worth of business in
21 Indiana. They were here before gaming came to Indiana,
22 and at the end of the day, we'll still be here.

23 Now, what does that mean? Every applicant is
24 convinced that a gaming boat in Gary is gonna be a
25 winner. If we weren't, we wouldn't be here. But, which

1 of your applicants, as businesses sometimes do in a snag,
2 which of your applicants will be here if it doesn't stay,
3 to stand tall and continue to protect their business
4 reputations in this state? We will not cut and run if it
5 does hit a snag.

6 Now, as to promises, I don't want to turn this
7 process into a debating contest with the other
8 applicants, but obviously, you're gonna draw comparisons,
9 otherwise you can't make a decision. For instance, much
10 has been said when a boat can be put in water on the dock
11 side and operating. See, we don't think of this in terms
12 of the great Oklahoma land rush. Who's gonna get there
13 first. There are problems that have to be solved and
14 addressed.

15 We're gonna make you no promises that we're gonna be
16 in there day after tomorrow with a boat. There are
17 issues that have to be resolved. The land issue has not
18 been resolved. That has to be addressed. And by the
19 way, you've had some contact with Portland; we do not
20 want to be a vicious or intermeddling in the State's
21 business, but we have men on our team, businessmen who
22 negotiated millions of dollars of property acquisitions.
23 If the City wants us to, we're more than willing to help.
24 And to help move that situation along.

25 Now, in forming our team, we considered that there

1 were four elements that are essential to this process.
2 And these are on this board that I have here. Gaming
3 expertise, solid financial resources, and we have an
4 in-house construction capability. And fourth, but not
5 least, our strong and meaningful community programs. And
6 I stress the word meaningful. To simply come to Gary and
7 throw several million dollars in the holler and throw
8 several million dollars at the property is not the
9 solution. If we don't have common sense approaches to
10 these problems and a humane approach to these problems,
11 the dollars will be wasted. Gary needs some immediate
12 assistance, and in a lot of areas. And building a Drake
13 Hotel downtown is not to meet those immediate needs. And
14 that's not a meaningful program.

15 Now, in addition to these four essential elements,
16 we considered some other factors to be important. Let's
17 talk about ethics and integrity. Expertise in this
18 gaming operation without integrity is gonna spell
19 trouble. Each member of our team, regardless of what
20 percentage of ownership they have, or what the role their
21 function is, I, as co-counsel, have signed an ethical
22 statement, and we have insisted that every member of our
23 team sign that statement, that tells us how we will
24 proceed in the acquisition of this license, and how we
25 will proceed and operate this facility if you see fit to

1 award us this license.

2 Partners, you're gonna have partners. The two
3 licensees that you select will be your partners. And I
4 will say this to you. If your partners are financially
5 viable, and above reproach, this Commission will be able
6 to say with pride that the gaming operations in Indiana
7 have been a financial plus and not for moral and state.
8 And there are people that question that it is a moral
9 state.

10 Equally important for these elements is this: To
11 deal with realities objectively. We have an obligation
12 to you and to ourselves to fairly and accurately inform
13 you of our financial resources and our conservative
14 financial projections and revenue projections. I think
15 we've been consistent in that approach with Mr. Thar and
16 his staff throughout. We're not pessimists, we're
17 realists. We think it will work and work just fine. We
18 strive to be the objective applicant, not the high
19 bidder. To approach you with unrealistic capital and
20 revenue projections to delude ourselves. Lakeside
21 Capital Partners and a member of our team are
22 professional, and they're successful businessmen. They
23 wouldn't delude themselves. If we're conservative, which
24 we have been, and there are surprises, they'll be
25 pleasant surprises. We'll have smiles instead of frowns,

1 and so will you.

2 And you know this business is no different given a
3 lot of respects as to how you approach any other
4 business. Number one, will it work; and number two, how
5 much capital can we and will we put into it. And number
6 three, will we have a return on that investment. It's
7 not that different than any other business. And we're
8 not gonna come in here and tell you that we're gonna
9 throw three or 400 million in it if this problem
10 continues. That will be insulting that Hoosier common
11 sense that you have.

12 Now, there are some problems to solve in terms of
13 the development of the harbor. And I tell you this, any
14 construction crew that's a part of our team know the
15 Buffington site. We favored the Buffington site at the
16 outset as opposed to the U.S.X. site. I won't say that
17 to dig anybody. I just tell you we favored it. We
18 wanted it. And our people are very familiar with the
19 problems we have to encounter and solve. Now, the
20 answers to the development in Buffington we don't believe
21 are as padded as what you've been hearing; but we have
22 done this: We have retained expert and credible
23 consultants. You're gonna hear from them today in your Q
24 and A period. They have addressed all these development
25 issues. We have solutions. And there are altering

1 solutions. We don't minimize these problems. We have
2 addressed them. We think we have solutions. But how do
3 you do this now until the two licensees get their
4 engineers together and come up with a construction plan
5 that makes sense along with the City of Gary. But I
6 promise you this: If we are a licensee, we will
7 cooperate fully with the other licensee, and we will
8 cooperate fully with the City of Gary to move this thing
9 forward as expeditiously as possible. We're prepared to
10 do that.

11 I've heard about expenditures in the pre-award phase
12 of this thing. In a meeting with my capital partners the
13 day before yesterday, I discovered that we've spent about
14 five to \$600,000.00 to date. That's significant in
15 Indiana. For Southern Indiana that's a lot of money.
16 You can buy a lot of farms with that. But anyway, we're
17 not the only ones in this -- we're not out of this
18 process in a sense that we have not spent money or
19 considered these problems.

20 Now, gaming is essentially an entertainment
21 industry, isn't it? But I tell you this. We have no dog
22 or pony show to offer you this morning; and we have not
23 had a dog and pony show to offer you throughout the
24 process of our application. What we have this morning is
25 a fair and accurate statement of our qualifications and

1 our program.

2 Now, I want to introduce members of our team to
3 you. You know who they are on paper. I want you to hear
4 from them, see them, assess whether or not you think they
5 have the qualifications, integrity, and the sincerity to
6 go forward with this program and make it work.

7 First, here is our ownership chart. I have David
8 Hanlon on there because he's the first one that I shall
9 turn to. As to gambling expertise, Mr. Hanlon -- and by
10 the way, he is one of the principal reasons I'm here
11 today. May I tell you that story?

12 I left Butler University -- I came home from Butler
13 after World War II. After that I became a career
14 military officer. David's dad, Regular General David W.
15 Hanlon and I served together many, many years. David's
16 dad was my best friend in the Army. And I've known Dave
17 since he was in grade school. I have seen him come up
18 from grade school to college and become the leader, the
19 expert in the gaming induction. Now, Dave asked me, when
20 I introduced him not to embarrass him. And I think if
21 his dad were alive today that he'd agree with me that to
22 tell you about David credentials is not a lot of
23 embarrassment. Dave's a graduate of Cornell University,
24 the Horton School of Finance, and the Harvard Advanced
25 Management program. He grew up in neighboring

1 Cincinnati. Served overseas with the United States Army.
2 And he is considered throughout the gaming industry the
3 one expert in the education, the experience, and the
4 integrity to put together a successful gaming operation
5 and operate it in that fashion.

6 Let me tell you about some of his experiences. He
7 is the president and CEO of Resorts International for
8 five years prior to focusing on this Gary project. At
9 Resorts, he had 8,000 employees, overall responsibility
10 for the hotel and casino operations. In addition to
11 which, he was in charge of the Paradise Island operation
12 of Resorts International in the Bahamas. Prior to that,
13 he was president of Paris East for four years. Prior to
14 that, he was the vice president, executive vice
15 president, of Caesars East Coast casino operations.
16 There is a wealth of experience dealing with the gaming
17 industry, dealing with employees, dealing with customers
18 and customer satisfaction.

19 Now, David, do you consider yourself embarrassed?
20 And by the way, as big as he's gotten, I will not take
21 that up with him in the parking lot. He's grown in the
22 last few years.

23 Financial resources, I'd like to tell you about the
24 U.S. Cable team. U.S. Cable is our principal capital
25 partner in this venture. They have strong Indiana ties,

1 and in addition to their national -- international
2 interests, they've done business in Northwest Indiana for
3 15 years. They are the third largest cable TV company in
4 Indiana. They have 130 local employees. And they
5 produce significant income in Indiana, and have millions
6 of dollars invested here. We will be here at the end of
7 the day.

8 I'd like to introduce, and just briefly touch on
9 some of the people who are members of the U.S. Cable
10 team. And you'll hear from one of them shortly. Mr.
11 Steve Myers. Steve is a co-founder for U.S. Cable. He
12 holds a degree in finance from St. Louis University; and
13 he'll speak to you concerning our financial resources and
14 our revenue projections. And I've asked Steve to tell
15 you more about U.S. Cable and address the fact that
16 Lakeside and its capital partners are privately owned.
17 We're not looking to bond markets.

18 Now, Mr. Jim Pearson, is the president of U.S.
19 Cable. Jim holds his Master's Degree in Business
20 Administration from Indiana University.

21 And Mr. Michael Anderson, who's our executive vice
22 president now at U.S. Cable. This is on both sides of
23 the house, maternally and paternally. His dad was a
24 distinguished university professor, and on both sides of
25 his house many physicians in the State of Indiana. His

1 family has been in Indiana for generations, not just for
2 a few years.

3 Now, Mr. Boehm. Mr. Gary Boehm. He's been
4 associated with U.S. Cable for 15 years. He operates
5 three successful businesses in Indiana. He has a farm
6 down in Lowell. He employs in his businesses in the
7 aggregate, 350 Hoosiers. This is what I mean by Hoosier
8 roots.

9 Now, I want to tell you about a combination of all
10 four of these essential elements, and this is a happy
11 combination. I want to introduce this morning, Mr.
12 Patrick and Mr. Philip Kenny. They here, represent the
13 Kenny group and the Kenny Construction Company. Kenny
14 Construction is based in Chicago and it has been in
15 business for 65 years. And I'm gonna use the word
16 billions because it's true. They have constructed and
17 developed billions of dollars in terms of projects. And
18 they have significant experience in Indiana. They give
19 us something that you need. They give us an in-house
20 construction capability that nobody else has. We don't
21 have to hire a contractor. We're ready to roll. Now,
22 the Kennys are also co-founders and partners in the
23 casino gaming boat in East St. Louis. That equips them
24 bring to us gaming experience in addition to that that
25 David has. And their experiences in East St. Louis are

1 gonna be invaluable to us in terms of what we meet and
2 have to resolve in Gary.

3 The experiences are similar. Not absolutely alike,
4 but we're talking about two depressed areas that you come
5 in with a gaming operation. By the way, no dog and pony
6 show, but Tom Brokov had a thing on NBC News a few weeks
7 ago back, a little two-minute clip I'm gonna show you
8 this morning; and Tom Brokov had an investigative
9 reporter address the issue what does gaming do to a
10 community. What does it do? Does it bring bias or
11 corruption, or can it be an economic plus. I'll wait and
12 let you see what the conclusions were. And that's not us
13 on our role in the casinos. It's a large part of the
14 news program. Here's a third party that assesses what
15 can be done in an operation like this.

16 The Kennys also have great financial strength and
17 stability. Isn't that what you're looking for? The U.S.
18 Cable group and the Kenny family to have the financial
19 stability to do what they say they'll do and see this
20 thing through.

21 I'd like to introduce to you Ms. Schell. This is
22 our -- I scared her to death this morning. Last thing I
23 told her before I came up is, "I have laryngitis." She
24 didn't like that. But anyway, Sue was assistant general
25 manager for the Casino Queen. And along with the Kennys,

1 she developed and implemented meaningful, meaningful
2 community assistance programs. She's a valuable member
3 of our team. Her experience in St. Louis, East St.
4 Louis, brings to us an experience that we can use here to
5 implement -- to have a meaningful program for the people
6 of Gary.

7 By the way, she was also deputy director of the
8 Illinois Racing Board for eight years. And as Mr.
9 Hanlon's gonna tell you in a few minutes, the regulation
10 in this industry, we think it falls on us as well as you.
11 So we bring Sue's experience as a gaming manager.

12 I'd like to introduce Mr. Bob Spolyar. Bob is a
13 Lakeside member we're proud of. He was instrumental in
14 helping to bring gaming to Indiana and gaming to Gary.
15 He grew up in this town. He grew up in Gary. Bob would
16 like to see this community regain its prosperity and get
17 back on the road to help. He's a former marine fighter
18 pilot, and he's a retired army officer. There's
19 something I could say about him. He graduated United
20 States Naval Community and he got his law degree at
21 University of Indiana. And he practices law down in
22 Lebanon.

23 And I'd like to tell you about Mr. Lloyd McClendon.
24 A hometown boy of Gary. He's a member of the Pittsburgh
25 Pirates professional baseball team. He grew up in Gary.

1 And in the off season, he works with youth in Gary to try
2 to keep kids in school and keep them out of trouble. He
3 can't be here this morning, but we do have about a minute
4 or a minute and a half on video of the things that Lloyd
5 would like to say to you. Of course, if the strike goes
6 on, he may be here longer than we anticipated. But I met
7 Lloyd and met his wife and had an opportunity to chat
8 with him at some length. He said something to me that I
9 really thought was of consequence. Lloyd said, "I think
10 a professional athlete has a responsibility to act as a
11 role model." And I like that. Here's an articulate,
12 sincere, intelligent young man who makes big bucks. And
13 he's offering to plow some of those big bucks back into
14 his community to help you. Pro sports means more Lloyd
15 McClendons, and we're very happy and proud to have Lloyd
16 as a member of our team.

17 Now I want to tell you about Mr. Will Smith, all
18 right. They call Mr. Smith to talk to a lot of people.
19 Will has been a lifelong Gary resident who's retired
20 battalion commander for the Gary firefighter
21 department. Who is retired commander and director of our
22 community relations program. I have come to know Will
23 very well in the last few months, and I can tell you that
24 this gentleman is dedicated to helping his community.
25 Everything that we've thrown up on the board or

1 considered to do in Gary, he's always asked me this
2 question. How does this help Gary? How does this help
3 the people of Gary? And I'll tell you, his input has
4 been invaluable to us in arriving at programs and
5 solutions. He's a man of good common sense. And he
6 knows how to separate the true needs of his community
7 from big talk glitz and glitter.

8 Will and Sue, as a matter of fact, are working
9 together now in this fashion. Sue generated and
10 implemented the programs in East St. Louis. The
11 community assistance. The economic impact, minority
12 hiring problems. Adopting policies. They're working
13 together to bring Sue's experience from the East St.
14 Louis market to Gary, and implement programs here that
15 will help Gary.

16 And by the way, we got the jump on the others. They
17 started this two or three months ago called a Job Fair.
18 You may have seen it in the newspaper.

19 There are others that we have in our group. Time
20 does not permit me to introduce all these members
21 individually. We think the valuable Hoosier members of
22 our team, you have their names and their backgrounds in
23 the file, we think this is the team that will be good
24 Hoosier partners with you, the Gary effort.

25 Now, before I let you hear from them individually,

1 I'd like to address something that came up yesterday
2 about how the locals get in. What do they own; what do
3 they have. And it's simply this: We feel every member
4 that we have a local interest and minority interest in
5 this project has something to offer, either in terms of
6 how they can help us in the community, or with some
7 expertise, some sweat that they've already offered or
8 will offer to assist us in this program.

9 Now, without further ado, I'd like to introduce you
10 to Mr. David Hanlon.

11 MR. HANLON: Thank you, Don. By now, you are
12 pretty much experts on the Buffington site. But I would
13 like to add parenthetically, there are issues there to be
14 addressed. Patrick Kenny will address those for us. But
15 we've always been proponents of that site for a couple of
16 reasons. One is the expertise in-house. The Kennys told
17 us that this was a site that had problems, but it had
18 significantly fewer problems and could be addressed more
19 quickly than the ultimate site. And my experience in
20 this business, being the first one in the market has a
21 long-term competitive advantage. It happens in every
22 jurisdiction from Atlantic City to all the newest
23 jurisdictions. So being first in the market is a real
24 competitive edge.

25 In addition, even more so than the U.S.X. site, more

1 importantly, this site has relatively easier access than
2 competing sites. And that, too, is a significant
3 advantage, because ease of access and then parking are
4 two simple but very critical elements to the success of a
5 casino operation.

6 With regard to the timing of this project -- and
7 there are complications about when this process starts --
8 we believe that from the time work begins, we can be
9 starting the revenue flow within six months. That means,
10 a temporary facility and a permanent boat. And within
11 about six to eight months thereafter, will have completed
12 the permanent visitor's center.

13 Capital expenditure for this project for Lakeside
14 will be in the order of 95 million dollars. Our site
15 plans were designed by Mr. Steve Wright who's with us
16 today. Steve is a renowned architect. He is the
17 individual who designed the Prudential Center in Chicago.
18 It's a nationally acclaimed center. And his goal for our
19 project here is to have obviously an efficient operation,
20 elegant but simple design that will make a real
21 architectural statement for the Gary project.

22 You can see on the site here, that we have a
23 visitor's center in the extreme left. You can see the
24 inside which is a sort of a clear span approach, focusing
25 on steel and steel related to Gary. And a design that is

1 similar to the convention center in Chicago and the
2 expansion down there.

3 You can see another prominent portion of that is the
4 sky tower which would be 125 feet high. This will be
5 one, an attraction tool. It will be the entertainment
6 portion of our buildings, and this will be a physical
7 issue that will be quite visible from all of the access
8 roads coming into Gary. We think it will be quite
9 effective.

10 The -- another major portion, obviously we'll have
11 parking and a visitor center. We'll have food facilities
12 and all of the standard things will be in there. But in
13 terms of setting up something that is different, we have
14 with us today a gentleman by the name of Brian Hall.
15 Brian is the president of Sportopia. Sportopia is a new
16 concept that is an entertainment and sports concept
17 that's interactive. That has activities designed for all
18 ages from kids all the way up to adults. There are some
19 of the renderings here on the side. This concept was
20 developed by Lucas Arts Entertainment Corporation which
21 obviously is a world famous name for creativity, for fun,
22 and for excitement. And Brian is working on these
23 projects in a number of places throughout the world and
24 is really sort of on the finishing stages of the
25 development phase for a major Sportopia in Branson,

1 Missouri. And as you can see, what this does is put you
2 in a variety situation where people can participate and
3 hit home runs and camp in yards and climb mountains and
4 have a museum there for sports, boxing and other sports.
5 There are things for passive entertainment, active
6 entertainment. There are show scan type motion machines.
7 This will be, we think, a real exercise in creating an
8 entertainment center here in Gary.

9 Now, in the casino business today, family
10 entertainment is the cliché that everybody uses. And
11 quite honestly, it has not been very well implemented.
12 We think that this in fact will be something that will
13 bring people to this destination. So that Gary --
14 certainly we'll have gambling; that's our main business.
15 But there will be a major alternative entertainment
16 focus. And we're quite excited about it. And Brian will
17 certainly be available to answer more questions during
18 the question and answer period.

19 Lakeside has a boat; the boat is a very large boat.
20 400 feet by 65 feet wide. It was built in 1969. Had
21 major improvements done in 1989. This will have about
22 37,000 square feet of casino space, and will be
23 configured for about 1200 gaming positions, which will
24 include 825 slot machines, 45 table games. In port, this
25 boat will be ready in first of June '95.

1 generously say that there has been a lot of blue sky out
2 in the world, and reality often gets clouded. Our
3 position has been that we will give what we think are
4 realistic projections based on what we think will really
5 happen. We are not using these projections as a sales
6 tool. We have to live with these projections; we have to
7 take them to the financial community. And more and more,
8 I see a stretching of the numbers. Our numbers are
9 realistic; and if we are wrong, we will be wrong on the
10 up side and everyone will be quite pleased about that.

11 In my 16 years of experience from being -- starting
12 as a CEO or CFO of a major hotel casino company to my
13 last experience with regard to running Resorts
14 International, as Don said, 8,000 employees and over 500
15 million dollars of revenue, certain elements are critical
16 to success. Operational expertise obviously is
17 important. And I think you know from the people on our
18 team that a combination of my experience in Atlantic
19 City, Kennys and Sue Schell's experience in Casino Queen,
20 we have an abundance of experience in environments that
21 are very similar to Gary. So we have that.

22 Importantly, as Don said, expertise without
23 integrity is worthless. In this industry, more than any
24 industry that I know of, integrity must be absolute. And
25 more importantly, the perception of integrity must be

1 even more absolute. Even though this is a highly
2 regulated industry, which I will say from my own
3 experience in New Jersey, which is extremely regulated,
4 makes integrity easier. But it doesn't take the burden
5 off the operators. We know how to operate in that kind
6 of environment. We know how to set that tenor in the
7 organization. We know how to self-regulate. And
8 importantly, we know how to work with you, the regulatory
9 bodies, to ensure that we establish and enhance the
10 credibility of this industry so that the community
11 believes that this is an industry that is absolutely
12 honest and clean, impeccably clean, and feeling that this
13 truly is a value added to the business community.

14 Guest satisfaction. If we don't provide guest
15 satisfaction, we won't survive very long. In this
16 business, we have millions of people losing lots of
17 money. That's a fact of life. And they accept that. If
18 they feel that they get true value for their
19 entertainment dollar, that they are treated absolutely
20 fairly and honestly, and they're treated with dignity and
21 respect. For instance, there will be a number of
22 occasions when we will have -- the people may have had
23 too much to drink, who may be a little out of control,
24 who want to gamble. We may have occasions where people
25 have had a losing streak, they're out of credit and they

1 want more credit. How do you handle those situations?
2 There's no perfect way to handle it. We won't do it
3 perfectly; but through our people, I think that we will
4 be able to say to the person to who has had too much to
5 drink: Why don't you take a break. Why don't you go
6 have something to eat. Why don't you think about things.
7 We'll be able to say to the individual who says, you
8 know, "I'm on a losing streak. I'm out of credit; give
9 me more credit." We'll be able to say to them, "Maybe
10 you're too far extended right now. Why don't you just
11 think about it and come back tomorrow." Now, I've
12 personally done this a number of times and I can tell you
13 that it's not well received. Their view is, "I've lost a
14 lot of money; you guys are happy to take my money when
15 I'm losing it, and now when I think I can make a
16 comeback, you don't want to give me anymore." But what
17 happens is we'll handle it professionally; we'll handle
18 it in a sensitive way, and the next day that guy is going
19 to be very happy that we didn't let them overextend
20 themselves. They're gonna come back and say that this is
21 a place, this is an environment that's safe. And that's
22 an important point of view and important philosophy in
23 operating something on a long-term basis both on the
24 individuals participating, and the view of the community
25 at large.

1 This is going to be a situation that gives us
2 tremendous challenges in terms of employment and
3 training. And how do we get people to operate and do the
4 things that I have just said. We do it through our
5 people, obviously. We do it through the attitude that we
6 communicate to them. We do it through the continuous
7 training that we provide to them. We do it through the
8 pride that we develop in that team. In my 16 or 17
9 years' experience in this business, the thing I'm most
10 proud about is developing teams of people who will do the
11 things that we said. In the times that I have been in
12 the business, we have always been the leaders of training
13 and development of our employees. We will make an
14 investment in those people. We're at the beginning of
15 basic skills jobs, basic level jobs through management
16 jobs all the way through senior positions including
17 college courses. We will make an investment in the
18 people, an investment in our operation, and an investment
19 in the community. And that's how things work, and that's
20 how things get done on a consistent long-term basis.
21 Because as Don said, we're here for the long-term and
22 we're your partners for the long-term.

23 This will be a difficult and challenging task for
24 us. But we have the experience both in the Atlantic City
25 environment and in the Casino Queen environment that's

1 very similar to here. We have the expertise and we have
2 the attitudes to make this a project that will be
3 competitive, financially successful, and a project that
4 we'll all be proud of. Thank you very much.

5 Now, I'd like to introduce Mr. Kenny who's gonna
6 talk about the Kenny family and the other aspects.

7 MR. PHILIP KENNY: Thank you, David. Good
8 morning, ladies and gentlemen. What I'd like to do today
9 is to give you a little background of the Kenny family.
10 Who we are, our diverse interests, and how we see it
11 being a very strong component of how successful this
12 development can be.

13 The Kenny family is a 65-year-old construction
14 company which was started by my grandfather, passed on to
15 my father, and now on to my four brothers and myself. We
16 work throughout the entire United States, whether it be
17 up in Boston in the Harbor doing a 200 million dollar
18 tunnel job underneath the Atlantic Ocean, or whether it
19 be in Los Angeles, California where we're building 175
20 million dollar subway job at a famous intersection called
21 Hollywood and Vine. Or whether we go to the nation's
22 capital where we're currently working on building another
23 subway job for 75 million dollars. Or whether we're in
24 Dallas, Texas help building a water tower for the City of
25 Dallas. But the simple fact and the most important fact

1 of the matter is, we are based out of Chicago. We are
2 based out of the midwest. Our roots are here. And
3 whether it be the fact that over those 65 years we've
4 built any of a number of jobs in the steel mills here in
5 Gary and on the toll ways of Indiana, and built a number
6 of other bridges, and done private work in this
7 community, we know what it takes to get things done. Our
8 people live here. Our people pay taxes here. It's a
9 very important issue to us.

10 I look at us being Chicago based, and I want to talk
11 a little bit about our philosophy. I go back to a
12 project which gave us great notoriety going back a few
13 years ago when the City of Chicago was faced with a major
14 crisis on an April morning. The contractor they picked
15 up the phone and called was Kenny Construction Company.
16 And there's a reason. And it gets down to reputation.
17 And the simple fact, the trust and confidence that they
18 had in picking up that phone and saying, "We have a
19 critical situation which we need your help."

20 The ability that we perceive to bring to the
21 industry and the construction industry is very simple.
22 Our honesty and our integrity. It's a very important
23 issue; because as you go into these communities, and
24 whether it be a gaming operation or a construction
25 operation, it is no different. It is a partnership. It

1 is a relationship. And it's critical to the success of
2 that operation. Whether it be the relationship that we
3 will establish or have established with the City of Gary,
4 the State of Indiana, or very simply Fluor-Daniels, or
5 very simply the partner that we may be asked to work
6 with. We have done this for 65 years and felt very
7 comfortable. We feel it is one of our strongest assets.
8 It's an extremely important concept.

9 In talking a little bit about the Kenny philosophy,
10 and where it all comes from, you can often wonder how we
11 got into the gaming business, and I just want to relate a
12 quick story. My father is 81 years old. He comes in to
13 work every day. When we approached him about getting
14 into a business for various reasons, one, we felt it was
15 the fastest growing industry; two, it's very highly
16 regulated. My father had said to us, "The only thing I
17 ask of you is this, very simply. And that is over 65
18 years we have built a great name. Every time you stand
19 up and make a representation, think of your integrity and
20 honesty." And that's the most important issue here
21 today. The very simple fact is the Kenny family does not
22 feel that the Gary license is the most important thing in
23 their life. Very simply our integrity and honesty that
24 we've built over 65 years.

25 I look at the other aspects of this particular

1 development, and I use the word "development" because
2 it's key. There are so many intricacies involved in
3 getting this project done on time and within budget. And
4 very simply, being a construction company, we can
5 dedicate our resources and our assets, and if we have to
6 work 24 hours a day, seven days a week, we make that
7 commitment to this group for a number of different
8 reasons.

9 I also look at our development experience. So that
10 you understand that we've taken project of raw land
11 through our real estate develop arm and developed over a
12 thousand acres up in Lake County, Illinois which has been
13 deemed the three most successful office parks in the
14 midwest. We have won every single major award from every
15 major newspaper. And the very simple fact is that when
16 we put our name in a project, it becomes very critical to
17 us that it becomes first class and well done. We have in
18 excess of three million square feet of office and
19 industrial space under management and ownership. And
20 we've taken that from a field that was a farm going back
21 20 years ago along Milwaukee Avenue.

22 I do want to talk about the Casino Queen, because
23 that has many variables that are going to be very similar
24 to what happens here. And I think one of the great
25 challenges that we continue to hear as we made our first

1 trips into East St. Louis is, you will not make it
2 successful. It will not happen. On June 23rd of this
3 year, our first-year anniversary, we had welcomed well in
4 excess of two million passengers. And our boat has
5 obviously been deemed one of the most successful
6 riverboat operations in the country. And there are
7 reasons for that. And Dave touched upon it. And the
8 very simple fact is we treat our customers as they're a
9 part of our operation. We've installed a tremendous
10 amount of pride in our employees in that operation. We
11 will do the exact same here. Everyone who walks on that
12 boat, who works on that boat, will know that it's in
13 Gary, Indiana. And that the very simple fact our people
14 are the best. They are all part owners. This is an
15 operation that is going to benefit everyone.

16 The Casino Queen was an operation where we spent in
17 excess of 45 million dollars at a time when no one was
18 down there competing or bidding against us. We made a
19 commitment to the community. We've lived with that
20 commitment. And it's very important, because as I can
21 say the number of things that have gone on in the
22 positive aspect in East St. Louis has been one of the
23 great things that we've ever done in our lifetime. We
24 took a community where they had a difficult time and
25 didn't pick up the garbage for four years. And we're

1 looking at a situation today where unemployment is down
2 drastically. Crime is even down. Things are happening
3 in that community that has made it very positive. We
4 feel very good about that opportunity.

5 We feel in Gary there are circumstances here that
6 have some mirror images. We've had the challenge. We've
7 done it. We've got the experience. We look forward to
8 doing it again. It's going to be a tremendous challenge
9 because the very simple fact is you've got competition
10 that is going to be out there. We know how to deal with
11 that. The one interesting thing when I look at how we've
12 put together our marketing tool, whether it be the
13 U.S. Cable operation which is in 60 communities
14 cable wise throughout the Chicago and Indiana areas, or
15 whether the Kennys' radio interest on the sports side
16 will play a significant role in how we market this
17 opportunity, we live here, we understand what it's going
18 to take to get people to this site and make it a
19 successful venture. Whether it be the fact that
20 Sportopia will be a tremendous attraction to get people
21 to drive out of Chicago, or whether it be the fact of
22 what we offer in our gaming operation which is going to
23 be critical, we promise to you today, and in the future,
24 that this operation will be tremendously successful. And
25 with your help in a partnership, we look forward to

1 hold that customer.

2 This gets into being very specific in its areas of
3 expertise and the areas that we need to highlight in our
4 execution of the project. I, from a construction
5 background, schedules, budget, execution, those are the
6 key words to my main business. We need to perform those.
7 We need to execute those. We need to build a first-class
8 facility at Buffington Harbor.

9 I was personally the construction manager for the
10 Casino Queen and still serve that function in the capital
11 developments of the Casino Queen. We look at a tight
12 time schedule. We've built under tight time schedules.
13 And the construction company executed the second half of
14 the Dan Ryan project, executing almost four and a half
15 miles of bridge structure eight lanes wide in the City of
16 Chicago in seven months. We installed 54 million dollars
17 worth of work in seven months in that case. We know how
18 to build the work. We know how to do it; we know how to
19 do it fast. But we can't just come in and construct
20 something. We need the details. We need the commitment
21 to go forward with a first-class project. And to do
22 that, we put together a team of experts to get into that
23 field.

24 First, let me introduce, again, Steve Wright,
25 architect, from LoebL, Schlossman, and Hackl. Dave gave

1 you a little background. Dave left out a couple of the
2 details that relate to the Kenny family involvements.
3 Steve has been involved in over two million square feet
4 design and architectural work for office projects that
5 we've done throughout Lake County, Illinois. We've
6 worked with Steve for over ten years and have a great
7 relationship with him. Steve is a principal architect
8 for Loebel, Schlossman.

9 Also on the team with Steve we have Doug Monk who's
10 been instrumental and principal architect -- a project
11 architect for this operation here on Buffington Harbor.
12 He's put together what we think is a great concept and a
13 great forward plan. But that's pictures. And that's
14 part of it and that's not all of the difficulties of the
15 problems.

16 We need to go forward with other aspects of this
17 project. We need to discuss water side issues. On the
18 water side issues, we've engaged Woodward-Clyde, Coastal
19 and Marine Engineers, national and international in
20 scope. We have a design for the Buffington Harbor site.
21 We are proceeding forward with that design. We have at
22 this point put it on hold with a 404 permit application
23 filed by the City of Gary. We've reviewed the permit
24 application filed by the City of Gary. We don't
25 necessarily a hundred percent concur, but we're willing

1 to work with them to refine them into what we think will
2 do a better job for the Buffington Harbor for Lakeside
3 and the other licensee.

4 Some of the experts of Woodward-Clyde came out of an
5 engineering firm named Warzyn Engineering, Madison,
6 Wisconsin who are probably the leading Lake Michigan
7 coastal engineers. The experience that these gentlemen
8 have on this particular work, they've done an excellent
9 job. They've got an excellent reputation, and Lake
10 Michigan is their area of expertise.

11 On the land side of the project, Lakeside has
12 employed American Consulting Engineers of Indianapolis,
13 Indiana. Mr. Jim Wurster. Jim is the CEO and founder of
14 American Consulting. American Consulting has been
15 involved with all aspects of permitting, operating and
16 putting forward programs for quick execution in the State
17 of Indiana. They know how to get through the IDEM. They
18 know how to get through DNR. They know how to get
19 through permitting processes that need to be addressed
20 for Buffington Harbor to be a success. Jim has been
21 involved in the Hammond site. He's been involved in
22 permitting over there. I think Jim has got some
23 expertise that really brings a lot to this table and is a
24 great asset to our team.

25 I hope that we can bring together a quick

1 run-through on this effort. We've done it fast. We've
2 not come through all the problems that we have to solve
3 at Buffington Harbor; but the key issue put before you
4 today is -- because there's no point in trying to discuss
5 details of the problems. The key to tell you is that we
6 have the experts that -- the team to solve the problems.
7 We don't have the answers; we do know the problems.
8 That's where we are. That's where we need to go forward
9 from. There are efforts that have to be made with the
10 other licensee in the City of Gary. And we look forward
11 to completing that to a customer user friendly facility
12 that benefits and brings back the customer. For we are
13 only a business that is based on customer and customer
14 service.

15 We like Buffington Harbor; we've liked it since our
16 first days here in Gary, Indiana. We think it's a great
17 opportunity, and a great opportunity for success as we
18 pay attention to the details that make this a special
19 project.

20 I'd now like to introduce Mr. Steve Myers. Chairman
21 of the Board of U.S. Cable Company, majority shareholder
22 in U.S. Cable, to discuss financial aspects of this
23 project. Thank you.

24 MR. MYERS: Thank you, Patrick. Good morning,
25 Mr. Chairman and honorable members of the Commission.

1 The good news is I'm gonna be brief. But the two areas
2 I'd like to get involved with this morning is to tell you
3 a little bit about our cable company. Some of the other
4 ventures here in the midwest, and other parts of the
5 country, and matters that we've been involved with. And
6 tell you where we're gonna get the money to do this.

7 U.S. Cable was founded in 1975, which makes it
8 approximately 19 years old. It began with a little
9 system up in Upstate New York which was 1500 subscribers.
10 Today we've grown to 215,000 subscribers in ten states.
11 We've personally laid over 6,000 miles of
12 state-of-the-art fiber and coaxial cable throughout the
13 country. We're one of the largest -- this makes us one
14 of the largest privately held cable companies in the
15 country. Most of these fellas have gone public by now;
16 we're still a privately held cable company. We have over
17 90 million dollars in annual sales; we have a 45 million
18 dollar annual cash flow. We have a market capitalization
19 of approximately 500 million dollars. We have debt
20 against that 500 million of approximately 200 million,
21 which gives us net equity value of approximately 300
22 million. 50 percent of which is attributed to U.S.
23 Cable, the other 50 percent to our partner who is
24 Telecommunications, Incorporated, which is one of the
25 largest -- or is the largest cable company in the world.

1 U.S. Cable is the managing director for all the U.S.
2 Cable and T.C.I. assets that we're going to effectuate.
3 65 percent of U.S. Cable's assets are in the greater
4 Chicago area here, concentrated primarily in Lake County,
5 Illinois and Lake County, Indiana. We're gonna get back
6 to that in a second.

7 I'd like to tell you about some of the other
8 businesses and ventures that we've gotten involved with.
9 In 1989 we decided to embark on an aggressive franchising
10 effort in the United Kingdom. We formed three joint
11 ventures with U.S. West, which is a regional Bell
12 operating company, 9 X Corporation, and New Brunswick
13 Telephone. This effort resulted in the award of over a
14 million homes in the United Kingdom from '89 through '90.
15 To put that into perspective, that's close to seven
16 percent of the U.K. household. We've recently merged
17 these assets with Bell Canada Corporation in exchange for
18 stock and cash, which transaction has closed.

19 We have a real estate division called U.S.C. Realty
20 Corporation. U.S.C. Realty Construction owns and
21 operates industrial, commercial, and builds residential
22 real estate. We have an international long distance
23 phone company called U.S. Fibercom which has really
24 spawned to take advantage of worldwide de-regulation of
25 telecommunications. U.S. Fibercom today has agencies in

1 11 countries around the world. We boast clients like the
2 United Nations, General Electric, Exxon Corporation, and
3 the list goes on and on.

4 I'd like to share with you just for a moment my
5 investment philosophy. We don't concentrate on a lot of
6 things. The above-referenced companies that I just
7 indicated is a result of 19 years of me personally being
8 in business and being involved with these companies. And
9 we really ended up in 19 years in two areas, which is
10 telecommunications and real estate. And it's recently
11 that we have decided to take on gaming as something that
12 we've decided is gonna be our next venture or area of
13 interest. We've done a lot of due diligence; we've done
14 a lot of homework. We've looked at a lot of situations.
15 We've been presented a lot of situations by various
16 groups from around the country. We elected to get
17 involved with Gary here because it's in our back yard.
18 This is an area which we've been operating for 15 years.
19 We know the local landscape, we know the problems, we
20 know the opportunities. We have a good sense of what
21 this market's about. And we have a good sense of who
22 we're doing business with with the Kennys and Mr. Hanlon
23 and the group that we have assembled here.

24 I'd like to just return to the specific Northwest
25 Indiana area here for a moment. Our largest cable system

1 is here. It's called U.S. Cable of Northern Indiana.
2 This particular system has got over 78,000 customers on
3 it, in 43 communities that are contiguous to Gary. This
4 makes this the third largest cable television system in
5 this state. In the State of Indiana. Since 1979, when
6 we began giving awards for these licenses, and through
7 construction to date, we've spent in excess of 80 million
8 dollars. Just in Northwest Indiana here. We continue to
9 spend, in the form of payroll and expenditures in the
10 local economy over 11 million dollars a year for this
11 system alone. In addition to that, we spent over a
12 million and a half dollars annually to local communities
13 for franchise fees. We employ 130 people here locally in
14 Northwest Indiana. 20 percent of those employees come
15 from Gary.

16 I'd like to talk to you about our financing; and
17 with the assumption that we're gonna be into some
18 detailed Q and A on this, I'll keep this brief. But as
19 Dave Hanlon indicated, we've got a 95 million dollar
20 project here. On the equity side, 20 million dollars of
21 equity will be contributed by the U.S. Gaming group,
22 which I'm a majority shareholder, and the Kenny family
23 group. That 20 million is in substantial liquid assets.
24 You've seen that as indicated on our personal disclosure
25 forms. We would hope that there's no issue as it relates

1 to the availability of those funds.

2 On the trip year side the debt, we're calling for 75
3 million dollars worth of debt financing which we propose
4 in the first year. We've had talks with our existing
5 bank group. We've had talks with several investment
6 bankers, and as a result of these discussions, we've
7 engaged the Chicago Corporation, which is one of the
8 largest midwest -- midwestern investment banking firms.
9 We've had numerous discussions with them. They've seen
10 our proposals; they're in the process of studying these
11 numbers right now and discussing financing alternatives
12 with us. It's not as simple as we want 75 million
13 dollars; we're putting 20 in. They're gonna go find the
14 75, but they sit down and they're in the process of
15 helping structure how we're gonna do that. We chose them
16 because of their track record, and particularly because
17 of the midwest orientation and focus. They have gone so
18 far as to actually call their clientele as to level of
19 interest, to be involved in such a project as this.

20 I'll leave that for the moment on the debt side.
21 But the point I'm trying to make is that we think, at
22 approximately a two and a half to three to one debt to
23 equity ratio, that this is a fairly conservative debt
24 leverage venture. In our projections, we had close to 18
25 million dollars of amortization in the first year, which

1 upon reflecting back on that, to go through that first
2 year, you have to perform as we demonstrate we could.
3 We're being advised we're probably gonna shove some of
4 that off. So the borrowings may float around a little
5 bit in terms of the exact needs by our group.

6 On the other hand, what we're saying is it's a 75
7 million dollar project, and as we study it from our
8 perspective, our structure and our numbers are only
9 getting better, not worse. Which is something that some
10 of the other gentlemen that have spoken on our behalf
11 alluded to. And it's nice to have those kind of
12 surprises. When you find that you engage your investment
13 bankers, it's nice for them to help find some of the
14 surprises. That there's room in the deal.

15 In conclusion, who is better equipped to deal with
16 Indiana business issues than substantial Indiana
17 businessmen. We don't think it's any accident they
18 called on the Kennys in '92 to correct the flood problems
19 or to build the Skyway, or that 60 communities in the
20 greater Chicago area chose U.S. Cable to service their
21 cable and telecommunications needs. We've done projects
22 of this magnitude before. We're doing them the way we
23 said we were gonna do them, and that's really why the
24 Kennys and the U.S. Cable group are still here. We think
25 we're in the unique position today to be able to ask this

1 Commission to award one of the licenses to Lakeside and
2 have them feel good about doing so. Reputations and
3 actions speak louder than words. And U.S. Cable and
4 Kenny group have substantial investment in the northeast
5 -- in the Northwest Indiana area which neither of us can
6 afford to be tarnished. We're here before gaming and
7 we'll both be here to fulfill our commitment to gaming.

8 I'd like to turn this over now to Susan Schell and
9 Will Smith, who will be discussing our community
10 programs. Thank you very much.

11 MS. SCHELL: Good morning, Commissioners and
12 staff. Having acted as the assistant general manager of
13 the Casino Queen project in East St. Louis, I had the
14 responsibility of meeting with local government officials
15 and community groups to discuss the overall economic
16 opportunities which the boat would generate. From the
17 beginning, our emphasis was on having an open and fair
18 process that the whole community could feel a part of.
19 In fact, we spent several months prior to hiring any
20 employees conducting job fairs, and participating in
21 unemployment security job fairs. And at these fairs, my
22 staff and myself would visit with those in attendance and
23 provide detailed job descriptions to everyone. We
24 answered questions. We addressed rumors; and we got to
25 know the concerns the residents had. In fact, Lakeside

1 recently held a job fair in the City of Gary and it was
2 very similar to what was done in East St. Louis. And I'm
3 pleased to say that in one day, we collected a thousand
4 applications and visited with many of the residents of
5 this community. But more importantly, we were able to
6 get acquainted with the community in a substantive way.
7 And furthermore, at the job fairs, we explained our
8 hiring practicing and our drug testing programs and our
9 background investigations which would be necessary for
10 anyone employed in this business with our company.

11 In East St. Louis, we also held vendors fairs. And
12 that was to meet with the local business operators and to
13 go over our bid procedures and talk about what types of
14 equipment and services we would be purchasing and when we
15 would be needing to make those purchases. It was
16 actually through the vendors fair that we were able to
17 identify the types of services which were missing in the
18 community. A lot of these businesses in East St. Louis
19 had left. And so, you would try to be purchasing dry
20 cleaning services, linen services, and you found that
21 those businesses were no longer active in the community.
22 So what we did was we created the Economic Development
23 Foundation for the purpose of making loans to
24 entrepreneurs of the community to try to set up these
25 businesses which had left the community.

1 Next we opened, in the City of East St. Louis, a
2 casino training center. At the center we trained over
3 650 individuals how to deal Black Jack, how to play
4 roulette, how to work the table games. And this was all
5 done free of charge to the individuals as opposed to a
6 lot of casino companies which set up in the communities,
7 set up in various jurisdictions and they charge for their
8 services.

9 In conclusion, I would just like to say that
10 Lakeside will employ the same hiring, training, and
11 charitable practices in the City of Gary that were
12 implemented in the City of East St. Louis.

13 As a former regulator with the Illinois Racing
14 Commission, I understand the difficulty of your decision,
15 and the issues you have to consider. And I can assure
16 you that if selected, we will work with this Commission
17 very closely in every way. Our pledge to this Commission
18 is that Lakeside will work with the business community
19 and the residents of Gary to establish a winning team.

20 I will now let Will Smith go into some detail about
21 our economic programs for the community. Will.

22 MR. WILL SMITH: Thank you, Susan. Good
23 morning, Mr. Chairman, and honorable members of this
24 Commission. My name is Will Smith, Jr. As I stand
25 before you today, I can't help but reflect back to the

1 early months of 1993 when riverboat casinos was a major
2 topic to our area. At that time, I was president of the
3 Lake County Council. And to me, the prospect of new
4 revenues to fund county government was really rather
5 exciting. So I began to research the industry. And then
6 suddenly, I realized that communities have to be very,
7 very careful in the operators they were to name. Because
8 I found that there were many companies who did not take
9 the community leads to heart. Ultimately, for me, it was
10 my decision to resign from the Council, that position,
11 because I wanted to be involved as a manager, and an
12 owner with some casino company. So I began to discuss
13 various things with different casino operators. And it
14 was my decision to be with Lakeside Resorts, because as
15 you heard earlier, the expertise and the financial
16 strength of Steve Myers and the U.S. Cable Corporation,
17 the respect and integrity of a Dave Hanlon and the gaming
18 industry, and the success and the construction
19 development and the financial field and the success of
20 the Kenny family, you know why I'm very, very happy to be
21 here today. And I feel good about that enjoyment.

22 As community director for this company, I feel very
23 good today standing before you about the kinds of
24 programs that I've helped with Susan and other members of
25 our company, to put together for the interests and the

1 common good of the citizens of Gary, Indiana. We
2 established a foundation and we basically modeled it
3 somewhat after the Casino Queen's program that's recently
4 enacted in East St. Louis, Illinois. Susan, with her
5 expertise, has been invaluable to the kinds of things
6 that we thought would be adequate and meet the real needs
7 of Gary, Indiana. We are proposing to take our
8 foundation, we'll fund it, Lakeside will, with two
9 million dollars a year for five years. 10 million
10 dollars. These monies will be used for charitable
11 reasons as well as making loans to our local
12 entrepreneurs. People in our community who want to start
13 up new businesses. And that will commit to providing
14 services, needed services, to our citizens in our
15 community.

16 The day-to-day operations of this foundation will be
17 managed by an executive director who will report to a
18 board of directors composed, if I may, of members of
19 Lakeside officials. And importantly, members from the
20 Gary community will play a major part of this board of
21 directors. As an example, we've had tentative fillers,
22 people who want to serve in these capacities, such as
23 Lloyd McClendon who has his own MACC Foundation.
24 Professional baseball player with the Pittsburgh Pirates.
25 Ima Jean Harris, publisher and editor of our Info

1 Weekly News. A very well respected local newspaper.
2 Dr. Alfonso Holliday, a member of the Gary School Board,
3 as a member. And also, Dr. Holliday is director of our
4 drug and alcohol program that's implemented in Gary City
5 Court, presently working today. Mr. Roger Detterline,
6 marketing and sales representative for the Lake County
7 Association of the Retarded. He's also a retired
8 firefighter. We will take this foundation, and the
9 services that we are proposing will be to provide loans,
10 as I talked earlier, at low interest rates, to the new
11 upstart entrepreneurs of this city. We will also provide
12 these entrepreneurs with a staff of professional people
13 to help them in their performance and business plans.

14 We will fund, and help fund, various charitable
15 organizations throughout our communities. And we will
16 help fund the various community programs.

17 Major part of some of the things that we put
18 together, and we recognize the major problem in this
19 community. We went out and we sought advice,
20 suggestions, from people in our community. We found in
21 our research, there was a need for senior citizen
22 housing. So we decided to take the Sheraton Inn, and
23 renovate it into a senior citizen facility. We found in
24 our research, and interesting to note, that over 60
25 percent of the residents in the City of Gary, are of

1 senior status. I'm almost there myself. 25 percent,
2 ladies and gentlemen, of these 60 percent of residents in
3 the City of Gary, are physically disabled people.

4 The facility will create jobs. Professional and
5 nonskilled positions. It will also enhance our
6 unemployment problem here in the City. The facility will
7 also self-sustain itself by incomes from federal and
8 state subsidies. Also, it will create additional local
9 and state tax revenues from the amenities that we are
10 proposing in that facility, such as the lower level
11 having uni-sex salons, barber shops. Having a
12 restaurant, hopefully a pharmacy. All of these things,
13 certainly will create additional tax dollars to the State
14 of Indiana, and to the City of Gary.

15 In conclusion, the foundation will sponsor and
16 promote activities which it believes are conducive and
17 creative, and charitable and educational purposes for
18 this community.

19 The board of directors, as I talked about earlier,
20 will review, upon application, all those things that we
21 need to take into consideration. They'll make the
22 decision, the board will. We will hope to team up with
23 the United Way and other viable organizations in our
24 community. We think that's important. Not to just stand
25 as an arm alone, but to team up with viable nonprofit

1 organizations. We intend to do that. People foundations
2 such as the MACC Foundation, United Way, and various
3 other organizations in the community.

4 We found, also in our research, that our marine
5 operations on our lake front today need some assistance.
6 We propose to do that with our Gary lake boats operation,
7 our Lake County Sheriff's boat, because there is some
8 assistance needed in the areas of procurements of
9 high-technology equipment. And we will assist them upon
10 application of procurement of those equipment for the
11 enhancement and the safety of our people using our
12 waterways.

13 I'm from from a family, 15 brothers and sisters. I
14 was raised in Gary by my late mom and my grandfather in
15 one of the most depressed areas of this city. I'm just
16 happy to be here today. And the final four, for two Gary
17 licenses, you know, I feel somewhat like the Arkansas
18 Razorbacks, the NCAA champions. I wasn't supposed to be
19 here, but I am. And I think this can only happen in
20 America. Thank you.

21 (Applause.)

22 MR. WILL SMITH: I will now give you back to
23 Mr. Donald Smith.

24 MR. KLINEMAN: Mr. Smith, your time is running
25 down. If you will just make a note.

1 MR. VOWELS: Yes, sir. I appreciate that. Mr.
2 Klineman, will you permit us to show you this tape?

3 MR. KLINEMAN: I'll give you an extra five
4 minutes for naming the boat after Jack.

5 MR. DONALD SMITH: May I address that issue.
6 There are a lot of Donalds here. The Donald will be here
7 when? This afternoon. I insist on being called Donald
8 the first. And I thought that was gonna be the name of
9 the boat. But if you will permit us to show you this
10 tape, and I'll wrap this thing up very quickly. You need
11 a recess. We do, too.

12 MR. KLINEMAN: Thank you.

13 MR. DONALD SMITH: Would you dim the lights,
14 please. Whoever has that job.

15 (A videotape was shown to the Commission.)

16 MR. DONALD SMITH: Mr. Chairman, thank you, and
17 I know we all want to recess. I do. And I would just
18 like to make a couple points. By the way, that tape was
19 produced here in our local offices.

20 I'd like to thank Jack Thar, employees, and his
21 staff. There have been times they've scared the devil
22 out of us, but they have been fair and professional, and
23 they have been helpful to us. We'd like to thank you for
24 your attention.

25 We have our experts here this morning to answer your

1 questions and try to help you gather the information you
2 need. We understand you're gonna call us back at some
3 point. The supreme court decision we will hold. And any
4 representation that we or any other applicant make to you
5 today, either in the questions and answers to what we
6 said in this presentation, you check it out and see if we
7 weren't fair and accurate. So I thank you very much for
8 your attention.

9 MR. KLINEMAN: Thank you. And we will take a
10 desired needed break at this time. We'll be back about
11 five of 11.

12 (A short break was
13 taken at 10:35 a.m.)

14 MR. KLINEMAN: Can we come back to order.

15 Mr. Thar has taken the occasion to pick up his pen
16 and he has come up with the following: Jack Thar is a
17 great name for a boat. Too damn bad he doesn't have a
18 boat.

19 (Laughter.)

20 MR. KLINEMAN: We're ready for questions of the
21 Commission of the Lakeside Resorts.

22 MS. BOCHNOWSKI: I might as well go ahead and
23 start. You spoke about problems with the construction at
24 that site, and I would like to have a little bit more
25 specifics. Here's a few items that come to my mind.

1 Please feel free to expand on additional problems.

2 One is, I'm concerned about the environment. Do you
3 know yet what is under the ground there? I understand
4 that there are several Superfund sites in that general
5 location. It's an industrial area. And is this a
6 problem? Any other construction problems that you
7 specifically see?

8 MR. PATRICK KENNY: In response to the
9 environmental question, immediately, we do not have any
10 answer on that. The Lehigh Portland Cement site, we've
11 not really had easy access to that site over the last few
12 months. We've been specifically requested to stay away
13 from Buffington Harbor while it's been under negotiation
14 for land purchase. So we have not been able to do any
15 drilling or ascertaining any of that information. We are
16 prepared to do so immediately. We understand the site.
17 We've been there. Do we see any major problems? We have
18 not seen any in our previous investigation, but we've not
19 done any drilling for subsurface conditions.

20 In answer to the second part of your question, in
21 relation to other problems at the site, yes, we see other
22 problems at the site.

23 MS. BOCHNOWSKI: Can you -- specifically.

24 MR. PATRICK KENNY: Coordination problems with
25 the EJ&E Railroad. I think that's a critical issue here.

1 The access to the site off the main highway as far as the
2 casino operation is just wonderful. We think the access
3 is wonderful at this site. We think it's immediately
4 available. We think the road systems work very well.
5 There are amenities that we'd like to add to those road
6 systems. But again, we don't need them to open. We
7 don't need them to be successful. We need them to
8 maintain long-term business.

9 ~~Additionally, inside the site, as I mentioned~~
10 earlier, we've got the Conrail tracks underneath. That
11 ~~bridge structure needs repaired.~~ It needs protection to
12 get a little better life out of it. We think and we feel
13 very confidently, it's not a major project. It can be
14 something that we can accomplish relatively quickly with
15 our construction forces.

16 As I step down back into the area of the harbor
17 itself, the final design of the harbor facility is not
18 yet, in our opinion, complete. We've looked at the
19 information that was provided in a 404 permit
20 application. We've examined it with all of our experts.
21 We think there are modifications that we'd like to see.
22 We understand the process of the 404 permitting. That
23 was involved in the St. Louis permit for East St. Louis.
24 We understand that people recognize those problems and
25 the delays they may cause. Yet we think over the

1 long-term comfort and stability and safety of our
2 passengers, we think some of those conditions have to be
3 addressed.

4 Underground utility, there's a high pressure oxygen
5 line, there's a high pressure nitrogen line in there. We
6 do have to deal with encapsulation of those. We do have
7 to deal with those utilities to make sure that we can
8 provide a safe, comfortable protection along that
9 right-of-way.

10 MS. BOCHNOWSKI: And so when you talk about the
11 harbor, do you have a proposed breakwater or something
12 specific that you're planning to do, or you haven't quite
13 found out?

14 MR. PATRICK KENNY: We did the design with
15 Woodward-Clyde. Dan William is here; I didn't introduce
16 Dan before. Principal engineer from Woodward-Clyde. Dan
17 has been involved in the design process. His firm has
18 been involved in the design process for Lakeside Resorts
19 of Buffington Harbor. Our proposal, as everyone would
20 expect, is different than another engineer came up with.
21 I don't think anyone could walk into a room with three
22 engineers and come up with one drawing. We have a
23 proposal. We have done our engineering on the facility
24 in the idea of reducing wave action and reflection in the
25 harbor. Wave reflection is a critical issue in

1 Buffington Harbor. The action of the wave coming is not
2 really the problem. The action is the wave hitting the
3 retaining wall and coming back at you. That's our
4 biggest concern in Buffington Harbor on the marine side.
5 We think we've addressed it. We've looked at the design
6 that was provided in the 404 permit application. We
7 think there's a lot of benefits in that design also.
8 We'd like our technical people to get together with the
9 other licensee, the City of Gary, of course the Corps of
10 Engineers, and get a resolution to get an answer to what
11 will provide the best comfort to our passengers. We want
12 that boat to sit very comfortably when it's in the
13 Harbor.

14 MS. BOCHNOWSKI: Now you said -- go ahead.

15 MR. ROSS: Are you gonna comment on that
16 floating breakwater?

17 MR. PATRICK KENNY: The design of the floating
18 breakwater over here?

19 MR. ROSS: Yeah. Is that a cheaper way to do
20 that or more practical or--

21 MR. PATRICK KENNY: The floating breakwater
22 concept is to move in and get an early start. We see a
23 permanent breakwater is going to be needed. We know that
24 the permanent breakwater has to be installed. When we
25 first came into the design, Woodward-Clyde again did a

1 design on a temporary facility here using barges layden
2 with rock to reduce the wave action in the Harbor. To
3 cut the wave motion in the Harbor so we can have some
4 stability for the boat. We have gone through a temporary
5 design because we knew one issue here was to get started
6 early. We think that we can get this temporary design
7 approved so we can move forward. If we have problems on
8 the application and doing the complete work of the
9 interior bulkheads or the interior breakwaters, if they
10 delay us from getting the operation started, we have
11 looked at a temporary solution. There's never just one
12 solution to an engineering problem.

13 MR. ROSS: Well, while you're discussing the
14 time factor, the boat right now belongs to somebody else
15 and you're gonna buy it.

16 MR. PATRICK KENNY: Yes.

17 MR. ROSS: As I recall, when Mr. Bender, who
18 seems you have contracted to do your boat, said it takes
19 six to eight months.

20 MR. PATRICK KENNY: No, we do not have a
21 contract existing.

22 MR. ROSS: I thought that he fixed boats. But
23 anyway, if you say you're gonna be ready in April, I was
24 wondering how you're gonna get that boat all done and get
25 it back to this harbor in time for the--

1 MR. PATRICK KENNY: I believe the proper answer
2 is we can be ready to operate a temporary facility in a
3 six-month period from the time of gaining free access to
4 the site. The question of the boat availability, no, we
5 do not have the boat in six months. We need the boat to
6 either clear the St. Lawrence based on the licensing
7 conditions, or clear the St. Lawrence Seaway prior, or
8 then the option is to clear it in the spring.

9 MR. ROSS: How can you operate without a boat?

10 MR. PATRICK KENNY: No temporary facility can
11 operate until the boat arrives. The statement in regard
12 to the construction of the facility says we can move
13 those facilities along quick enough to bring it open. We
14 can't bring our boat in fast enough to bring it open.
15 The land site issue is not controlling us. The boat
16 delivery issue is controlling us.

17 MR. ROSS: When would the boat be delivered?

18 MR. PATRICK KENNY: June 1.

19 MR. ROSS: 2-1?

20 MS. BOCHNOWSKI: June 1.

21 MR. PATRICK KENNY: June 1.

22 MS. BOCHNOWSKI: Can you expand on the status
23 of that boat then a little more?

24 MR. PATRICK KENNY: With us we have our marine
25 architect John Gilbert of Boston. Also, I think Dave,

1 would you like to talk about the boat issues and bring us
2 up to date?

3 MR. KLINEMAN: One quick question. Do you --
4 when you say June 1, do you mean June 1 at the site, or
5 June 1 in Florida or someplace else?

6 MR. PATRICK KENNY: June 1 at the site.

7 MR. SUNDWICK: Ready to go.

8 MR. PATRICK KENNY: Ready to go.

9 MR. HANLON: We will bring the boat into the
10 Great Lakes before the St. Lawrence closes, do the work
11 here on Lake Michigan so we don't have to worry about the
12 other end. And we are again taking a conservative view
13 of June 1. Possibly sooner than that. And as I
14 mentioned, we also have options on additional boats which
15 we had the same number of gaming positions and would be
16 available even earlier. But rather than confuse the
17 issue, we'd absolutely have the boat the last grand isle,
18 and that's in the West Coast of the U.S., prepared to
19 bring that around into the Great Lakes before the St.
20 Lawrence closes and do the work during the winter.

21 MR. SUNDWICK: What facility is going to do the
22 remodeling of the boat in Lake Michigan?

23 MR. HANLON: Peterson, I believe it is.
24 Peterson and Bay Shipbuilding.

25 MR. MILCAREK: Where is that located?

1 MR. HANLON: Sturgeon Bay in Traverse City. I
2 don't know where that is personally.

3 MR. KLINEMAN: I presume, though, you're not
4 going to start moving that boat until you have some
5 indication of something, or is the boat gonna move into
6 the St. Lawrence regardless of whether or not.

7 MR. HANLON: We're not in the ship owning
8 business. We have the option when the boat is ready to
9 go. We've got the boat yards lined up, everything is
10 ready to go, and we believe on what we anticipate your
11 timetable is, assuming the decision from the Supreme
12 Court is in a timely fashion, that all of that fits in
13 our schedule.

14 MR. KLINEMAN: When does the St. Lawrence
15 close?

16 MR. HANLON: I think December 1st.
17 Mid-December.

18 MR. KLINEMAN: And how long does it take to get
19 around?

20 MR. HANLON: About two months. 45 to 60 days,
21 depending on--

22 MR. KLINEMAN: Do you have an alternate program
23 if you aren't able to move the boat into the St.
24 Lawrence?

25 MR. HANLON: Yes, the alternate program is to

1 do the work in Mobile, where it obviously doesn't have a
2 winter problem.

3 MR. KLINEMAN: I'm not too sure your timetable
4 isn't getting a little tight, with the Supreme Court
5 still considering.

6 MR. HANLON: I'm sorry.

7 MR. KLINEMAN: I'm not sure your time table
8 isn't awfully tight with the Supreme Court still
9 considering the case.

10 MR. HANLON: Our alternative is Mobile, Alabama
11 if we can't get it into the Great Lakes.

12 MR. KLINEMAN: So there is some kind of
13 commitment.

14 MR. HANLON: Yes.

15 MR. KLINEMAN: If for instance we would go
16 ahead and not be able to act until the latter part of
17 October or something like that, that -- you would be in a
18 position to refurbish the boat and still meet some kind
19 of reasonable early June type of deadline?

20 MR. HANLON: That's correct.

21 MR. SUNDWICK: There was a comment made
22 yesterday in testimony that only so many cars, if I can
23 word this correctly, the current highway system would
24 only accept so many cars practically. There was some
25 testimony. They said there would be an off ramp built.

1 You're indicating that that's not a problem.

2 MR. HANLON: We don't think that's a problem.

3 MR. PATRICK KENNY: Our studies and our
4 experience at the Casino Queen doing upward of, you know,
5 300,000 passengers a month, we see that the Buffington
6 site, based on the attendance and the, you know, the
7 projections that we've made and all the operations, has
8 incredibly good access. We think it's got just very good
9 access. The worst access, I think is northbound Cline
10 Avenue getting off at Industrial under the bridge, one
11 right, next street one block up right into the casino.
12 Signage and proper lighting indicate that's a very, very
13 simple solution to the northbound Cline Avenue traffic.
14 Southbound Cline Avenue has immediate access in. Exiting
15 out of the facility, we go in all directions very, very
16 easily.

17 MR. SUNDWICK: Pretty comfortable that can be
18 worked with all these highway projects.

19 MR. PATRICK KENNY: We've held up traffic on
20 I-80 in Indiana on several occasions. We just finished
21 holding up traffic on the Skyway again as we re-built
22 another piece of it this year.

23 MS. BOCHNOWSKI: Is there any way you can get
24 that toll taken off the Skyway to encourage people to
25 come this way?

1 (Laughter.)

2 MR. PATRICK KENNY: That's a long story.

3 MR. MILCAREK: How many automobiles a day do
4 you anticipate using that exit?

5 MR. PATRICK KENNY: The key issue in a joint
6 casino development here between two developers is the
7 sequence of the timing of cruises. By accessing cars in
8 and out on a regular basis, I think what we've been using
9 is about 1.5, 1.6 cars per -- passengers per car. I
10 inverted it. It's about 1.6 passengers per car is what
11 we've been using.

12 MR. MILCAREK: What would that be in
13 automobiles?

14 MR. PATRICK KENNY: If you're talking peak
15 periods, which is your design criteria, say you're doing
16 12,000 passengers on a weekend day between each of the
17 two boats you'd have 24,000 passengers, somewhere in the
18 area of 16,000 cars. But they're coming in over 22
19 hours. So you've got 22 hours to divide up, and you're
20 now back into an area where you're talking a thousand
21 cars an hour. Not a big peak demand. Significant, we
22 need to deal with the state highway department, of course
23 to get signalization when we need it. We need to provide
24 maybe a little widening on some of the turn lanes to
25 expedite the speed of the traffic through the bridge

1 structures. But again, I think the infrastructure is
2 basically in place. If there were other opportunities
3 given to us, yes, we would certainly look into improving
4 it. But as it stands, we do like the site. We've liked
5 it since day one because of its access. We think its
6 access off the Cline Avenue highway system -- and that's
7 basically a highway -- places us above almost all the
8 other casino locations we've seen in the United States.

9 MR. KLINEMAN: You say that you really don't
10 know all the problems that you might be getting into on
11 this site. Have you budgeted or are you prepared to
12 commit yourself to solving those problems from a
13 financial standpoint?

14 MR. PATRICK KENNY: We think that's one of the
15 key aspects that we had to look at being intelligent
16 business people in this. We think we've budgeted for the
17 access problems that we've had. Not just the access, but
18 the entire construction of a facility. We've included
19 what we think are adequate budgets to do those. We have
20 a firsthand experience in this marketplace. To tell you
21 the price of that work is included in our layout.

22 MR. KLINEMAN: And the other question is, as
23 was asked yesterday, I notice that you have a budget of
24 five million dollars for the land purchase. If the land
25 purchase -- that's 50 percent. If the land purchase

1 rises something in excess, are you prepared to go forward
2 and acquire -- pay your 50 percent of the acquisition of
3 the land?

4 MR. PATRICK KENNY: We would absolutely go
5 forward. But again, we have to redo the capital budget.
6 Again, additional dollars in a project like this don't
7 just fall from the sky. The budgets all have to be
8 reviewed. The feasibility reviewed. Not having a
9 definitive number, not having a definite what is the
10 number going to be, we would be imprudent to give you an
11 answer better than that.

12 MR. KLINEMAN: You have a budget of 94 or '5.2
13 from your brochure. Are you saying what you would do is
14 make some kind of adjustment inside that same budget, or
15 are you willing to allow the budget to rise?

16 MR. PHILIP KENNY: I think the first thing
17 we're trying to do is get creative on the land and get in
18 direct contact with Lehigh Portland and have
19 conversations on you know, perhaps lease arrangements on
20 the property, or look for some way to mitigate that
21 additional expenditure. Absent that, we would look for,
22 you know, alternative ways to find that five million
23 within our 95 million dollar budget. And absent that, we
24 would have to revisit the numbers and sit down and decide
25 whether or not we wanted to spend an additional five

1 million.

2 MR. KLINEMAN: I'm not sure--

3 MR. PHILIP KENNY: What scares us, is we just
4 don't want to stand up here and say to you with each five
5 million dollars ratcheting up that this project might
6 encounter, that we're perfectly happy to continue to
7 write the checks for that. Because we have accounts.
8 These are checks that the Kenny family are writing and
9 we're writing individually, and we're gonna have a
10 financial partner that's yoked with that equity. And
11 he's gonna have something to say about that as well. So
12 life isn't so simple whereas I can just sit and tell you
13 that we have an unlimited budget and whatever goes wrong,
14 we're prepared to step in and make well on that. You
15 know, on the other hand, if there's good solid reasons to
16 put additional capitalization on, and intelligent
17 business people look at the reasons why a project needs
18 capital, why we're over budget or...

19 MR. KLINEMAN: I guess my question is based
20 upon your numbers and the projections so tight, that it
21 wouldn't stand another five million dollars on top of the
22 95.

23 MR. PHILIP KENNY: I think a fair answer to
24 that would be once financing is solidified on our end,
25 and we're not sitting here telling you that financing is

1 locked up; and I think that it would be unfair to say
2 that anybody has it locked up. We have these
3 presentations out to a number of people who have engaged
4 in the Chicago Corporation, they're really into this now,
5 and we've taken indications of interest from their
6 client. But we're in the structuring stage that
7 financing is going to couple with the equity. And when
8 we see what that looks like, that will give us a little
9 better sense how much room there is.

10 MR. KLINEMAN: And just to make sure that I
11 understand, that the Boxing Hall of Fame is for sure, or
12 is it a possible on your--

13 MR. HENSLEY: Your brochure here says
14 "proposed" or "possible" or something like that.

15 MR. HANLON: We re-worded it. It says Boxing
16 Hall of Fame. There is in fact a Boxing Hall of Fame in
17 Upstate New York. So it would be a boxing museum. I
18 have had extensive discussions with a number of people in
19 the boxing arena that I have dealt with in the last 15
20 years. Including senior officials of WBA. People who
21 have significant boxing memorabilia, and in fact with
22 Rock Newlan who represents Riddick Bowe, and Mr. Duva
23 represents Mr. Holyfield. So we have had discussions
24 with them about their participation in this project going
25 back well over a year. They're excited about the

1 possibility of participating in it, and we would
2 anticipate that that would be a portion of the sports
3 facility project.

4 MR. KLINEMAN: I guess my point is the budget,
5 four million dollars Boxing Hall of Fame and the
6 Sportopia; that would be spent regardless of whether
7 the--

8 MR. HANLON: Yes. That four million dollars is
9 our equity portion of that. Brian Hall is here, who
10 might want to address that. He's the president of
11 Sportopia. That is our equity participation in the
12 project. The project itself is a significantly larger
13 project. Where's Brian. What's the total cost of that
14 project?

15 MS. BOCHNOWSKI: So in other words, it's really
16 more than the 95 million dollar project.

17 MR. HANLON: Yes, in fact it is. What we put
18 in there is exactly what we're responsible for. The
19 project itself, if you include all of Sportopia is, in
20 addition to the 95 that you have, you would have an
21 additional 25 million dollars.

22 MR. VOWELS: Is that mere intent -- how binding
23 is that? Do you have an actual agreement that's been
24 signed?

25 MR. HANLON: I'm sorry, sir.

1 MR. VOWELS: About Sportopia. My understanding
2 there was a memorandum of intent that's been signed by
3 the parties.

4 MR. HALL: Yes. And that is a binding
5 agreement.

6 MR. VOWELS: Has there been a contractual
7 agreement signed by besides that?

8 MR. HALL: No. A letter of intent has been
9 signed.

10 MR. HENSLEY: What was the total figure for
11 Sportopia?

12 MR. HALL: The first phase, total direct
13 construction cost is 40 million dollars.

14 MR. HENSLEY: And you're putting four of it in
15 you said?

16 MR. HALL: Excuse me?

17 MR. HANLON: Lakeside Resorts is contributing
18 four million dollars of that.

19 MR. HENSLEY: Out of the 40.

20 MR. SUNDWICK: So you have 95 plus the 40.

21 MR. HALL: That is correct.

22 MR. SUNDWICK: Is that what you're saying?

23 MR. HANLON: 95 plus 40 less 4. So it's 95
24 plus 36.

25 MR. SUNDWICK: The 95 includes Sportopia.

1 MR. HANLON: It includes our portion of
2 Sportopia.

3 MR. SUNDWICK: Four million of it.

4 MR. HANLON: That's correct.

5 MR. SUNDWICK: I'm just trying to get the whole
6 commitment.

7 You know, I listen about the Sportopia, and I'm
8 trying to understand the marketing logic behind -- you're
9 gonna bring some people in, they're gonna go on a boat,
10 and you're gonna leave the kids in the place to play?

11 MR. HALL: No, not exactly. We've done a
12 tremendous amount of marketing studies across the United
13 States, and we feel that Sportopia is a very good
14 compliment to a casino operation. As you know, there's a
15 definite trend in industry to include family
16 entertainment with gaming. We will not only penetrate
17 the number of people that will be going to the boats, our
18 market studies say that approximately 25 percent of the
19 people that will be going to the boats will also stop and
20 spend some time in Sportopia. However, the real meat of
21 the market is the local surrounding area. We'll be able
22 to draw from Chicago and all the other suburbs of Gary.
23 So our analysis, as they indicate, will have over a
24 million in attendance just at Sportopia.

25 MS. BOCHNOWSKI: Is that a franchise thing, or

1 is this the first of its kind?

2 MR. HALL: It is not a franchise thing. The
3 concept has been under development for three years. As
4 Mr. Hanlon said, the Lucas Arts, on contract, did the
5 conceptual design for us. We've spent three million
6 dollars to date. We have several sites under contract.
7 Our first park will be in Branson, Missouri. It's a
8 62-acre park, and we hope that Gary will be our second
9 site. And we are prepared to move ahead immediately.

10 MR. SUNDWICK: This is gonna be -- it could be
11 -- there's no -- let's assume -- let's make an assumption
12 there's not gonna be any hotels on this site. Is it
13 still practical to do this?

14 MR. HANLON: Maybe I can answer both of your
15 questions. Going back to just dropping the kids off. We
16 don't see Sportopia as being in fact a child care center.
17 Sportopia will be an attraction itself. And one of the
18 things that will happen, if you look at a mature market
19 like Atlantic City who's always bragging about having 30
20 million visitors a year, in fact, Atlantic City has about
21 6 or 7 million visitors a year who come frequently. And
22 if you take the adult population of the immediate area
23 and take out the people who are just opposed to gambling
24 or say I'll never gamble, you still have in Atlantic City
25 in 13 years, have penetrated about 30 percent of those

1 people. So what we're saying is that whenever you open a
2 casino to an environment, the definition of marketing at
3 first is don't get trampled when you open the door, but
4 that doesn't last forever. So what we're attempting to
5 do is -- and what we think Sportopia does, is create a
6 major reason for people to come to the area. While
7 they're there, we hope that they will also gamble. But
8 those people by definition will be lighter gamblers than
9 the people just coming for the gambling project. But
10 what we want to do is have this project set itself aside
11 as an attraction that over a long period of time will
12 attract people other than people who just want to gamble.
13 So we think Sportopia on its own is certainly an
14 economically feasible project. And the entertainment is
15 not for kids -- what we're saying is there are
16 attractions for kids, but there are attractions all the
17 way through adult. And the whole concept of Sportopia is
18 to provide a wide variety of activities for everybody.

19 Now, I'm sorry, I forgot your other question.

20 MR. SUNDWICK: So did I.

21 (Laughter.)

22 MR. HANLON: Oh, the hotel. We have -- the
23 majority of this market is a drive-in market. And my
24 personal opinion having experience in a number of
25 jurisdictions, is we go to emerging jurisdictions

1 throughout the country, and primarily the midwest, and
2 the south, everybody seems to want a hotel. That depends
3 on whether there's a need for a hotel. We don't believe
4 there's a need for a hotel right now. As this project
5 gets developed, that may happen. But we don't believe
6 that is the primary consideration on that. The majority
7 of people who come to this kind of project are gonna be
8 people that are gonna drive in. They're going to come in
9 for a few hours, go to Sportopia and eat and the other
10 activities and go home. The majority of people are not
11 looking for a place to stay overnight. So at some point
12 in time a hotel may make some sense here. And real
13 tie-in for a hotel and the Sportopia. It could be
14 complimentary in the future, but we don't think at this
15 stage it's a high priority.

16 MR. HENSLEY: If the other applicant was
17 building a hotel, would you be taking up all the room or
18 would there still be some room left for a hotel?

19 MR. HANLON: It would depend on the division of
20 the hotel. But there's enough space for both of those
21 things to happen.

22 MR. HENSLEY: Is this essentially the same
23 presentation that you made to the City of Gary?

24 MR. HANLON: Essentially the same, yes. I
25 think at the time we made the presentation to Gary, Mr.

1 Myers was not part of that. The Kennys were part of it,
2 I was part of that. We talked about making it a
3 destination resort. We in fact talked to them about the
4 Sportopia concept. It's been more developed now. This
5 is Brian who's worked on it. But the concept of that and
6 the boxing were part of our presentation at that time,
7 yes.

8 MR. HENSLEY: I don't think we had financial
9 projections on the Sportopia.

10 MR. HANLON: No.

11 MR. HENSLEY: So we don't know what the
12 economic benefits from that particular...

13 MR. HANLON: Maybe Brian can address that. I'm
14 not familiar with this.

15 MR. HALL: Yes, we have done an economic impact
16 analysis study; however, it's a preliminary study. We
17 were -- we did not know exactly how much land would be
18 available. Sportopia is modular in nature, and we can
19 design the facility to meet the demographics of an area.
20 Or site constraints. But our initial economic impact
21 analysis was that it would have the benefit of
22 approximately 450 part-time and full-time jobs for local
23 community. And approximately over a million dollars in
24 added taxes.

25 MR. HENSLEY: How close are you to finalizing

1 those projections?

2 MR. HALL: Again, it's dependent upon how much
3 land is available. If it's 15 acres, 10 acres, 37 acres.
4 That remains to be seen.

5 MR. HENSLEY: Is your financing pretty well
6 assured?

7 MR. HALL: We are working with a major
8 investment banking firm that has taken on responsibility
9 of placing the debt and the equity for all of these
10 projects.

11 MR. HENSLEY: Mr. Hanlon, in one of these -- I
12 might be addressing the wrong person, but in any case,
13 somewhere in there it seemed to me that you were going to
14 be able to develop your debt portion of the investing at
15 50 basis points over prime. But there seems to be some
16 concern this morning that the markets out there won't
17 loan you the money at all, so...

18 MR. HANLON: Well, I think, Steve, you might
19 want to make that--

20 MR. MYERS: Your question is the interest rate
21 assumptions that we're using.

22 MR. HENSLEY: Yes. Is that something that's
23 keeping you from being able to say I can pay another
24 point and get ten more people.

25 MR. MYERS: No, but I will tell you when those

1 numbers were put together, rates have moved. Markets
2 have moved. The junk market, and that's how that's been
3 priced, has moved. So you do have a moving target. And
4 our understanding is you get picked for a suitability
5 initially, and then you've got several months to perfect
6 all of this. And not that we're not working on it now.
7 And there's a lot of different aspects as to how this
8 would be financed in terms of components of the boat, in
9 one component. Gaming, in another component, and
10 everything else in another component gives you a better
11 price and your unilateral price to your lender includes
12 everything. So all these -- we've explored each and
13 every one of these those. We can tell you how much we
14 can borrow on the boat, we can tell you how much it cost
15 to borrow on a boat and gaming equipment. What we can't
16 tell you is what the blend is for the three just yet.
17 And we're working with the Chicago Corporation, and this
18 is a relatively new engagement. They've been on board
19 for several weeks now and they're working very hard at
20 this.

21 MR. HENSLEY: I see they're very encouraging to
22 you though, I would think so.

23 MR. MYERS: We have a tremendous amount of
24 experience, as do Kennys as well in financing projects.
25 U.S. Cable has done hundreds of millions of dollars over

1 the years in financing, has several hundred thousand
2 million in financing now outstanding. And we think we
3 can get a pretty quick lead as to what the market's
4 doing. It's not a question in our minds if it's
5 financeable. The question is: What's it gonna cost to
6 finance.

7 MR. HENSLEY: One of the charges is that we
8 have -- we need to take a look at all the applicants and
9 choose the one that would produce the most advantageous
10 and both fiscally and from other standpoints to the State
11 of Indiana. With your assumptions being as conservative
12 as they are, it puts you down at the bottom from the
13 standpoint of what the contribution is, without some of
14 these other types of projects that you talked about
15 today like the Sportopia and so forth. So how can you
16 help us look at your proposals in different light
17 perhaps, than Gary did to start with, perhaps just from
18 raw numbers.

19 MR. MYERS: Well, most importantly, I think
20 what you need to do is look whether the applicants, the
21 applicants that you're gonna give the license to are
22 gonna be around to fulfill those commitments based upon
23 their financing proposals and commitments. What we think
24 we've provided you is a sound, financial, both structure
25 and proposals as it relates to overall capital

1 expenditures and assumptions on revenue expenses margins,
2 win per customer, number of cruise people or people that
3 would go on each cruise and annual visitations and so on
4 and so forth. We have done massive work since that has
5 been handed in to you. And if anything, as I said
6 earlier, we're being surprised pleasantly on the up side
7 as to what this additional research and the marketplace
8 is telling us. But we're here to defend what we gave you
9 and we understood that to be the guidelines begins as to
10 what you'd like to come up with in these hearings. And
11 so we're gonna stay within the scope of that unless you
12 want to migrate to something different, we will.

13 MR. HENSLEY: As a CPA, I appreciate
14 conservatives, and what I'm asking I guess is when you're
15 looking at a project such as this with such enormous
16 amounts of money involved and returns to the community,
17 and with all the things that your group has to offer,
18 which I consider very positive, I look at it and I wonder
19 whether or not you're shooting yourself in the foot by
20 being overly conservative. Would you think that's the
21 case?

22 MR. MYERS: I think that in certain areas that
23 could be the case. That we are showing better numbers on
24 subsequent research that we've done. But what that tells
25 you, I think is that Frank will sit here and tell you

1 that this is just a slam dunk financing. I don't think
2 it's appropriate. But what it's done is it's taken what
3 might have been a difficult financing, and it's gone to
4 what we interpret as a lot in the marketplace to get this
5 done. You can always spend more money. If you make more
6 money you can always spend more money. The rationale --
7 we want rationale for spending it. But if the site needs
8 a hotel or if it needs additional amenities to help bring
9 in people and that's a sound fundamental business reason
10 to do that, we would do that. We're in the business to
11 bring people to that area to get them out on the boat.

12 MR. HENSLEY: But do you see the dilemma that
13 we're in? We have four sets of numbers here. And I
14 assume that the reason that you weren't a preferred
15 applicant after Gary went through their process may have
16 been related to the projections that you made and
17 possibly to the conservative nature of those projections.

18 MR. MYERS: I'm gonna turn this over to Phil in
19 one second, but I think that A, this is our money. This
20 is not shareholder money. We're not doing a floatation
21 on the equity. My checkbook balances goes down, so does
22 the Kennys. And that money is put in first. And any
23 financing scheme, usually they're gonna require that 20
24 million day one. You're gonna spend that before they
25 start giving you any of that. So are we being

1 conservative. Yeah, we're being conservative. I would
2 rather be surprised on the up side. I'd rather surprise
3 you on the up side. It's always been our practice with
4 our banks, and when we do our pro formas and our ten-year
5 projections they don't want to hear the excuses and why
6 you've got to restructure this facility loan or whether
7 you're non-performing. They don't want to hear it. And
8 maybe that's from which we're bred, that kind of
9 mentality. But I would rather be surprised on the up
10 side. Because a lot of things can go wrong, too, and
11 will go wrong.

12 MR. HENSLEY: The point is you can't make those
13 conservative projections that you have given us unless
14 you have a license. If you don't get the opportunity to
15 do it, the projections are moot. And I guess what I'm
16 looking at is are these ultraconservative projections
17 that you expect to exceed and therefore are unreasonable,
18 or are these what you really are trying to achieve out
19 there?

20 MR. MYERS: I don't think they're unreasonable.

21 MR. HENSLEY: I'm not talking about
22 unreasonable.

23 MR. MYERS: The set we gave you is just so far
24 off to the left as being ultra ultra ultra. No. We
25 think we can do better than that. We'd like to think we

1 can do better than that.

2 MR. HENSLEY: You believe that this might have
3 -- been the ultraconservative nature of these projections
4 may have been the reason why you were not selected as a
5 finalist.

6 MR. MYERS: I can't respond to that since I
7 wasn't around at the time.

8 MR. PHILIP KENNY: Thank you. Mr. Hensley, I
9 just want to add a few comments that Steve covered. Very
10 simply, in that from day one that we got involved in this
11 situation we have dealt with reality. Whether it dealt
12 with the site situation or whether it dealt with the cost
13 and the effect in the gaming situation. The one thing
14 that Steve addressed that is very true, we are both
15 private companies. We sit across the table from our
16 bankers, the one thing we want to make sure we've done is
17 meet our projections. I can give you a background from
18 the St. Louis situation and show you projections that we
19 gave our banking institutions relative to the East St.
20 Louis situation, and I will tell you we've exceeded them
21 major league.

22 MR. HENSLEY: By what margin?

23 MR. PHILIP KENNY: I would say, Patrick,
24 conservatively, probably in the 30 to 40 percent area.

25 MR. HENSLEY: Well, basically, we smoothed

1 these projections using the averages of these other
2 applicants, and we showed that your projections was like
3 136 percent of your base when we made those smooth.

4 MR. PHILIP KENNY: Yet the one thing we've
5 learned being in private business, we've been able to
6 exhibit discipline when we're able to go out. As I said
7 to you earlier, we're here to sell ourself, not to sell
8 the numbers. The numbers will take care of themself
9 because the State of Indiana will be the equalizer based
10 on the simple fact that if we do 150 million on your boat
11 alone, you're going to be the beneficiary. What we've
12 tried to do is create a dose of reality to say that we
13 feel this is a good starting point.

14 As I said, our success in financing from a private
15 side has always been the very simple fact is that we walk
16 into our bankers and our financial institutions and put
17 numbers before them that they say we know you can achieve
18 those. So that's the kind of the balance where we're at.

19 MR. SUNDWICK: We took your numbers on the face
20 of them, though. That's a concern. If you
21 underestimated and say practically maybe we can do
22 better, in fact, we might find that you underdo
23 everything by almost 40 percent. I mean, if you're
24 running a business today, you make a sales forecast,
25 you're 40 percent off, your expenditures have got to be

1 40 percent off.

2 MR. MYERS: I don't think that's the case where
3 we're underbudgeting by 40 percent by any stretch of the
4 imagination. We have done subsequent research that
5 suggests that we can do better. But we're not gonna make
6 a hundred million dollar mistake. We wouldn't do that.
7 We never have, we never will. We're just not gonna do
8 that. And we will structure this thing where it's
9 comfortable with the financial community, comfortable
10 with the investors, the Kennys and ourselves, and we'll
11 make this work. And we'll be around to pay those
12 franchise fees for years around. If you make a mistake,
13 you're not gonna be able to pay those fees. You're gonna
14 have another ghost town in Gary.

15 MR. HANLON: Maybe I can rest this because I
16 was involved in developing the numbers originally. When
17 gaming has expanded to jurisdictions, as I said, when it
18 opens up, there's a tremendous inherent demand for
19 gaming. And when you see some of the numbers that
20 happened in Mississippi and other numbers like that, you
21 saw tremendous numbers. And people said that's a very
22 bad economic area and look at those numbers. Why did
23 that happen. Because what happened is those people had a
24 human demand for gambling, and they went in debt. And if
25 you look down to Mississippi, you can see that there's

1 three or four places in Tunica. You'll see down on the
2 Gold Coast where that's happening. This is not a virgin
3 area here. This is an area that has certain demographics
4 and has a certain amount of gaming capacity already in
5 place. We're talking about the possibility of five
6 places in Chicago; we're talking about five operations in
7 Northwest Indiana. As we do our methodology, we look at
8 the universe of people there. You take out minors
9 because they're not allowed to go. The second stage is
10 you take out, based on our sort of a proprietary
11 experience information, you take out a number of people
12 who are just either morally, religiously, or for whatever
13 reason are opposed to gambling. So it starts shrinking
14 down. Then you look at the economic levels of people,
15 their propensity to gamble, the ability to penetrate that
16 universe of people. The inner market generally has
17 people that will come more frequently because this is
18 basically a business not unlike the grocery business. If
19 the products are there, you go to a closer place. You
20 don't go a hundred miles; you don't go 200 miles to go to
21 a casino except by accident. So we just said the
22 Chicago/Northwest Indiana is a big area; there's a lot of
23 people. Pick a number. The number of people we came up
24 with, which was the year one, 1.36 million people was not
25 a number that we just reached out of the hat and grabbed.

1 It's a number we think is a reasonable number.

2 The second part of that equation is how much money
3 are they likely to gamble and what's the win per person.
4 We did it again based on our experience and our analysis
5 what we thought would be a reasonable number. The number
6 will be higher in the beginning, but is it gonna stay
7 that way.

8 What is the quality of the product. Basically, this
9 is a product which is a very highly regulated product,
10 and the exact product itself is the same. You know, you
11 count to 21 the same each place. So you try to
12 differentiate your product in a number of ways:
13 Location, means of access, other amenities, level of
14 guest service, all those kinds of things which are
15 important. But basically, the product is the product.
16 And we have to be reasonable about what that's gonna be.

17 We're not off 40 percent on our numbers, I'll
18 guarantee you that. I can't argue numbers for somebody
19 else; but as I said before, I have been in literally
20 dozens of these similar presentations throughout the
21 country where people are doing that, and everybody says
22 the reason we're having gambling is because the fiscal
23 help we need for Gary, Indiana, or the State of Indiana.
24 Bigger numbers mean more numbers to the state and that
25 makes us feel better. But let's not confuse projection

1 with performance. What we're saying, we can perform.
2 When I ran Harrahs in Atlantic City, the most profitable
3 casino not only in the city but in the world. So I
4 understand how to make that perform. When the Kennys
5 have done it, they performed; when U.S. Cable's done it,
6 they performed. We have a team of people who can
7 perform. Whatever this market can bear, we will get the
8 most out of it. We have absolute confidence in that.
9 But to project higher numbers is to me blue sky. Now, we
10 haven't, based on those numbers, we have not
11 underdeveloped the project. We think this is a very
12 good, sound project and a very complete project.

13 MR. HENSLEY: I think that when we're looking
14 at these comparisons, we're -- most of them, many of
15 them, you're right with everybody else, you know, the win
16 numbers and so forth. But where it's really making a
17 difference is in the expected attendance. We have --
18 when we're looking at the annual attendance, we're
19 looking at a million five for one of the operators, two
20 million for another of the operators, two million 381 for
21 another operator. But less than one million over your
22 company.

23 MR. HANLON: No, we have 1.36 million visitors.

24 MR. HENSLEY: It could be a five-year average.

25 MR. HANLON: Well, let me explain what number

1 on the five-year average is. I think we would be
2 sticking our head in the sand to say there is not gonna
3 be gambling in downtown Chicago and additional boats in
4 the suburbs of Chicago. If that doesn't happen, we're
5 all gonna be very pleased. But I don't think that that's
6 likely not to happen. This business, like other
7 business, has a basic supply and demand relationship.
8 The supply of square footage of gaming positions is going
9 up significantly. Demand for that is not increasing
10 proportionately. So there will be significant diminution
11 in that market. And in our projections what we have said
12 is what can really happen significantly bad. I think
13 that if people give you a projection to say Chicago isn't
14 gonna happen, that might make us all feel good on a piece
15 of paper, but in the real world that's not likely to
16 happen. But if in fact we're wrong and the politics and
17 other things happen that Chicago doesn't get gaming,
18 terrific, we're all gonna be very pleased. But I think
19 that our numbers, we assume that Chicago comes in and
20 your tree of operations went down to about 900,000
21 visitors, then 792,000 visitors or something like that.
22 But we're looking to "X" out Chicago. Put us onto apples
23 with everybody else. If they all say no Chicago, fine;
24 but our numbers for no Chicago; and those numbers are
25 significantly different. But I think that it is prudent

1 not only for us as operators and businessmen, but it's
2 prudent for us to deal with you, because you don't want
3 to be in a position down the road saying, we bought the
4 blue sky that didn't come true. And I guess the
5 important part is, projections are not performance. We
6 will perform as well or better than anybody in this
7 business.

8 MR. VOWELS: If your projections are too
9 conservative and if your revenues exceed your
10 expectations, will the incentives that you have offered
11 for the economic development expand and increase, or will
12 that remain fixed?

13 MR. HANLON: Well, I don't know the answer to
14 that. If we do better, we are already gonna be providing
15 significantly more jobs than other economic incentives as
16 part of the ripple effect of our business. My experience
17 has been in jurisdictions where we have operated, that we
18 have always contributed hugely more to the local
19 community than what you project because we are in fact
20 part of the community. We're not outsiders. Aside from
21 the fact that this group is from Indiana, and have
22 investments here, we are part of the Gary community. The
23 people who work there. The 900,000 people who work
24 there; the 450 people in Sportopia, those are people that
25 are part of the community. So you invest in the

1 community. So the answer, without being able to be
2 specific, is yes, of course if we do better we'll
3 contribute more to Gary. It's in our best interest to
4 make Gary thrive so that when people's perception of
5 Gary, which is whatever it is now, is significantly
6 enhanced. That makes sense for us as citizens of the
7 community. It also makes sense from a business point of
8 view.

9 MR. VOWELS: Let me ask the flipside. Back to
10 the land acquisition question. You, in your
11 capitalization structure, have an anticipated
12 contribution for economic development to the community of
13 18.6 million dollars. If the land acquisition is in
14 excess of five million dollars that you have allotted,
15 will that 18.6 million be sacrificed, or will that remain
16 fixed?

17 MR. HANLON: Well, those are, you know,
18 commitments that I think we've made. We think that the
19 senior citizens center is in fact something that we want
20 to support that the Gary community needs. Sportopia is
21 the other part of that. And we think that that is a very
22 important part of a complete development here.

23 MR. VOWELS: So that would remain fixed?

24 MR. HANLON: Yes.

25 MR. VOWELS: Also another question, since

1 you're not going to construct a hotel, and the statute
2 requires that if you don't construct or provide an
3 approved hotel, that you must cause economic development
4 that will have the economic impact for the city that is
5 in excess of the economic impact that a hotel would have.
6 Can you tell us what that economic development would be
7 to satisfy that portion of the statute?

8 MR. HANLON: We think those two things have the
9 economic equivalent of the hotel.

10 MR. VOWELS: Can you expand on what that is?

11 MR. HANLON: Without being smart, can you
12 define what economic equivalent is? I think it's broad
13 in the sense of how you measure what the economic
14 equivalent of a hotel is. Hotels of 200 rooms is going
15 to have 120 people working there. I don't consider that
16 a huge economic equivalent compared to what Sportopia
17 would contribute in terms of number of jobs if nothing
18 else.

19 MR. VOWELS: Well, the definition, I guess
20 would be sort of more of a concept where you tell us what
21 you believe that the economic development would be that
22 would be in excess of the hotel.

23 MR. HANLON: I'm sure that we could work up
24 numbers that would make you feel that our project is
25 significantly better economically.

1 MR. VOWELS: And what in particular have you
2 proposed in relation to that portion of the statute?

3 MR. HANLON: The Sportopia is going to be a 30,
4 40 million dollar project with 450 employees generating
5 real estate taxes, generating income taxes, generating
6 people's jobs. And all of those things also in the
7 vertical effect in the number of vendors that you have to
8 supply those things. I can't give you specific numbers
9 on that right now. I'd be happy to work that out for
10 you, but we think that that is more than economic
11 equivalent.

12 MR. KLINEMAN: If Sportopia doesn't happen...

13 MR. HANLON: We will do something else.

14 MR. KLINEMAN: And I'm not trying to suggest
15 that it's impossible. I mean, I've heard that it's
16 possible. But it doesn't give me a warm, comfortable
17 feeling that it in fact is going to happen. We've kind
18 of got two possible financing packages. One is the
19 underlying package for your development, and then we have
20 the next package which would be the Sportopia 36 million
21 or whatever is needed, both on equity and debt. That to
22 me is, it's one more sand castle than I can swallow at
23 the present time. So I would like to know what is your
24 fallback factor if Sportopia doesn't happen.

25 MR. HANLON: We know the statutory requirement

1 for the hotels or economic equivalent, so we're not
2 backing away from that at all. We happen to think that
3 this particular time Sportopia is a significant value
4 added to what we're doing. If for whatever reason
5 Sportopia doesn't happen, we will make other arrangements
6 to have another economic equivalent. And on a very
7 simplistic basis, I said we'll build a hotel. But as I
8 said before, we don't think that that's the best use of
9 the money right now for the state that Gary is in, the
10 level of development it is.

11 MR. KLINEMAN: I would like to hear what your
12 fallback plan is. Not just build a hotel, but I don't
13 think it will work. I think that I'd like to hear what
14 better replaces Sportopia.

15 MR. HANLON: If Sportopia doesn't work?

16 MR. KLINEMAN: Yes.

17 MR. HANLON: We haven't developed a specific
18 plan.

19 MR. VOWELS: That's a requirement of the
20 license being issued is that pursuant to the statute,
21 either you build a hotel or you have some economic
22 development plan that exceeds the value of that.

23 MR. MYERS: We believe that between the 10
24 million dollars that we're putting into the Economic
25 Development Foundation, the renovation of the Sheraton as

1 a senior center for 14 million, and the three percent of
2 additional gross revenue of the City alone meets that
3 requirement. And that's our interpretation. And that
4 anything as it relates to Sportopia, or Boxing Hall of
5 Fame, that's just -- that's additional. I believe we
6 meet it under those other criteria. And we could have
7 reflected Sportopia in the proposal as showing a capital,
8 I think for us for 95 and call it 25 or 30. We chose not
9 to reflect it that way. It's a separate enterprise.
10 We're making an investment of four million dollars in
11 Sportopia. It is my opinion they do have good investment
12 guys working on this financing package. With four
13 million they're going to get something. So maybe it
14 doesn't open at 60,000 square feet, it opens at some
15 lesser number. But if you give somebody four million
16 bucks, it's done with the idea that he's done his
17 research, and he takes that to his banker, they'll give
18 him something, would be my guess.

19 MR. KLINEMAN: I mean there's a certain level
20 that doesn't make any sense.

21 MR. MYERS: I agree. And I'm not trying to
22 dodge the issue on the statute. That you would like to
23 see more from us on that.

24 MR. KLINEMAN: I want to make sure that if
25 we're going to consider your application a very serious

1 one, that you meet the statutory requirement. I think
2 it's incumbent upon you to make and present us evidence
3 that shoes that you do in fact meet the equity statutory
4 requirement.

5 MR. MYERS: Are you saying you don't believe we
6 have to leave Sportopia to one side? We believe we have.

7 MR. KLINEMAN: I just haven't seen it, and I'm
8 not too sure that Sportopia is in fact -- it may be in
9 equivalence. It may be more than equivalence if it's
10 built. I'm just not sure that it's a for sure. It
11 sounds to me like--

12 MR. MYERS: Mr. Chairman, we're saying that if
13 Sportopia weren't built at all, we've met the economic--

14 MR. KLINEMAN: And those are figures that I
15 would like to see. I would like to see a projection of
16 what a hotel, what's anticipated a hotel, and then I want
17 to see what you've got over here.

18 I mean the senior citizens housing program is
19 wonderful if it's needed in Gary, and I'm advised by Mr.
20 Smith it is. But it doesn't employ very many people. I
21 mean if you're talking about long-term economic
22 development, it's not just a senior citizens.

23 MR. MYERS: We'll study that. We believe we
24 meet it. If we're incorrect on that -- we're prepared to
25 meet it is what we're saying to you.

1 MR. KLINEMAN: And the Foundation, if it's
2 gonna be funded at 2 million dollars a year, it's not
3 gonna have much bang. I don't think it's gonna have much
4 bang.

5 MR. SUNDWICK: Five years it's over anyhow. 2
6 million dollars for five years.

7 MR. PATRICK KENNY: Guaranteed for five.

8 MR. SUNDWICK: And then it's not guaranteed?

9 MR. MYERS: That's correct.

10 MR. KLINEMAN: So is there any additional flow
11 at all? No percentage?

12 MR. MYERS: We are very heavily involved. I
13 know speaking for my companies in Northwest Indiana,
14 we've done anything but promise anything initially and
15 then after five years have had a deadline to it, abandon
16 those types of programs. We are very involved in a
17 number of organizations in both Lake County Illinois, and
18 Indiana. I'm sure the Kennys are. And it's just not our
19 style.

20 MR. KLINEMAN: I understand your style and I'm
21 taking your word. But we're dealing with something
22 that--

23 MR. MYERS: I understand.

24 MR. KLINEMAN: --we want to be able to touch
25 and feel.

1 MR. MYERS: Okay.

2 MR. SUNDWICK: A question. I don't think you
3 were at the Gary presentation. Was Sportopia a major
4 part of your Gary presentation?

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

6 MR. SUNDWICK: So when did it become a major
7 part?

8 MR. MYERS: Since you started asking so many
9 questions about it.

10 (Laughter.)

11 MR. MYERS: I'm being honest with you. I
12 didn't mean you personally, I'm saying--

13 MR. SUNDWICK: No, no, I understand.

14 MR. MYERS: --you picked up on it and it seems
15 like the line of questioning has been about Sportopia.

16 MR. SUNDWICK: There's a lot of money you're
17 gonna put in this thing. And between the time you made
18 your pitch to Gary and they said "Well, you know, thanks,
19 but no thanks." You're back now saying, "It's a big deal
20 for us." Rather than that, you have a boat, a hotel, and
21 10 million dollars, and Sportopia.

22 MR. MYERS: And three percent additional gross
23 to the City. And a 14 million dollar renovation of the
24 Sheraton Center. If we all agree that that's wasted
25 money for some reason -- our studies indicate it's not.

1 But that's a lot of money to do something else with. I'm
2 talking about the 14.

3 MR. VOWELS: I want to get back to the question
4 just to clarify what I had asked. Because I was looking
5 at the statute when I said this. But what I was
6 concerned with was to exceed the economic impact of the
7 construction of a hotel. Not just the economic -- not
8 the economic impact of a hotel, but the construction of
9 the hotel. So that's clear.

10 MR. MYERS: A hotel room is anywhere from 60,
11 80 thousand a room. So you're talking 15, 20 million
12 bucks, just ballpark. Between, you know, 14 on the
13 senior center, 10, 4, you know, call it Sportopia for the
14 moment. I think we're there.

15 MR. KLINEMAN: See, Sportopia, you -- or Mr.
16 Hanlon brought the point up, Sportopia is going to employ
17 16-year-old kids. And that doesn't sound real nice to
18 me. But now, so you, through Sportopia, as a, you know,
19 something we were supposed to really look at. And then
20 when I looked at it I said maybe it's not gonna happen.

21 MR. MYERS: We were impressed by it. We spent
22 a lot of time with these guys, and we think they've got
23 their act together. And we just don't arbitrarily agree
24 to put 4 million dollars somewhere where we don't feel is
25 going to be able to pull this off. And their financing

1 and where they're at in relation to this project, they're
2 way down the road on this stuff.

3 MR. KLINEMAN: Branson is at what stage?

4 MR. MYERS: About to start construction.

5 MR. KLINEMAN: Your financing is all in place?

6 MR. HALL: Not totally signed, but very close.

7 MR. PHILIP KENNY: You know relative to
8 Sportopia because we're on this issue, let me explain
9 something. In your package you've got a 4 million dollar
10 equity contribution. What you've not given us credit for
11 which we've sat with Brian on is the very simple fact of
12 the matter is he has no land cost. We are purchasing the
13 land. Secondly, the infrastructure that will go into our
14 facilities will be used also in site conjunction with
15 his. So when you look at the economic equivalence of
16 where he's really at, he is very far along under a
17 modular scheme of his financing already being close to
18 being in place.

19 MR. KLINEMAN: Because I think he gets credit
20 for all of the things, your investment and the
21 infrastructure.

22 MR. PHILIP KENNY: Correct.

23 MR. KLINEMAN: Is that what you're saying?

24 MR. HENSLEY: I think we've given you credit
25 for the four million. I think we're just trying to get

1 excited about the other 36 million.

2 (Laughter.)

3 MR. HENSLEY: At this particular time, you
4 know, we probably could do that if we have the
5 projections and if we had the assurances on the finance
6 and all of those other things.

7 MR. PHILIP KENNY: Certainly.

8 MR. HENSLEY: But a couple of questions, I
9 don't know whether you're the one to answer them or not.
10 Do you propose to spend this whole 95.2 million dollars
11 by the end of the first year? Is there some...?

12 MR. HANLON: No, I don't think that we could
13 spend it that fast.

14 MR. HENSLEY: What do you believe for the whole
15 development?

16 MR. HANLON: From the time that we start, that
17 we can have a temporary facility, we believe, up in six
18 months. We would expect that we would have spent by that
19 time almost exactly 60 million dollars. That we would
20 complete the, you know, the permanent visitor's center
21 and all that within another six to eight months, and that
22 would be, another 20 million dollars from there, I
23 believe. So that would be from the time you actually
24 started the work, you know, a single year period, about
25 80 million dollars.

1 MR. HENSLEY: About how much?

2 MR. HANLON: About 80.

3 MR. HENSLEY: You've already spent 500,000, I
4 think Mr. Smith said.

5 MR. HANLON: Approximately.

6 MR. HENSLEY: I have one other question. My
7 fellow commissioners up here said we're really getting an
8 education the last day or so about how people are
9 acquiring equity into these ventures without putting any
10 money into it. One of the things that we heard yesterday
11 was that this was to enable people who couldn't afford to
12 invest to be able to share in these revenues. And today,
13 we heard that the shareholders were making some type of
14 contribution to the company that would entitle them to
15 this -- I still think it's a gift -- but apparently it's
16 a loan that never gets paid back. But I was wondering if
17 it would be possible to submit to us a list of those
18 shareholders and where they live, what contribution that
19 they're making to generate this type of treatment. And
20 an estimation of their net worth.

21 MR. DONALD SMITH: I can give you a little
22 summary of that, sir, if you would like.

23 MR. HENSLEY: Okay. Would you still submit the
24 list of who those shareholders are, what their
25 contribution is, where they live--

1 MR. DONALD SMITH: Oh absolutely. We have all
2 that.

3 MR. HENSLEY: --city of residence, and their
4 estimated worth?

5 MS. BOCHNOWSKI: And I think to be fair, we'd
6 really like that from everybody. If they can't afford --
7 we want to know what their interest is. And people
8 telling us that they can't afford to be shareholders...
9 Go ahead and say what you were gonna say.

10 MR. DONALD SMITH: The local members that we
11 have, and I don't know what term -- let's call it the
12 local members. They have no capital investment in the
13 place, all right. We've not inquired into their net
14 worths. The fact that we brought them on board and that
15 they came on board was an entirely different purpose.
16 May I take some time to list them? Do you want me to?

17 MS. BOCHNOWSKI: Sure.

18 MR. DONALD SMITH: Since there are five crews,
19 you take the U.S. Gaming crew, that's composed of Mr.
20 Myers and his chief executive officer.

21 MR. HENSLEY: But even though you tell us this,
22 will you still provide the list?

23 MR. DONALD SMITH: Absolutely.

24 MR. KLINEMAN: I think it would be more
25 effective if you'd just provide a list. Maybe then if it

1 needed to be somewhat confidential we can take that
2 matter up.

3 MR. DONALD SMITH: Make I take off Labor Day,
4 and get it to you next week?

5 MR. KLINEMAN: We're, as I said yesterday,
6 we're gonna hold these hearings open. The Supreme Court
7 is requiring us to. So there will be time to submit
8 other information.

9 MR. DONALD SMITH: I'll have that to you
10 promptly.

11 MR. KLINEMAN: And you can still have Labor Day
12 off.

13 MR. DONALD SMITH: I'll have it to you
14 promptly.

15 MS. BOCHNOWSKI: I'd like to ask some questions
16 about the Sheraton. From what you said, Mr. Smith, your
17 research indicated there was a need for senior citizen
18 housing in Gary. Do you think that's the best way to
19 help -- to provide senior citizens affordable housing is
20 in a high rise situation? And will you be making these
21 into apartments? Is that practical, given that it's a
22 hotel? I would assume that there are rooms with
23 washrooms attached.

24 MR. WILL SMITH: Yes, one of the parts of the
25 renovation, after completing the renovation, we will look

1 at 80 to 100 thousand units that will be there. When we
2 talk about the job--

3 MS. BOCHNOWSKI: In the Sheraton?

4 MR. WILL SMITH: In the Sheraton, itself. And
5 then when we talked about the creation of the jobs, we're
6 looking at nurses, nurses aids, maintenance people, that
7 creates some additional employment, even in the initial
8 construction of the renovation construction. The
9 multitude of jobs of course that are created with that.
10 And amenities on the lower level when we talk about some
11 of the shops, the restaurants, those kind of things,
12 there's job creations there. But in answer directly to
13 your question, it will provide from 80 to 100 housing
14 modern, state-of-the-art apartments. And what we found
15 in our research was there were little things that might
16 not have been important to us, that were important to the
17 seniors living there. Such as cable TV. Most of the
18 high rises that they presently live in in Gary, that's
19 one of their major problems is that they aren't able to
20 access things. Cable TV is important to them. Those
21 kind of little things. And it was rather interesting to
22 us to hear those things. So we hope to provide these
23 kind of amenities to them. And really, I feel good about
24 the potential and what it would serve of the City.

25 MS. BOCHNOWSKI: In your research into the

1 needs of Gary, because that seemed to be a big part of
2 this application, did you look into at all the
3 deteriorating housing stock in general, not just for
4 senior citizens but for regular people. All these people
5 that are going to be employed. It seems to me when you
6 talk about economic development, you can do a lot of
7 superficial things and make the city look good for a
8 while, but the building blocks are the neighborhoods.
9 And the housing stock in Gary is deteriorating, and there
10 is a lack of affordable housing for people who aren't
11 real rich and are just starting out. Any ideas how you
12 might be able to fit into that problem?

13 MR. WILL SMITH: You know, I guess one of the
14 major problems that any of our developers will concur, is
15 that you can only go so far in terms of assisting any
16 city. So every one has a part to play. Whether your a
17 new developer, a new business coming into the community.
18 If the community itself also has to be a part of whatever
19 your upgrading is all about.

20 MS. BOCHNOWSKI: I realize that's an
21 overwhelming job.

22 MR. WILL SMITH: Yeah. And from our
23 standpoint, just taking a segment of that, we looked at a
24 rehabilitation program. And as we went through the Gary
25 process, the City of Gary had a structure of projects

1 that they wanted us to look at--

2 MS. BOCHNOWSKI: Yeah, I have seen them.

3 MR. WILL SMITH: --to enhance, and the Broadway
4 corridor from the east side of Broadway going back east
5 was a target area. So we looked at that in terms of our
6 end and the Foundation's responsibilities. And looked at
7 maybe targeting starting with the downtown area east of
8 Broadway and purchasing some of the abandoned buildings
9 that are on our county tax delinquent rolls. And maybe
10 taking some of those properties and purchasing them, and
11 then looking at rehabbing them and putting them back on
12 the tax rolls, but also increasing the construction jobs
13 and maybe working harmoniously with our unions to create
14 an apprenticeship training of the rehabbing of those
15 homes. Which now we can now look at some steel people
16 and the construction industry that doesn't have a chance
17 right now.

18 MR. PATRICK KENNY: Just as a point on top of
19 of what Will was saying, in relation to the Casino Queen
20 in East St. Louis, the influx of funds that we've created
21 with over 700 local jobs has created another economic
22 impact. The housing aspect is: People now have incomes,
23 people have very good incomes. They're starting to work
24 with those trade services. They're starting to rehab
25 their own facilities. The housing in East St. Louis is

1 picking up. Things are going better. The Casino Queen
2 Development Foundation, similar process to what we have
3 here, is in the process of loaning money to contractors
4 to perform these kind of services. We are advancing
5 money to contractors to fund them. We're not handing
6 anything to anyone.

7 MS. BOCHNOWSKI: Not that I'm asking you to
8 rebuild Gary.

9 MR. PATRICK KENNY: We're advancing the money
10 to them. They're doing projects; they're getting paid
11 for the projects. We're giving everybody a chance at the
12 economic pie. I think the concept is to allow people to
13 get their jobs, to perform new businesses, to augment the
14 idea of the casino. The casinos at Buffington Harbor,
15 what goes in downtown Gary is extremely important. But I
16 think from our experience in East St. Louis we have the
17 levers that help everyone go right up the line. Income
18 from the people that are now living and working in Gary,
19 the access to the Community Development Foundation, paid
20 contractors to do rehabs, to do everything else. To
21 again, perform as Will said, renovation work that
22 increases and improves housing throughout Gary. It's
23 something that we've already seen. It's something that
24 will happen here.

25 MR. VOWELS: What's the Kenny family's level of

1 ownership interest in the operation in East St. Louis?

2 MR. PATRICK KENNY: 20 percent.

3 MR. VOWELS: You were involved in River City in
4 Vanderburgh County.

5 MR. PATRICK KENNY: Yes, we were.

6 MR. VOWELS: And my understanding is some of
7 those applicants have gone to Perry County; are you
8 involved in that?

9 MR. PATRICK KENNY: No.

10 MR. SUNDWICK: You ought to be commended. I
11 listened to your presentation and what you're gonna do
12 with the City and I think it's a super presentation and
13 you did a nice job. And I think that's what the City
14 needs. So in that respect, I think you did a good job.

15 MR. PATRICK KENNY: I think it's important to
16 the City. I think Will's participation here is
17 important. I think we've got a program, we've got an
18 idea. And I think we've got a track record that says we
19 can do it.

20 MR. SUNDWICK: I'm glad you're local
21 participants and mostly local.

22 MR. PATRICK KENNY: Thank you.

23 MR. WILL SMITH: Thank you. Any other
24 questions? We do have Ed Krusa here who has great
25 extensive knowledge in regards to HUD and funding and

1 those kind of things, and we have him on board with us
2 with the HUD.

3 MS. BOCHNOWSKI: Is a highrise building the
4 best place for senior citizens to live?

5 MR. KRUSA: Absolutely. In fact, HUD
6 recognized about four years ago and built into federal
7 legislation that families do not belong in highrises.
8 That's why you're seeing the substantial movement in the
9 City of Chicago to place families currently living in
10 highrises in single family homes. It's a critical
11 point.

12 Just a little bit of background, I'm backing up to
13 Mr. Vowel's question on economic -- the hotel economic
14 equivalent.

15 MR. VOWELS: Of the construction of the hotel.

16 MR. KRUSA: The idea behind renovation of the
17 Sheraton Hotel into a senior citizens, and it's probably
18 incorrect to call it a senior citizens housing complex,
19 because it would be a senior citizens board and care
20 project. Which would also include independent housing
21 units for senior citizens. So you would have a
22 combination of board and care, meaning a facility that
23 allows a senior citizen not to have to prepare his own
24 meals on a daily basis, but still have some independence.
25 And at the same time, if that individual is handicapped,

1 provide some assistance to that individual to get down to
2 get his meals, and perhaps bathe that individual, those
3 types of things. 14 million dollars is a substantial
4 amount of money for a residential project that would
5 probably create 100 to 125 new senior citizens'
6 residences. In addition to that amount, it would
7 probably be 100 to 150 new jobs. You would need these
8 assistants for the seniors, you would need food
9 preparation people. We talked about trying to include in
10 the project a pharmacy retail services, so that senior
11 would not have to leave the housing complex. Also, in
12 looking at the downtown, my background as I have been
13 involved in community and economic development in
14 Northwest Indiana for the past ten years, I've worked
15 with a number of groups in Gary. I've looked at trying
16 to convert the Sheraton back into a hotel. The economic
17 feasibility was not there. There is a substantial need
18 for high-quality senior housing residence in the City of
19 Gary. There is demand. There are market studies that
20 show there is demand for those units. But I hope to
21 clear the point on the economic equivalent of the hotel,
22 the Sheraton either meets or exceeds it.

23 MR. KLINEMAN: Do I kind of understand it, this
24 is gonna be half a nursing home.

25 MR. KRUSA: No, it's board and care, sir. It

1 is not a nursing home.

2 MR. KLINEMAN: Conjugal housing.

3 MR. KRUSA: Board and care. The true
4 definition of the housing unit is board and care.

5 MS. BOCHNOWSKI: Now, is this like subsidized
6 housing, or what kind of income level--

7 MR. KRUSA: The tenants in the project could be
8 eligible for HUD subsidies. Typically if they're 65 and
9 on Social Security, you can qualify for a HUD subsidy.
10 It's not necessary, though.

11 MS. BOCHNOWSKI: So it would just depend on
12 their individual circumstance.

13 MR. KRUSA: That's correct.

14 MS. BOCHNOWSKI: These weren't going to be
15 wealthy senior citizens, though, I take it.

16 MR. KRUSA: Typically the majority of senior
17 citizens that are in need of housing or board and care
18 services are 65 or older, handicapped, and on Social
19 Security.

20 MR. WILL SMITH: Thank you.

21 MR. KLINEMAN: Mr. Smith, when you prepare your
22 list of the local people, would you give me the
23 representation that none of those people were chosen at
24 the suggestion of any political official?

25 MR. DONALD SMITH: Yes, I can confirm that.

1 MR. KLINEMAN: Anything else?

2 MR. SUNDWICK: I guess a question. When you
3 made your presentation to the City, does anybody have an
4 opinion maybe why that you weren't selected?

5 (Laughter.)

6 MR. DONALD SMITH: Would you mind if we defer
7 that question? What we intend to do, Mr. Sundwick--

8 MR. SUNDWICK: I'm not from Gary. I'm just
9 asking a question. I'm not asking to shoot anybody.

10 MR. PHILIP KENNY: Let me maybe give you, as we
11 went through the negotiation process, and say we met a
12 lot of fine people in the City of Gary prior to that. I
13 remember that very well because I was dragged back from
14 my Christmas vacation. But plain and simple, the
15 situation was such, and I think I can say this in
16 representing in a public forum that as we went through
17 the presentations in Gary, our group was given the
18 strongest consideration to basically come in and sign the
19 deal, almost before anyone. And I want to clarify that
20 by simply when we asked the question, when we started the
21 meeting where we stood, they said the reason you're
22 sitting here today is because we feel you are the
23 strongest selection. The 12 requirements that they asked
24 us to sign, we would not sign all of them. Some of them
25 we thought were something that didn't make economic

1 sense. Some of them were some things that we just could
2 not sign in the best interest of us as a private business
3 enterprise.

4 MR. VOWELS: We found out yesterday that the
5 two applicants yesterday haven't talked to either you or
6 Trump. Have you, Lakeside, had any discussions with
7 Trump?

8 MR. PHILIP KENNY: We have not had any
9 conversations relative to that group. We did convey at
10 the Gary hearings that because of our background we could
11 work with almost anyone. And the fact that we have built
12 relationships and worked with a number of companies,
13 specifically Fluor-Daniels, which was brought in at that
14 point in time as the construction company. We had a
15 relationship with Mr. -- Fluor-Daniels. Mr. Hanlon
16 worked for Fluor-Daniels, and we felt we had a very
17 comfortable relationship with them.

18 MS. BOCHNOWSKI: Do you think that after having
19 not being chosen by the City of Gary, do you feel that
20 you would be able to work, build a working relationship?

21 MR. PHILIP KENNY: Unequivocally. We've worked
22 here before. As I said, we have a number of employees
23 that work for us. And I can't say enough about meeting
24 some of the finer people in Gary, to be very honest with
25 you. I have a high respect for what they're trying to

1 accomplish. And the one thing I can say is they are
2 trying to do what's best for the City of Gary.

3 MR. SUNDWICK: I have one last question and it
4 has to do with -- I don't want to beat this up too much,
5 but somebody talked about the two million dollars to the
6 community for a five-year period. And that was
7 guaranteed. You know, you don't have to answer this
8 today, but I'd like you to think about how that might be
9 not guaranteed, but how might that be continued as a part
10 of a contribution to the community. After the five years
11 is done, besides saying, "Well, we've done our five-year
12 stint here, we're out of here." And I'm not even looking
13 for an answer right now. But I would appreciate if you
14 would look at that.

15 MR. PHILIP KENNY: I appreciate that. We will
16 take a look at it.

17 MR. SUNDWICK: I think it's the kind of thing
18 the City needs. Besides that--

19 MR. KLINEMAN: And I want to tell you, Mr.
20 Smith, I know where you can get somebody to wire that
21 highrise for cable.

22 Mr. Thar, do you have anything?

23 MR. THAR: I've got a few questions.

24 With regard to the senior citizens home, Mr. Smith,
25 we'll start with the basic proposition after it is

1 renovated, who will own it?

2 MR. WILL SMITH: It will still be operated by
3 the Foundation.

4 MR. THAR: What foundation?

5 MR. WILL SMITH: Lakeside Community Economic
6 Development Foundation.

7 MR. THAR: Have we heard about that? Is that
8 the foundation that you are referring to?

9 MR. WILL SMITH: Yes, sir.

10 MR. THAR: So it's gonna be -- who presently
11 owns the Sheraton?

12 MR. WILL SMITH: From my understanding, the
13 City of Gary has ownership of that property.

14 MR. THAR: Have they agreed to sell it to you?

15 MR. WILL SMITH: Those are things that we will
16 enter hopefully if we acquire the license, we can go
17 forth with. Obviously, there are a lot of things we can
18 do. We feel comfortable about it. It's there. The City
19 owns it. And we hope that we can work that out with the
20 City. If, in fact, we can't, then we will look at some
21 other areas of the City in terms of developing this
22 needed housing.

23 MR. THAR: We got the gist from the developers
24 who got the endorsement from Gary yesterday that Gary
25 would prefer to see that to be a City office annex. What

1 do you think would motivate them to sell that to you to
2 make a senior citizens housing.

3 MR. WILL SMITH: Once again, I've been in the
4 community a long time. I've worked on the Council. And
5 I've worked for a lot of dollars to be brought into the
6 City of Gary. I think that I could sit down with the
7 Administration and we can, as a whole, and maybe perhaps
8 work out those things that might be a problem today.
9 They might not be a problem tomorrow.

10 MR. THAR: If I understand your earlier
11 presentation, you said that after the money was invested
12 in, then it would start to become self-sufficient in
13 payment of rents and federal and state subsidies; did I
14 hear you correctly?

15 MR. WILL SMITH: Yes, sir.

16 MR. THAR: How is that an economic advantage
17 to the State if it's gonna require federal and state
18 subsidies to be funded?

19 MR. WILL SMITH: Well, that -- when I run into
20 a snag on things that I'm not familiar with, I refer. So
21 Mr. Krusa could probably explain that to you.

22 MR. KRUSA: I think as I stated earlier, Mr.
23 Thar, if you're 65 years old, you're on Social Security,
24 you are entitled to a subsidy for housing. If you're
25 handicapped, and--

1 MR. THAR: I understand the federal sides of
2 it. Well, let me focus the question directly to the
3 state side of it. If I understood you correctly it was
4 federal and state subsidies.

5 MR. KRUSA: Okay, the federal subsidies once
6 again are the--

7 MR. THAR: I know the federal subsidies. I
8 want you to tell me what the state subsidies are.

9 MR. KRUSA: I do not, you know, I do not at
10 this point feel there will be any state subsidies for the
11 housing project. There are some subsidies available for
12 handicapped individuals and homeless individuals from the
13 State. Perhaps that's -- that was what was referred to
14 by a state subsidy. In terms of the impact to the State,
15 we're looking at the income taxes generated from the
16 employees at the complex.

17 MR. THAR: I'm familiar with those. I just
18 wanted that one area.

19 With regard to the Foundation, how is that received
20 by the City of Gary, the concept of the Foundation? Just
21 your opinion. How is the concept of a foundation that's
22 been suggested as part of your application received by
23 the City of Gary?

24 MS. SCHELL: I was present at those
25 presentations in Gary, and I think it was well received.

1 MR. THAR: Do I understand correctly your
2 economic development package is 10 million dollars from
3 the Foundation guaranteed over five years; is that
4 correct?

5 MS. SCHELL: Yes, sir.

6 MR. THAR: And that is not performance based as
7 a guarantee over the first five years?

8 MS. SCHELL: Yes, it is.

9 MR. THAR: That the three percent additional,
10 that goes into the Foundation, that's performance based?

11 MS. SCHELL: No, the three percent goes
12 directly to the City.

13 MR. THAR: Goes to the City?

14 MS. SCHELL: Yes.

15 MR. THAR: And that's guaranteed; it will
16 always be three percent?

17 MS. SCHELL: Yes.

18 MR. THAR: The Sheraton 14 million dollars, is
19 that a guarantee or is that based on performance? Is it
20 guaranteed investment that you're going to make
21 regardless of whether or not your performance achieves
22 your revenues expectation.

23 MR. MYERS: Yes.

24 MR. THAR: Is there any other aspect of your
25 economic development package, other than that and the

1 Sportopia.

2 MR. WILL SMITH: Nothing other than some of the
3 things I outlined earlier about providing some loans to
4 entrepreneurs.

5 MR. THAR: That's part of the Foundations--

6 MR. WILL SMITH: Part of the Foundation.

7 MR. THAR: Thank you. I want to go back to one
8 of the points brought up by Commissioner Hensley. That
9 is when you ran your numbers through certain analyses,
10 and one of the analyses was a break even performance,
11 that is, taking certain things, what your performance
12 will be in order to break even, with the amount of money
13 that you wanted to invest in the project. And what was
14 determined from that is that your most likely numbers are
15 real close to a break even pro forma projection. Based
16 upon what we did. What concerns me about that is not the
17 conservative nature of it, but that it lacks room for
18 economic development and creativity because you haven't
19 projected any type of enthusiasm into the project.

20 So that as a background I say what is it about your
21 project that when Chicago comes on line, which you have
22 accounted for in your five-year projection, what makes
23 your project one that's going to compete with Chicago,
24 that will make me decide I want to come here to your
25 gaming facility rather than to Chicago, assuming that I'm

1 in one of these suburban setups where I've got an equal
2 distance of choice.

3 MR. HANLON: Well, I think that number one, we
4 don't have a break even scenario.

5 MR. THAR: Well, I'm saying when we did the
6 analysis, your most likely projections appeared to us to
7 be very close to a break even scenario.

8 MR. HANLON: So is your question--

9 MR. KLINEMAN: Regardless of that, I think the
10 question is very valid, you know. What is it that you're
11 gonna do that will tell us something that people will
12 come here rather than downtown Chicago or Joliet?

13 MR. HANLON: First of all, there's a number of
14 things. One is as we said before, we think it has
15 excellent access from all markets from the Chicago
16 market, from the south, from the east.

17 MR. KLINEMAN: He's talking about what is it,
18 being -- you know, you just kind of have volume that says
19 as the competition comes on, we just go down. You don't
20 get the feel that you're gonna be fighting there.

21 MR. HANLON: We think the project is a very
22 attractive project architecturally. We think it's gonna
23 be run the right way. I think as we mentioned, we have
24 experienced marketing in this geographic area which just
25 hasn't shown up. We have extensive experience marketing

1 in casino projects. The Gary project will be first. As
2 I said before, that's a significant advantage. I think
3 that all of a whole package when you said it sort of
4 lacked enthusiasm, we're quite enthusiastic or we
5 wouldn't be here.

6 MR. THAR: Not your group, your group is very
7 impressive. Your numbers seem lacking. We're talking
8 about numbers here. Your numbers -- you're trying to
9 compare realistic with your numbers. We understand that.
10 The result of your projections are conservative. But in
11 your projections you're saying, we're going to get this
12 competition, as a result we're going to lose ground.
13 That's what your numbers say. And I'm saying, what is it
14 about your project that's going to stop you from losing
15 ground?

16 MR. HANLON: Let's say that the projects are
17 all -- the projects will survive. They're not gonna be
18 significantly different no matter who does it. What I'm
19 saying on our numbers are that this is a basic
20 supply/demand relationship in the world and we've taken
21 that into consideration. We think, yes, there's a
22 certain amount of demand in the greater Chicago area and
23 Northwest Indiana market. And supply is increasing.
24 What we have done is reflect that, on I think a very,
25 very conservative basis. And on our overall numbers, I

1 don't think that we're conservative at all. I think on
2 the impact from Chicago we have been very conservative.
3 The success of these projects has to do first of all,
4 what the project is. We think what we see right here
5 with Sportopia, with the tower, it's going to be a very
6 exciting project. We know how to market in this area; we
7 know how to market casino projects. Sportopia on top of
8 that, we think that is not just special, that's a unique
9 marketing tool. So we don't think that that can be just
10 sort of put aside. We've done a lot of research into
11 that. And we could have said we're gonna have an
12 Omnimax, or a whole bunch of things that if you look in
13 Las Vegas -- Las Vegas is family entertainment. If you
14 look quite closely at that, you'll find out a whole bunch
15 of stuff has gotten a great deal of PR for Las Vegas.
16 But it isn't really sustainable. We think this is a very
17 attractive, sustainable marketing project.

18 MR. THAR: Let me get to the essence of where
19 my question is going. Your numbers are conservative and
20 as a result your economic development package may not be
21 as expansive as another applicant that projected the
22 numbers higher than you do. Since you also have a strong
23 belief you're going to exceed your most likely scenario,
24 what type of assurances can you give this commission that
25 if you are selected, the economic development package

1 would be sweetened, in a correlation that equals your
2 exceeding your projected revenues?

3 MR. HANLON: Well, I mean, part of that
4 question, you asked before about the continuation, and I
5 think we can demonstrate that there will be something
6 there. The three percent for instance, as you said, a
7 function of performance. If we do better--

8 MR. THAR: I understand that. But if you're
9 presenting better numbers on this same format, you might
10 say, you know, we could afford to pay four percent. I'm
11 just wondering if you've thought about it, and if you
12 have, what would be your thought?

13 MR. PATRICK KENNY: The three percent issue is
14 there. The success of the operation for Lakeside Resorts
15 is extremely important. I don't think we want to get
16 into a situation you can answer off the top of our heads.
17 If we can get back to you on that it would probably be a
18 little bit easier.

19 MR. THAR: Let's assume for a moment we're
20 willing to wait to see how you perform, and your
21 performance exceeds your most likely numbers. Maybe the
22 pot should have been sweeter. And we did it in hindsight
23 rather than foresight. Would that be a comfortable
24 scenario for you?

25 MR. PATRICK KENNY: Legislatively it would

1 probably happen. I mean, that's the reality that we're
2 facing in the Illinois markets. As people feel that the
3 revenues are there, the probability of changing the tax
4 structure is a legislative question. You certainly can
5 do that to us any day. We have that risk in our
6 business. You can change the tax structure of the entire
7 process.

8 MR. THAR: I'm not looking for tax structure,
9 I'm looking for voluntary.

10 MR. MYERS: If what you're asking is, if this
11 venture is immensely successful beyond what we're
12 projecting, would we be willing to tie something to that
13 in the way of additional economic benefit?

14 MR. THAR: Yes.

15 MR. MYERS: The answer is yes.

16 MR. THAR: Thank you. A lot of my questions
17 are just yes or no.

18 (Laughter.)

19 MR. THAR: I want to go to the boat. If I
20 understand Mr. Hanlon, if I understood you correctly,
21 both presently proposed in the application you've now
22 indicated you have the potential to get another boat
23 under option.

24 MR. HANLON: Yes.

25 MR. THAR: One of the pluses we saw as the boat

1 was described in the application as it was amended today,
2 it had a large amount of gaming space, it provided a lot
3 of space for gaming position. In addition, it appeared
4 to be in a position to expand the gaming space to
5 accommodate a market beyond what you're presently
6 projecting. Would your second boat that you say you are
7 now considering putting under option, offer you that same
8 option?

9 MR. HANLON: The second boat is physically a
10 smaller boat, but it is a newer boat designed
11 specifically for a casino operation. It is therefore
12 more efficient physical plan in which to work. So it
13 would provide the ability to expand beyond that. But it
14 is not physically as big a boat as the one we have in our
15 projection now.

16 MR. THAR: Approximately how many gaming
17 positions, if the second boat -- let's call it a second
18 boat, the one that is not in the application. How many
19 gaming position would that boat have?

20 MR. MYERS: The only purpose of the second boat
21 was timing. And this second boat was optioned very
22 recently. It was strictly a timing thing. This thing
23 really got brutal on how quickly this thing, and how to
24 get it over here. But our first choice is still the
25 Alaskan Grand Isle. That is the boat that is depicted in

1 the application. We have a backup is all we've got.
2 1200 gaming positions.

3 MR. THAR: That boat seems to provide a lot of
4 flexibility to adjust to the market which is indicated.
5 And if you're saying you're maybe not gonna go with that
6 boat, that is something the Commission will want to know.

7 MR. MYERS: Alaskan Grand Isle now is our boat.
8 We have a backup boat.

9 MR. THAR: So the Jack Thar is not gonna
10 happen.

11 MR. HANLON: It was the first boat that was the
12 Jack Thar. If we do the second one, then we have to name
13 it something else.

14 MR. THAR: If I understand you correctly 95.2
15 million dollars is your top line; correct?

16 MR. HANLON: Correct.

17 MR. THAR: As we understood this, and correct
18 me, the U.S. Gaming and the Kenny family had committed to
19 LSD, which may require additional capital costs. My
20 understanding, if land acquisition costs are higher, that
21 there is a certain reluctance to make that capital call
22 to U.S. Gaming and the Kenny family.

23 MR. MYERS: We've already made our first
24 capital call. It's been made.

25 MR. THAR: What about additional capital as

1 necessary?

2 MR. MYERS: 20 million is what we both agreed
3 to put in.

4 MR. THAR: What I'm asking you now is your LSD
5 agreement says that additional capital will be requested,
6 if I understand you correctly your 95.2 million dollars
7 budget is the ceiling.

8 MR. MYERS: Beyond 20 million, I would be
9 sitting down with the Kennys and saying what's this next
10 five million for.

11 MR. THAR: And my understanding is there would
12 be a certain reluctance at this point for either U.S.
13 Gaming or for the Kennys to make any additional capital
14 contribution beyond that which is already committed to
15 them in certain lines items in the budget of 95.2 million
16 dollar capital.

17 MR. MYERS: No, I think that's incorrect. The
18 correct answer is depending on what the reasons are for
19 the additional monies. If they're legitimate business
20 reasons, if we opened in the winter and attendance was
21 down and we knew it was a temporary thing, we're not
22 gonna walk away from a 95 million dollar investment for
23 another five million dollars. It just depends on the
24 reason. On the other hand, if there's a legitimate
25 reason, we've just been wrong, a hundred million dollars

1 worth of wrong, and five or 10 million additional or 15
2 or 20 isn't gonna fix it. We're not gonna put good money
3 in after bad. We're smart businessmen.

4 MR. THAR: Finally, how do you feel about
5 flexibility of your project, and integrating with another
6 applicant.

7 MR. MYERS: We've listened to the other
8 proposals and we're familiar with what they're proposing
9 and projecting and planning here. And I think it's just
10 a logistical thing. You sit down and work it out.

11 MR. THAR: That's all I have. Thank you very
12 much.

13 MS. BOCHNOWSKI: I just have one more question
14 and you'll like it because it's real softball. But in
15 this pamphlet that you gave us you said that you had a
16 day care center listed. Is this for employees? Is it
17 there for people who are gambling?

18 MR. DONALD SMITH: It's for employees.

19 MS. BOCHNOWSKI: So that they will have day
20 care. Is that on site, or where is that?

21 MR. DONALD SMITH: Yes, ma'am.

22 MR. MYERS: On site. And the last thing, I
23 just didn't want to leave you with the impression that
24 our financing isn't in very good shape. Our investment
25 bankers are here. They can stand up and tell you the

1 level of confidence they've got in this project. How
2 much work has gone into this thing. We're well on the
3 way with financing, and it's very conservative or within
4 their parameters to get it done. Thank you.

5 MR. KLINEMAN: That's all. We have a decision
6 to make. Our normal schedule is an hour for lunch. We
7 are now exactly one hour behind our schedule. Do you
8 want to cut lunch short a little bit. We will adjourn
9 until 1:15. Thank you very much.

10 (A lunch break was taken.)

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1 STATE OF INDIANA)
) SS:
2 COUNTY OF LAKE)

3
4 REPORTER'S CERTIFICATE

5 I, KAREN M. PRICE, a duly qualified stenotype
6 reporter and duly authorized to administer said oath, do
7 hereby certify that the foregoing proceedings were had
8 before me, on Thursday, September 1, 1994, at the Genesis
9 Center in Gary, Indiana.

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

16 IN WITNESS WHEREOF, I hereby affix my name and
17 seal this 12th day of September, 1994.

18
19
20
21
22 SEAL

Karen M. Price
KAREN M. PRICE, RPR, CSR No. 93-R-1000
Notary Public

23
24
25 My commission expires March 4, 1998.

1 time, but for me it's somewhat of an
2 inspiration. Although I'm an attorney now in
3 Indianapolis half of my family was born in Gary,
4 in Gary and Hobart, Indiana. For over 80 or 90
5 years my family has lived in Lake County.

6 Some of my relatives were
7 superintendents of schools here, were teachers in
8 the Gary area. I've considered it my second
9 home. I've been up here many, many times in the
10 last several years. I'm extremely fond of Gary,
11 and I've watched the progress that has gone on
12 here in Gary and the need for that progress.

13 So, therefore, on behalf of Trump Hotels
14 & Casinos Resorts I want to thank each and every
15 one of you, Mr. Thar, Mr. Hannon, the members of
16 the staff, for all that you have done to bring us
17 to this point where we are now. Because of your
18 efforts the state of Indiana, and more
19 particularly the people of Gary, will be able to
20 benefit from the efforts that are going on at
21 this time.

22 The end result of your work in these
23 hearings is the chance for economic growth in
24 Gary and Lake County, and when you strip away
25 everything else that's the basic issue that

1 stands at this time, and it benefits not only
2 Lake County citizens but Hoosiers all over the
3 state.

4 We're allotted, as you probably know,
5 one hour and 15 minutes for our presentation. We
6 are going to have for you just a few slides.
7 There will be no diagrams. There will be no
8 clips. There will just simply be the basic facts
9 to be presented to all of you.

10 We're going to deal with the issues
11 specifically, put the facts in front of you very
12 quickly and specifically so that we can get right
13 to the point. So I'm proud to come before you as
14 a representative of this particular client, and
15 the reason is boiled to down to its simplest
16 terms Donald Trump and his organization can give
17 to Gary precisely what is needed. And that does
18 serve as a point of inspiration for me.

19 You'll soon be hearing from the members
20 of the executive staff who will bring you the
21 extremely impressive plans that, in fact, have
22 been presented to benefit Gary, Lake County, and
23 Indiana. You've been told by each applicant of
24 their promises for economic benefit, the creation
25 of jobs and so forth. Put a boat in Lake

1 Michigan, and everything will be fine.

2 We will present to you our plans today
3 that will turn the promises into reality. Lake
4 County, and Gary in particular, have spearheaded
5 the opportunity to correct the problems that Gary
6 has had with economic developments, and Gary's
7 time has come at last.

8 The realities of riverboat gaming are
9 these: The boat is actually only a small part of
10 the entire project, and the casino on the boat is
11 even a smaller part of the entire project. As we
12 examine together with you what the statute
13 requires, what each person is asked to look at
14 and decide, the focus has got to be on
15 development.

16 That is the magic word, what can be done
17 with regard to development for this area, and
18 there can be no substitute for that, the
19 development of real estate in direct relationship
20 with the vessel, the development of actual jobs,
21 the development of an entertainment complex,
22 hotels, restaurants, attractions, retail stores.

23 Donald Trump's name is synonymous with
24 development. He has established a reputation on
25 a scale that is unprecedented throughout the

1 world, not just in this country, and his
2 development has a long-term impact wherever he
3 has been. You don't have to wonder if the
4 results will be there. With Trump they are.

5 He's experienced extraordinary success
6 in Atlantic City. I know not whether any of you
7 have been there, but I do know having been there
8 for the first time that the comparison to Gary is
9 remarkable. And he's gone into Atlantic City and
10 with extraordinary success has done a phenomenal
11 job in Atlantic City.

12 The similarities between Atlantic City
13 and Gary is dramatic. Both the Atlantic City
14 citizens and Donald Trump have benefited, as it
15 should be, and so ask yourselves as this
16 presentation unfolds a question. Ask yourself
17 the question Can Trump deliver. No promises, can
18 it be done.

19 He has worldwide recognition as a
20 developer. He has incomparable experience. He
21 has superior marketing and advertising
22 abilities. He has the manpower and the
23 resources.

24 But in dealing with one issue that must
25 not be subordinate he will be able to deal with

1 Chicago, and if we are looking at the realities
2 of the situation, if those five boats become
3 competitive there must be a licensee here who can
4 stand firm against the Chicago situation, and he
5 can.

6 Of equal importance in this selection
7 process is the character and reputation of the
8 ultimate licensee not by words only. With the
9 new Trump Marina Resort we have an organization
10 and a leader who is experienced and whose honesty
11 is unquestionable. We're prepared to answer any
12 and all questions that you ask us on that
13 particular subject.

14 Donald Trump and his associates are
15 proud to be recipients of game licenses in New
16 Jersey and Mississippi. They've been subjected
17 to an in-depth and very thorough investigation to
18 assure that they're worthy of holding those
19 licenses in those two states, and they've been
20 through it.

21 Mr. Trump has consistently bought,
22 developed, and managed his gaming properties in
23 strict compliance with both state and federal
24 laws. Now, the proposal that has been submitted
25 has been specifically designed to meet the

1 legislative directive articulated by our
2 representatives in Indianapolis when this act was
3 passed.

4 When I read it the first time I was
5 surprised. As you probably know by now, the word
6 gaming isn't even in it. Quote, To benefit the
7 people of Indiana by promoting tourism and
8 assisting economic development, close quote.
9 That's the mandate for any applicant. It is the
10 mandate for this Commission.

11 With Trump you will have a proven
12 performer, someone who can rise to this goal. He
13 has the resources and the manpower and the vision
14 and the experience to make the promises a
15 reality. Let's let Gary and Indiana share in the
16 prosperity that the Trump name can, in fact,
17 bring. The Trump organization are powerful
18 performers. They are proven winners. That's
19 true.

20 Now, I am pleased to introduce to you
21 the members of the Trump organization who will
22 make the actual presentation, and if you would
23 stand so that you can recognize them, and we also
24 will introduce one person who will be available
25 to answer questions.

1 First of all, Mr. Donald J. Trump,
2 president of the Trump organization; secondly,
3 Mr. Nicholas Ribis, chief executive officer of
4 the Trump Hotels & Casino Resorts; next, Patrick
5 Dennehy, executive vice president of operations,
6 Trump's Castle Casino Resort; fourth, Joe
7 Polisano, executive director hotel operations,
8 Trump's Castle Casino Resort.

9 You will hear from others including Tom
10 O'Connor, Sykes, O'Connor, Salerno & Hazevah.
11 But the four people I introduced will be the four
12 people who will make the presentation to you, and
13 then afterwards we look forward to your
14 questions. It's my privilege and pleasure to
15 introduce to you our first speaker, Mr. Donald J.
16 Trump.

17 MR. TRUMP: Thank you very much. You
18 can see that I pay this guy. He said such nice
19 things about me. This has been probably the best
20 year or year and a half that we've ever had in
21 business at the Trump organization. In 1990-91
22 New York City went through a huge real estate
23 recession, as did this area and every other area
24 probably in the United States, but we've come
25 out, and I think we probably are stronger than we

1 ever were before.

2 On a consolidated basis I think we have
3 in excess of \$120 million in cash. We've done
4 developments that are really the envy of the
5 world. The Riverside South, we've been hearing
6 about that. That's the current name, but we're
7 probably going to be making some changes in that,
8 and it's been a wonderfully great development.

9 It's the largest zone change in the
10 history of New York, and we just got a very large
11 group from China, and we think in excess of \$2.5
12 billion will be spent on that development, and
13 we're just so happy as to what's happened over
14 the last period of time.

15 I think we're going to be seeing some
16 slides, but even before I go into the slides two
17 things are very important to me and that's
18 relative to Atlantic City which really most
19 pertains to this, although I hope that maybe the
20 development experience also does.

21 Number one is that for the last four
22 years all three of my properties, the Castle, the
23 Plaza, and the Taj Mahal, were elected and
24 selected after tremendous research by the Mobile
25 Travel Guide, which is sort of the bible of the

1 industry in terms of quality hotel and
2 restaurants, as four stars.

3 They're the only hotels in Atlantic City
4 that are four stars. There are I believe five or
5 six in the entire country. We have three of
6 them, and I'm very proud of that.

7 The other thing is that the Taj Mahal is
8 far and away number one in every category, in
9 slots, in tables, in total wins. We had a gross
10 operating profit at the Taj Mahal this year of
11 almost \$130 million.

12 The Trump Castle is number one for the
13 last 12 months. It's been the number one
14 percentage increase in all of Atlantic City so we
15 have the number one hotel in Atlantic City, and
16 we have the number one percentage increase in
17 Atlantic City.

18 And the Trump Plaza is also doing
19 tremendously so we just we're very proud of that
20 effort. But beyond the numbers, to have been
21 selected by the Mobile Guide as the only three
22 four star hotels three years running in Atlantic
23 City is something that's really a great honor to
24 us.

25 We have some slides of various buildings

1 that we developed on or whatever. This is Trump
2 Tower. I'd say this is probably our flagship.
3 It's a 68 story tower with condominiums on the
4 top 40 stories, shopping and office space on the
5 lower number of floors.

6 It's become a landmark in New York, and
7 it's on a square foot basis far and away the
8 highest priced building in the city of New York
9 when somebody sells an apartment. There's Steven
10 Spielberg, Andrew Lloyd Weber living there.

11 You probably heard recently Michael
12 Jackson is now living at Trump Tower with Lisa
13 Marie, and that's my number one question that
14 everybody seems to be asking, how are they doing,
15 and I really don't know to be honest with you.
16 But it's just an amazing building right next to
17 Tiffany's, and I'm very proud that we built that
18 building, and it's been a success since the day
19 it was built.

20 Okay. The next most of you recognize as
21 the Plaza Hotel, another building that we're
22 extremely proud of. We took over the Plaza. It
23 wasn't even rated, and now it's a four star hotel
24 like the casinos which is, you know,
25 extraordinary really, and we've taken it from a

1 gross operating profit of very, very little to
2 one of the most successful hotels in New York.

3 The Rock Report, which is also another
4 very important hotel indicator, just voted it the
5 best hotel in the United States, and Business
6 Traveler magazine just voted it the best business
7 hotel in the United States.

8 This hotel when we bought it, I mean, it
9 was magnificent. It was one of the most
10 important buildings in the United States, but it
11 was not a particularly well run hotel. Now it's
12 considered probably the best in the United
13 States, and we're very proud of that.

14 This is a new building that we've just
15 completed, and in a bad market it's virtually
16 sold out. It's called Trump Palace. It's
17 located on East 69th Street in New York. It's a
18 very luxurious building. Many, many very
19 important people live there.

20 It's a tremendous success, and I think
21 the reason I'm most proud of Trump Palace is that
22 in a very bad market it's a 55 story building
23 which very much dominates the eastside because
24 there's nothing close to it in height, but I'm
25 very proud of it because it's a very bad market.

1 We've done very well with it, and it's
2 completed. Probably within the next two weeks
3 we'll announce it's been totally sold out. It's
4 got over 300 luxury, very luxury, units. In fact
5 those top ten floors are one apartment to a floor
6 so you can imagine, and it probably has the best
7 views, considered now the best views and the
8 largest windows in the city of New York for an
9 apartment house.

10 This is Trump Plaza New York, another
11 very successful development built seven years
12 ago, completed seven years ago, on East 61st
13 Street right next to Bloomingdale's. That's
14 shopping on the lower floor as you see the
15 structure.

16 Totally sold out, tremendous success,
17 and, again, this is cooperative apartment housing
18 as opposed to a condominium, and, again, I think
19 architecturally it's won so many awards, and we
20 are very proud of that.

21 Trump Park is a former hotel, and I look
22 at your former hotel, the Sheraton right opposite
23 of City Hall. So many things could be done to
24 it. Trump Park was a very unsuccessful hotel
25 called the Barkerson Hotel, and it stood on a

1 fabulous corner for many, many years.

2 It was built in 1906, but it was never
3 considered a hot hotel or a successful hotel, and
4 I took Trump Park, and I changed the name
5 obviously. We gutted out the entire building,
6 made super luxury condominiums, and we sold over
7 \$300 million worth of apartments in Trump Park,
8 and it became a tremendous success.

9 And today it's totally sold out. There
10 are no apartments available, and it's something
11 I'm very proud of because we really took a hotel
12 that was nondescript, not very pretty. If you
13 notice the big windows we have in there, if you
14 would have seen that as a hotel, because for
15 landmarking purposes we use the interior of the
16 building, but the big windows that we have right
17 now were cut into the sides of the building.

18 They had very, very tiny windows, and
19 part of the beauty of this building is that view
20 of Central Park. So this has been a building
21 that's been a tremendous success, and, as I said,
22 we sold over \$300 million worth of apartments,
23 and it's totally sold out.

24 That's the Grand Hyatt Hotel on 42nd
25 Street and Lexington Avenue and Park Avenue, a

1 hotel that I did. It was my first major project
2 in Manhattan other than the convention center
3 where I was responsible for getting the
4 convention center built in Manhattan, and this
5 was the first building that I actually owned in
6 Manhattan.

7 It was the old Commodore Hotel. We
8 converted it to a super luxury Hyatt Hotel, and
9 we call it the Grand Hyatt because it's located
10 right next to Grand Central Terminal, and it's
11 been a tremendous success. It will continue to
12 be a tremendous success.

13 We worked very much with the city and
14 the state on this development because we
15 renovated Grand Central Terminal as part of the
16 development. I opened this hotel in 1980, 1979,
17 and it's had high occupancy, and it's something
18 I'm very proud of.

19 This is a small building that most
20 people recognize as the Empire State Building,
21 and actually about two months ago we were able to
22 purchase a 50 percent interest in the Empire
23 State Building, and we now own 50 percent of the
24 Empire State Building with five Asian investors,
25 and it will be an interesting story.

1 It's a great building obviously, and
2 it's probably the all time landmark in New York,
3 and between that and the Plaza Hotel we have
4 probably the two greatest landmarks, and we've
5 worked on the other one which is Grand Central
6 Terminal which is right next to the Grand Hyatt
7 and renovated Grand Central Terminal.

8 We did the entire exterior renovation of
9 Grand Central Terminal so the three greatest
10 landmarks in New York are those three buildings,
11 and we've had a big part in each one of them.

12 This is the job that's the grand-daddy
13 of them all. This is called Riverside South.
14 This is a development of close to ten million
15 square feet including the parking. It will be
16 the largest private park, privately developed
17 park, in the history of Manhattan.

18 It's the largest zone change ever given
19 in New York, and that's pretty good when you
20 consider Rockefeller Center and some of the other
21 jobs. This is on close to 180 acres of land in
22 midtown Manhattan, great location, 72nd Street
23 and 59th Street all along the Hudson River.

24 It's the only piece of fee simple real
25 estate, meaning owned real estate as opposed to

1 leased from the city or state, that butts with
2 the Hudson River in relative proximity to this
3 area of Manhattan. Lincoln Center of the
4 Performing Arts is right behind it.

5 You know, it's considered one of the
6 greatest pieces of land. In fact, I think the
7 New York Times said it was the single greatest
8 piece of land in urban America, and I believe
9 that's correct. We will build 5,700 units of
10 housing. We have millions of feet of commercial
11 space and lots of parks, lots of open space, lots
12 of access to the river.

13 Right now it's a closed railroad yard
14 that's located in this incredible section.
15 People say how can this have been possible
16 because you have all these luxury buildings
17 surrounding a railroad yard, but it just
18 stopped. But it was a railroad yard, and I was
19 able to acquire it.

20 The zoning took years because of the
21 complexity of zoning in New York. We now have
22 entered into an agreement with the largest
23 companies in Hong Kong, China, and we're partners
24 now on the development of this particular site,
25 and hundreds of millions and billions of dollars

1 are going to be invested in this development from
2 overseas, and it's something that's going to get
3 built.

4 I might add that we'll be starting very
5 shortly. Actually we'll be starting over the
6 next eight or nine months. This was a site that
7 for the last 50 years the top developers in the
8 world tried to develop, and there was always a
9 reason they couldn't do it. They couldn't get
10 the zoning, they couldn't get this, they couldn't
11 get that.

12 We were able to put together a coalition
13 of community groups, lots of different members of
14 the community, including Jacqueline Onasis at the
15 time, the Municipal Arts Society, the Parks
16 Council, the Westside Council. Every major civic
17 organization in New York was on my board which
18 was an advisory board, and together we hammered
19 out a deal, and we got it built.

20 Many of those buildings are over 50
21 stories tall, and I think when it is completed
22 like Trump Tower I think it will be a landmark in
23 New York. And basically you see the rest. I
24 believe we're considered the preeminent
25 developers.

1 I think the two things that weren't up
2 there and one of the things I'm most proud of is
3 the General Electric -- and I think you folks all
4 know their incredible record. But General
5 Electric Pension Fund just chose us to be their
6 partner on the development of what's called the
7 Gulf and Western Building in New York.

8 The Gulf and Western Building, which is
9 now the Paramount Building, Paramount Pictures,
10 sits right on Central Park right on the corner by
11 Central Park West and Central Park South. And
12 General Electric owns that building, and in about
13 12 months Paramount Pictures, their lease is not
14 renewed.

15 We are going to rip the building down to
16 the steel and redevelop it as Trump International
17 Hotel and Tower, General Electric again being a
18 partner. Every developer in the United States
19 wanted to be chosen for that particular job.

20 General Electric did over a year's worth
21 of research, and at the end of their research
22 they determined that Trump would be a very nice
23 partner, and we were very honored by that one.
24 And I think there's a little bit of free research
25 involved in that. They spent a huge amount of

1 time, effort, and money in developing that site
2 and who should be the developing partner, and we
3 were chosen.

4 So I'm very honored by that, and I will
5 be here as long as you folks would like me to be
6 here. We're very, very excited about Gary. We
7 think there's a great opportunity. We think
8 there's going to be a lot of competition from
9 Chicago. We think there's going to be a lot of
10 competition from other areas.

11 As I said, the Taj Mahal is so far
12 number one in Atlantic City that number two is
13 not even recognizable, but we believe if properly
14 done, only if properly done, you will have
15 something here that will be able to survive all
16 of the future challenges that will occur.

17 Unfortunately or fortunately they will
18 occur, and this boat will not only survive but it
19 will flourish despite the competition so we hope
20 we are successful. Thank you very much. I'd
21 like to introduce the president of my company and
22 chief executive officer, Nick Ribis.

23 MR. RIBIS: Thank you. It's difficult
24 not seeing everybody, but I'm sure I'll see you
25 during the questioning period. There was a slide

1 just prior to this slide, and I just wanted to
2 note that Mr. Trump has spent some time here
3 talking about development.

4 And when you talk about development and
5 the ability to develop and stay with projects,
6 complete projects successfully, I think you've
7 seen the record. We don't talk about making
8 promises that he will be a developer and he's
9 going to show you how to develop. He has done
10 it.

11 He's done it in environments such as New
12 York and Atlantic City. He also has done it with
13 community service, working with communities,
14 community groups as he explained. Furthermore,
15 one thing Donald didn't discuss was the Wolman
16 Rink which Donald did gratis to the city,
17 invested his own money.

18 The city of New York for ten years tried
19 to develop the Wolman Rink in Central Park. It
20 is the largest outdoor rink in New York, and \$30
21 million later still did not have a park, still
22 did not have a completed ice rink in New York.
23 Mr. Trump took this project over, did it with his
24 own money, and completed it in seven months,
25 Donald?

1 MR. TRUMP: Yes.

2 MR. RIBIS: Seven months, and I invite
3 you all -- it's a shame we don't have a slide to
4 supply you of that, but I wanted to supply you
5 with that information. So when it comes to
6 development and involvement in communities
7 certainly the Trump organization has that record,
8 and Mr. Trump personally has that record.

9 With respect to Atlantic City we have
10 three casinos and hotels. We've invested in
11 Atlantic City hundreds of millions of dollars
12 outside of our development. I am a member of the
13 Casino Redevelopment Authority which is the
14 authority which invests and reinvests in Atlantic
15 City, South Jersey, the casino funds which were
16 contributed to it.

17 I can assure you that as a company we
18 have been committed over the past ten years in
19 Atlantic City. We commit that to Gary, Indiana,
20 or anyplace we invest. We do not develop
21 projects that are movable. We develop projects
22 that are here for the long-term, that have
23 significance to the community.

24 We are not in the riverboat business.
25 We're in the development business, and we're in

1 the hotel business, and by doing that we combine
2 expertise which will provide the development that
3 Gary needs.

4 There's been a history recently in many
5 communities that have had riverboat gambling of
6 having movable boats. They move the boat in, the
7 economy gets bad, you take the money, and you
8 take it away. Well, that's not what we do.
9 We're not interested in doing that, and we're
10 here in Gary because we feel we can have a
11 significant impact on the community.

12 We selected Gary. There were many
13 places we could have gone throughout the
14 country. Donald selected Gary, decided it was
15 someplace that the Trump organization and the
16 Trump Hotel would participate in.

17 I just give you that as an introduction
18 as to the type of things that Mr. Trump has done
19 and our organization has done. I just want to
20 note that I don't need to explain to you that we
21 believe we're the foremost casino hotel developer
22 in the country.

23 Not only do we have three hotels in
24 Atlantic City, the Taj Mahal, the Castle, and the
25 Plaza, we also are the owners of the Plaza Hotel

1 and the joint venture owner of the Hyatt Hotel in
2 New York, and we are developing other projects
3 throughout the country that you have read about.

4 And when it comes to this business I
5 believe that we can call ourselves the premier
6 developer, again, not of river boats but of
7 casino hotel developments and involvement in the
8 community.

9 As Mr. Trump has noted, all our hotels
10 in Atlantic City are four star. One of our
11 hotels is four star, four diamond. The Plaza
12 Hotel in New York is a four star. These awards
13 are not just given, and the reason why our
14 properties have them is because they are run just
15 a little bit better than other properties.

16 And we invite you to read the criteria,
17 but the criteria's very specific. I'm sure your
18 staff has supplied you that, and it's because
19 they have to be better run, cleaner, the service
20 has to be better, and that's what we provide our
21 customers that come into our facilities.

22 You all know that Mr. Trump is second to
23 none when it comes to providing the public with
24 super star entertainment and artists in Atlantic
25 City. Every entertainer you can think of has

1 performed in the Marques Arena in the Taj Mahal,
2 the convention center arena which is adjacent to
3 Trump Plaza, and those are the type of things
4 that we would supply a community like Gary. In
5 addition to the casino we will have other
6 amenities which will draw people on a long-term
7 basis into this community.

8 Now, I'm just going to review some facts
9 that you probably have seen in our presentation
10 here today. This is the Trump Hotel & Casino
11 Resorts. We have existing almost 5,000 hotel
12 rooms. We employ almost 15,000 people. We have
13 over \$500 million spent on an annual basis on
14 goods and services, over almost \$2 billion in
15 investment in Atlantic City in our facilities.

16 This slide further illustrates the
17 success of our properties. Last year we almost
18 had a record earnings of a quarter of a billion
19 dollars in gross operating profits which no
20 casino/hotel operator in this country has ever
21 achieved. We budget for 1994, and we expect to
22 exceed that and be in the area of \$265 million.

23 We had a table and slot win of almost a
24 billion dollars last year. Our entities
25 represent almost 30 percent of the marketplace

1 with respect to our activities in Atlantic City.
2 This slide is of Trump's Castle. This is a four
3 star hotel.

4 What you are looking at is the marina.
5 We have the slide first because we wanted to
6 illustrate to the Commission our expertise in not
7 only casino hotels but in ancillary
8 developments. The marina you're looking at was
9 an old state marina which was dilapidated.

10 It was taken over by Mr. Trump in the
11 mid to late '80s, totally redeveloped into the
12 largest marina on the east coast presently, and
13 you can just see the type of boats that come to
14 this marina. It's open all year-round. When it
15 gets cold the permanent vessels are still there.

16 Again, just going through some
17 information as to the Castle, of course, it's got
18 650 rooms. It had almost \$250 million in table
19 and slot wins. It has had the largest
20 year-to-date increase of almost \$10 million in
21 our operating profit. That would be more in the
22 category of \$15 million. We always try and
23 improve each year in our operating results.

24 This is a slide of the Taj Mahal, the
25 largest casino/hotel in the country. (End of

1 tape) -- and it's average daily win is in excess
2 of \$1.1 million, and it's 37 percent higher than
3 our nearest competitor. I think that tells you
4 something about how we operate our facilities.

5 Next is a development that, although
6 this is a slide, the reason why we have this
7 particular slide and the next slide is not only
8 do we develop facilities, we continue to
9 redevelop the neighborhood.

10 On the right-hand side of the slide next
11 to the main building, Trump Plaza which has 500
12 rooms, we have taken an old closed Holiday Inn
13 which was there for over 12 years which had
14 behind it a half built facility which is now
15 being taken down.

16 We have commenced and are almost
17 completed with the redevelopment of this
18 building, 371 rooms, to have one combined
19 facility of almost 900 rooms. But on the base of
20 this facility Mr. Trump has been able to enter
21 into a lease with Warner Studio Stores, and
22 you're probably all familiar with the Warner
23 Company.

24 The Warner Studio Store is the largest
25 single floor Warner Store in the country. The

1 New York store's bigger in square footage. This
2 store opened earlier this summer and has been a
3 tremendous success, and what it has done is
4 cleaned up this facility and cleaned up the
5 boardwalk in this area and has become a funnel
6 for visitors to come to Atlantic City.

7 Trump Plaza, again, was our first
8 facility. It was developed by Mr. Trump for the
9 last 12 months. It had \$260 million in table and
10 casino wins. I talked to you about the new hotel
11 tower we're now completing. We're adding
12 additional gaming space, and we have a dramatic
13 new entrance to the facility.

14 At the base of the Atlantic City
15 expressway it comes into our property. I just
16 want to stop here for a second, and we are
17 equally involved in what we call the corridor
18 project in Atlantic City. In fact, that's one of
19 the projects I've been involved in as the
20 chairman of the Casino/Hotel Association in
21 Atlantic City and as a member of the Casino
22 Redevelopment Authority.

23 It will redevelop the entire corridor in
24 Atlantic City. That corridor will come into the
25 base of the Trump Plaza and also Caesar's and

1 Bally's, and there will be spent approximately
2 \$120 million on the corridor, new roadway, and
3 entertainment facilities. So, again, we continue
4 to be a leader in redevelopment in these areas.

5 Now, in talking about the financing for
6 the marina project the total capital required is
7 approximately \$150 million. We will have a
8 capital contribution of approximately \$30 million
9 of our own funds, and, as Mr. Trump has
10 explained, we currently have on a consolidated
11 basis approximately \$120 million in cash in our
12 casino/hotel facilities and in our parent company
13 which will be available to us for this project.

14 We intended that when we submitted this
15 to the Commission to have about \$122 million in a
16 reverse mortgage bond. It will be someplace in
17 that area. As you know, the markets have changed
18 a bit. Bankers Trust, the largest bank in the
19 country, is our advisor, and it has submitted a
20 letter to the Commission. We estimate our
21 municipal investment at approximately \$21
22 million.

23 Next Mr. Polisano -- he is the vice
24 president of operations at Trump's Castle -- will
25 address the Commission with respect to the

1 project specifically. Thank you, and, of course,
2 I'm available for any questions you may have
3 later. Thank you very much.

4 MR. POLISANO: Good afternoon, ladies
5 and gentlemen. I'd like to direct your attention
6 to the screen. I'll run you through the
7 development plan we've put together for this
8 project. What you are looking at there is an
9 overall rendering of our finished product. It
10 shows our hotel.

11 I think one of the reasons that we feel
12 Buffington will work to our advantage is because
13 it is in the Indiana and Chicago metro area.
14 It's also accessible by Interstates 90 as well as
15 80/94, Cline Avenue. It's serviced by the Gary
16 regional airport as well as Conrail and Amtrak
17 rail service lines. It falls within the city
18 limits of the City of Gary.

19 I want to redirect your attention, if I
20 may, to this screen right over here. I'm going
21 to use this little red pointer. This is the
22 existing Buffington Harbor as you know it. It's
23 approximately 150 acres. It's segmented by
24 Lehigh Cement as you can see right there.

25 There are some rail lines that we can't

1 see on this screen below that, and there are also
2 some NIPSCO power lines that run parallel to the
3 rail line in this direction.

4 Now, I'm going to ask you all to please
5 go back this way. What you are looking at is our
6 temporary site plan. Right along here on the
7 left side of the screen would be Cline Avenue.
8 You can access off of Cline Avenue on to Columbus
9 Avenue to the existing roadway, and in the
10 temporary phase of our operation we're intending
11 to leave the roadway pretty much in the condition
12 that it is in.

13 We would add extensive landscaping. The
14 traffic flow would be through the existing
15 roadway. We would create a little cul de sac
16 under the existing underpass for a temporary
17 building. For the initial phase of the project
18 the existing underpass will require some cosmetic
19 repairs minimally. The existing concrete is
20 falling. It would need to be repaved.

21 We are under the understanding that
22 there are submersible pumps there right now.
23 Should those pumps stop that underpass would be
24 filled within an hour with 12 inches or more of
25 water so we think we have to do something about

1 that.

2 Again, we'd create a lot of temporary
3 and solve some temporary landscaping to beautify
4 the area. Customer self parking for about 2,500
5 cars would be in this area right here. We're
6 also proposing motor coach parking right here.
7 The reason our motor coach parking is outside of
8 the complex is we're so concerned with the eleven
9 foot six inch clearance of the underpass.

10 We would, of course, provide convenient
11 shuttle services for all our guests whether it be
12 in self park or in the bus area. Again, you can
13 follow the roads where our temporary pavilions
14 are shown. We also would provide handicapped
15 parking as well as valet parking right to the
16 door of the temporary pavilions.

17 Now, although I'm referring to these
18 buildings as temporary -- this, again, is a
19 rendering of our temporary buildings. We've
20 discussed the project with a number of
21 manufacturers. They're temporary in that it will
22 be used for a little while then we would convert
23 to our main hotel building.

24 You heard Mr. Trump and Mr. Ribis
25 describe buildings in detail. I don't think I

1 have to elaborate too much on the quality.
2 That's what this organization's all about.

3 Construction will be 50,000 square
4 feet. As I said, it will be a full service
5 structure with primary staging area for
6 approximately 2,000 customers. This is a
7 floorplan that you are looking at.

8 The elements inside the pavilion would
9 include ticketing, casino support operations, a
10 full service food and beverage operation,
11 entertainment, rest rooms, retail opportunities,
12 and, of course, we'll have all these easily
13 accessible from our parking areas, and it will
14 have a climate controlled enclosed walkway to the
15 gaming vessel.

16 This is a rendering of the vessel Glow
17 Mark, the ship that we would be using as our
18 temporary vessel. It's 400 feet long, 65 feet
19 wide. It can be certified to sail within three
20 miles of the shoreline. It's currently in the
21 shipyard down in Bender Ships down in Mobile,
22 Alabama.

23 It's approximately 34,000 square feet of
24 gaming space, multilevel decks, and it's 1,500
25 gaming positions using 22 square feet per

1 position. We're proposing 1,126 slot machines
2 and 74 table games for a total of 1,200 total
3 games, and, of course, we would provide other
4 amenities such as lounges and whatnot for the
5 convenience of our guests.

6 This is a partial floorplan -- or,
7 excuse me, a partial site plan of our permanent
8 layout. The area you see laid out here is where
9 the hotel will be, and I'll get to that in a
10 minute.

11 Again, this is Cline Avenue along here,
12 and we would like to see the existing Cline
13 Avenue off-ramps reconfigured to create direct
14 access on to our site at this point here. We
15 think that will allow for much cleaner access in
16 as well as exiting out.

17 The existing -- the roadway we're
18 proposing, the roadway in here that I said we
19 would use on a temporary basis, we'd like to
20 widen that to two lanes in and two lanes out. We
21 would provide extensive landscaping.

22 We're also proposing to rebuild the
23 underpass that is right there. As you heard me
24 say earlier, we're concerned that we can't get
25 motor coaches through there, and buses are an

1 important segment of the business.

2 We also notice that we're showing a lot
3 of rail lines across here, and we're proposing
4 that the existing rails that segment the site
5 that I referred to earlier be pulled back to this
6 area as well as the overhead power transmission
7 lines.

8 And I know there's been a number of
9 people who have said that before me, and no one
10 has mentioned those lines. We feel they need to
11 be addressed. We feel they could create some
12 problems.

13 You'll also notice that I guess the most
14 obvious aspect of this site plan is the location
15 of our bulkhead and our breakwater. What we'd
16 like to do here is create this thing right here.
17 That little dot is an outdoor amphitheater that
18 we are proposing for a multitude of entertainment
19 opportunities, music, fireworks, whatever.

20 We think it would create a tremendous
21 atmosphere as you'll see later on in the slides,
22 the bulkhead and the exterior -- I'm sorry, the
23 amphitheater. This is our proposed breakwater.

24 I'd also like to point out that we are
25 allowing for potential development in this

1 portion of the site as well as this portion up
2 here which goes toward East Chicago. We think it
3 would be a tremendous advantage to the state and
4 both cities of East Chicago and Gary should the
5 whole shoreline area be developed with gaming.

6 I would add that the breakwater will be
7 designed to meet the Coast Guard specifications
8 for a protected harbor.

9 This now shows our permanent parking
10 facility. We'll have the ability to park
11 approximately 3,000 vehicles a day right in that
12 area. Around in this area this is our hotel
13 right in here.

14 We're proposing a motor coach
15 transportation center so our buses will be able
16 to pull right in, drive around the access roadway
17 and right into the hotel, the ground level of the
18 hotel, and have direct access into our ticketing
19 facility. Again, valet parking and VIP parking
20 as well as handicapped parking will be available
21 to guests of the hotel.

22 I just want to point out the circulation
23 here that would give the buses in this site right
24 here which we're allowing to branch off for
25 access over to there, and, of course, at the end

1 of this road we could connect to the other
2 development there and provide safe and convenient
3 access for all of our guests.

4 The ground floor of the hotel complex is
5 the hub of the whole facility. Again, this is
6 our exterior rendering. The ground floor is
7 where the motor coach terminal and the riverboat
8 point of entry all come together just so we'll be
9 capable of handling about 4,500 people when it
10 comes to ticketing.

11 This is the floorplan that you're
12 looking at that will also house our
13 administrative offices, restaurants, retail
14 stores, a lounge, and all the patrons, of course,
15 wishing to enter the riverboat would do so
16 through this level, and there would be a glass
17 enclosed climate controlled walkway to and from
18 the boat.

19 What you are looking at here is a
20 rendering of our hotel lobby. The marble floor
21 and crystal chandeliers, high ceilings, opulent
22 decor, it's just typical of what we do at all our
23 hotels so just in the hotel aspect alone we're
24 creating a destination resort. We're not just
25 coming in and leaving. We want folks to be

1 enamored when they come to this facility so
2 they'll return time and time again.

3 The hotel tower itself is designed as a
4 300 room facility 15 stories tall, and it will
5 have the ability to expand to 600 rooms. We'll
6 be offering suites as well as typical guest
7 rooms. Our room decor will be done in typical
8 Trump style, if you will, marble floors,
9 exquisite wall coverings, along with
10 entertainment centers, wet bars, whirlpools, the
11 whole nine yards.

12 We're also within this building we would
13 have a multipurpose media space which we could
14 use for concerts, entertainment, whatnot.

15 This is a rendering showing our
16 permanent vessel, the Trump Princess, on the
17 right-hand side. You can see the amphitheater
18 down here on the lower right. We're creating an
19 esplanade in the middle if I could go back to
20 that one second.

21 I referred to the amphitheater a little
22 earlier. We're trying to create a resort
23 atmosphere. We want to allow people to come out
24 of the hotel, get off the gaming vessel, walk
25 around, and create an environment that is

1 comfortable and relaxing.

2 Our permanent vessel is the Trump
3 Princess. This is an interior rendering. It's a
4 340 foot long vessel, 76 feet wide. This will be
5 of a contemporary style design, again,
6 multilevel. It will be approximately 46,000
7 square feet of gaming space producing 2,000
8 gaming positions using 23 square feet per
9 position. Again, 22 for the temporary, 23 for
10 the permanent.

11 Our objective here is guest comfort.
12 We'll have 1,530 slot machines, 100 table games
13 for a total of 1,630 positions. That's pretty
14 much it for the development. I'd like to just
15 briefly, if you will, run through our timing for
16 all this. I'll give you what we feel are
17 probable dates.

18 We are saying the site developments in
19 conjunction with the second licensee would take
20 from -- should we be able to start in September
21 that would take from September to November.
22 Environmental acceptance and remediation would be
23 from September to December.

24 Our temporary site design development
25 would go from September to October. Riverboat

1 presentation would start immediately in September
2 and will be completed by June 1995. Corps of
3 Engineers permit we would be able to apply for in
4 October, hopefully get that in February at which
5 point we would begin our temporary facility
6 construction, and that would also be completed by
7 June of 1995.

8 While we're doing all that we would also
9 be working on the schematic design for the
10 permanent riverboat fabrication, permanent
11 facility design development, and our permit
12 applications. We are saying that the entire
13 facility will be completed in June of 1996.

14 However, as we are up in operation
15 temporarily we'll be building the permanent
16 structure, and as soon as we can occupy the lower
17 floors for the hub of the project, if you will,
18 we'd be willing to do that.

19 We've consulted with Huber, Hunt &
20 Nichols for this schedule. As you may or may not
21 know, Huber, Hunt & Nichols is a well-known
22 construction company based in Indiana. They have
23 come to Gary.

24 They have met with the economic
25 development director. They have met with the

1 Gary Construction Consortium, and they are
2 intimately familiar with the state, local, NBE
3 and WBE requirements so we have a high level of
4 confidence in Huber, Hunt & Nichols.

5 Just to sum it up there are some key
6 concerns that we have about the site, about
7 completing the project as we feel it should be
8 completed. They are access from Cline Avenue as
9 well as access off of the site on to Cline
10 Avenue.

11 The existing underpass is less than
12 desirable. That needs to be considered. We
13 don't cherish the idea of having vehicles
14 crossing active rail tracks during operation.
15 Electrical transmission lines need to be
16 addressed.

17 There are barges from Lehigh Cement that
18 we understand will be working in that harbor
19 along with our vessels, and there is an active
20 manufacturing plant adjacent to the site. None
21 of these concerns are incidental.

22 We have the expertise to solve the
23 problems, but they do need to be addressed, and
24 we felt we should point that out. We are
25 committed to this project, and we are committed

1 to working with whoever we have to to get it
2 done.

3 Now I'd like to introduce Mr. Patrick
4 Dennehy, our executive vice president of
5 operations.

6 MR. DENNEHY: Thank you. I'd like to
7 now review with you the financial implications
8 for both the State of Indiana and the City of
9 Gary from our casino operation here. Prior to
10 beginning this task we undertook our own internal
11 feasibility study. We looked at the entire
12 Gary/Chicago gaming market.

13 We limited our analysis to a 160 mile
14 area. We did this because we felt that the
15 customers in that 160 mile area would be able to
16 get to the site comfortably in a three hour
17 drive. That would produce a four- to eight-hour
18 gaming day for those customers.

19 We used our Atlantic City methodology
20 that we've developed over the years, and at all
21 times we've used conservative assumptions to get
22 to our numbers. The elements that we considered
23 in this analysis were the total market area, the
24 population density, convenience of access, and
25 the number and quality of leisure alternatives

1 for patrons living within this 160 mile area.

2 We also looked at the income profile
3 area as well as direct competition from other
4 casinos. Using those rings that we had up there
5 a moment ago we determined three things in each
6 one of those circles.

7 We looked at the market penetration,
8 which by that we mean how many people within each
9 one of those geographical rings will gamble; also
10 patron frequency, how many times a year would
11 individuals come to casino; and win per visit,
12 how much will they spend.

13 We note the closer one lives to a casino
14 site the more often they come, and the market
15 penetration is hard. We determined from our
16 analysis that the adult population -- and for
17 these purposes it would be those over 21 years
18 old -- in that 160 mile ring to be 12.8 million
19 people.

20 These 12.8 million people would produce
21 37.4 million gaming visits, and as we calculated
22 out according to our methodology we produced a
23 total gaming market of \$2.4 billion. We did,
24 however, discount that number for various reasons
25 which I will discuss.

1 We discounted it, and we feel in the
2 first year of operations when we're in operation
3 the total gaming market will be \$990 million.
4 Why do we discount? Well, as I said earlier, we
5 use the Atlantic City methodology. This is not
6 the same market as Atlantic City. Atlantic City
7 is a mature market. Gary is an emerging market
8 with no long-term operating goals.

9 There's also a limited supply of casino
10 boats in site at least initially. This is a
11 riverboat experience versus a land-based
12 experience in Atlantic City. And with that comes
13 an admission charge versus free admission and
14 limited patron entry and exit times.

15 There's a limited market control because
16 there's significant businesses between casino
17 sites unlike Atlantic City where we have a
18 concentration of casinos.

19 In this study we also took into
20 consideration Chicago, and we anticipate that
21 there will be some bit of action during 1995. We
22 think that the earliest boat will be open at the
23 end of year two or sometime during year three of
24 our operation.

25 However, we feel that this market will

1 primarily serve the tourist travel customer in
2 Chicago as well as the local downtown customers.
3 By that time, as I think we alluded to earlier,
4 we feel that Gary will be well situated by the
5 time they open. The market in Chicago currently
6 has not matured, and it's already approached a
7 half a billion dollars so we think that there's
8 plenty of room for growth in the market.

9 But what is this going to mean
10 long-term? We think that the gaming market, the
11 Gary/Chicago gaming market, will have earnings of
12 990 million in year one and, as you can see,
13 rising to 1.9 billion in year five.

14 We used conservative market share for
15 our purposes, and we considered the market share
16 of 12.2 percent in year one rising to 19.9
17 percent in year five, and those numbers produce a
18 \$120.8 million gross gaming revenue number for
19 Trump Marina Resort in year one, and it's going
20 to rise to approximately 189 in year five, \$189
21 million.

22 Our total revenue when you include all
23 the other sources of revenue for the project will
24 be 130.7 million in year one, and, as you can
25 see, it rises steadily to 210 million in year

1 five. The revenues jump from year one to year
2 two due to bringing on line the Trump Princess
3 with its increased square footage and gaming
4 positions.

5 After year two we have projected gaming
6 revenue growth to be a moderate four percent
7 increase per year. Year two also sees the
8 opening of the hotel with its related growing of
9 revenues. Gross operating profit for year one we
10 project to be 35.9 million with a gross operating
11 profit margin of 26.8 percent.

12 For years two through five we feel this
13 number will start around \$51.5 million and rise
14 to 56.8. We expect the profit margin to be
15 around 26 percent during this time. As you know,
16 the state gaming share, a tax of 15 percent, and
17 a \$2 admission based upon these revenue
18 projections will produce 21.8 million in year one
19 rising steadily to 33.4 million in year five.

20 The City of Gary's share is a little bit
21 more complicated. In addition to the five
22 percent gaming tax and the \$1 admission tax that
23 the city will enjoy, the Trump organization will
24 provide extensive payments. That formula is
25 recorded.

1 We will give the higher of the slotting
2 percentage of gross gaming revenues before
3 taxes. On the left-hand side you can see the
4 gross gaming revenue increases produce a higher
5 share of the revenue for Gary. The range is from
6 two to four percent. On the right-hand side the
7 income levels as they increase the percentage
8 that the city will enjoy rises from two to
9 eighteen percent.

10 In addition to the consented payments we
11 are prepared to make an effort to insuring the
12 safety and security of the citizens of Gary. In
13 that regard we will contribute to the city one
14 percent of the gross gaming revenues on an annual
15 basis.

16 These funds will be used at the city's
17 discretion in any endeavor to assist the city in
18 providing security to residents and visitors
19 alike. We feel it is going to be a key for the
20 City of Gary in order to become the destination
21 resort that we envision. We will provide for the
22 safety and security of not only the citizens but
23 also the visitors to this town.

24 Total five year payment for this will be
25 \$8.3 million. Therefore, when you take into

1 consideration the taxes that are required by
2 statute, the incentive payments, and the one
3 percent of gaming revenues Gary will receive in
4 year one \$11.9 million rising in year five to \$19
5 million.

6 In addition to these financial
7 contributions Trump has dedicated seven and a
8 half percent of it's corporate stock. This stock
9 will be owned by a shareholder foundation which
10 will be entitled Trump Indiana Charitable
11 Foundation. The value of this stock will be
12 approximately \$11.5 million.

13 As dividends are declared seven and a
14 half percent of the annual dividends shall be
15 distributed to the foundation for the purpose of
16 making contributions to various charities
17 throughout Gary, Lake County, and the State of
18 Indiana.

19 In the first five years of development
20 this amount should equal several hundred
21 thousands of dollars. We've accumulated a list
22 of potential charities, and special
23 considerations and circumstances will also be
24 addressed.

25 The foundation trustees will include a

1 cross section of shareholders as well as three
2 Trump employees, and the documentation for this
3 foundation has been completed and will be filed
4 when the facility begins operation.

5 Now, we've talked a lot about numbers
6 and individuals who have presented them to you.
7 We thought it would be interesting to give a top
8 level view of how we go about marketing and
9 achieving the numbers that Mr. Ribis talked about
10 in Atlantic City.

11 Initially our preopening goal will be to
12 create brand awareness within that 160 mile
13 radius. We need to get the Trump name on the
14 consciousness of all the individuals in that
15 area. This will result in (Inaudible) when we
16 open.

17 Our preopening strategies will be to
18 produce a broad communication message identifying
19 the resort and presenting it for a place of
20 play. We'll use outdoor media along major feeder
21 highways. We'll use newsprint, TV, and radio to
22 support that TV.

23 As we get closer to opening we'll
24 finalize a clearly defined and distinctive
25 marketing position. That position will be to

1 deliver superior value to our customer in the
2 form of popularity programs. I think this is a
3 trademark of the Trump organization.

4 Key to it will be the implementation of
5 the Trump Card program. I think most of you in
6 this audience know that every casino uses a card
7 to report information about their customers and
8 also their gaming work.

9 We have to make a concerted effort to
10 acquire the names, addresses, dates of birth, and
11 any other pertinent information of all
12 individuals when they visit our property. We'll
13 do this with drawings, contests, give-aways, etc.

14 Once this information is accumulated and
15 the customer uses this card when gaming we need
16 to articulate the rewards and incentives that
17 come from using the card. We will build a data
18 base to maximize the capabilities of that data
19 base.

20 We will utilize direct response programs
21 to generate repeat business to the property. We
22 will utilize direct mail and outlying
23 telemarketing. Currently in Atlantic City at
24 Trump's Castle we send out 350,000 pieces of
25 direct mail a month. We're also making 25,000

1 outbound telemarketing calls a month.

2 We don't sit there and open the doors
3 and wait for people to come see us. We've got to
4 have targeted programs going out to the best
5 customers to experience repeat business. We will
6 use a multimedia approach in advertising to both
7 reinforce our position and also to provide
8 offers.

9 We will utilize casino marketing which
10 is marketing to a higher level customer. This
11 will get the high end customers who are driven by
12 personalized attention and service. We will have
13 hosts who will meet and greet these customers and
14 take care of them on an individual basis.

15 We will utilize special events, the
16 biggest one, of course, being New Year's Eve
17 except for Mr. Trump's birthday. And
18 transportation is a key for the customers.
19 Limousines and helicopters are used to get these
20 customers to the property. (End of tape)

21 So what about patrons in Indiana
22 already? Well, we anticipate that there will be
23 regular plane service to other midwest cities in
24 this junket program, and we're prepared for
25 purposes of income tax to run 20 to 25 airplanes

1 a month. Our bus program will be another
2 integral part of our marketing program.

3 Mr. Ribis touched on entertainment
4 before, and I thought it would be interesting if
5 you saw just what a diverse offering we have. If
6 you take our entertainment offerings from June to
7 September -- this is in Atlantic City between
8 properties -- I'd like to give you some of the
9 names of some of the individuals who performed,
10 and I think each one of you will find someone who
11 would appeal to your taste in entertainment.

12 I'll begin with Kenny Rogers, Sheena
13 Easton, Al Monteno, Yanni, Billy Ray Cyrus, Kenny
14 G, the Beach Boys, Paul Anka, the Pointer
15 Sisters, Julio Inglesias, Diana Ross, the Doobie
16 Brothers, Joel Gray, and the current hit in
17 Atlantic City is (Inaudible).

18 We have to make the marketing budget in
19 year one of our operations to be \$8.5 million.
20 Now, it's one thing to talk about a marketing
21 program, but the extension of the two marketing
22 programs is to go out and recruit, hire, and
23 train the best people.

24 Trump fully endorses and supports the
25 principle of equal opportunity and is committed

1 to a firm and just policy of equality within all
2 areas of the company operation. Through our
3 Atlantic City casinos we have significant
4 experience in working with and advancing
5 affirmative action and equal opportunity
6 guidelines.

7 We've made the commitment and we're
8 happy to commit since we entered this license
9 process to hire 66 percent Gary residents, 90
10 percent northwest Indiana residents, 66 percent
11 minorities, and 53 percent female.

12 In addition to these hiring goals we
13 think that it's important for you to understand
14 our commitment in Atlantic City in purchasing.
15 Through July of 1994, year-to-date numbers, the
16 Trump organization has achieved a 15.8 percent
17 level for minority and women expenditures. Out
18 of 91.2 million total disbursements 14.4 have
19 gone to minorities or women.

20 We've already done what the statute
21 requires. Trump will seek out minorities and/or
22 women owned businesses and encourage them to
23 compete for Trump business through this process.
24 We will work closely with the Mayor's Office on
25 Economic Development and the Chamber of Commerce

1 to utilize those businesses.

2 All vendors must have verifiable job
3 staffing in compliance with Trump rules or face
4 voiding any agreement. We also think working
5 with the Gary Construction Consortium to utilize
6 local firms throughout the construction process
7 on an ongoing basis will be important. The first
8 meeting I had with Huber, Hunt & Nichols I
9 directed them to the Construction Consortium.

10 It's important to look at the
11 recruitment and hiring of individuals also. We
12 need to utilize the programs that we've used
13 before and also to learn from those of the Office
14 of Economic Development. We will be opening an
15 information campaign to communicate the function
16 and skills required for various positions.

17 I'm sure the individuals who live here
18 will have questions about what jobs are
19 available, what will be required. We plan to get
20 out in the newspapers, local talk shows, and
21 community meetings to let people know what kind
22 of jobs are coming to Gary.

23 We will develop relationships with all
24 the training institutions utilizing newspaper and
25 radio advertising as well. Job fares in

1 conjunction with the Mayor's Office of Economic
2 Development will be held, and we have also
3 attended the ones that have been held.

4 We will use information for recruiting
5 in other high traffic areas, and we will open an
6 employment office to process all applications on
7 a timely basis.

8 Training is another key element and
9 something that we use quite extensively. We will
10 make jobs available to the work force. We will
11 create a partnership of educational resources
12 within this area with the training facilities,
13 and we will train to the business needs of the
14 project.

15 We need to work in conjunction with the
16 existing facilities to develop a service culture
17 in this community. As a former high school
18 teacher in Atlantic City I saw the transition
19 that took place there, and I think it's important
20 to have that kind of consolidated effort from the
21 beginning.

22 We have supported the assessment process
23 that Mayor Barnes has established through the
24 Mayor's Office of Economic Development. We have
25 participated in seminars that have been conducted

1 and have provided technical support to Donald
2 Thompson's efforts. We pledge to continue this
3 relationship when we utilize the process that has
4 been established.

5 Now let me turn it over to Mr. Trump to
6 wrap it up.

7 MR. TRUMP: I don't think I need too
8 much time. I just wanted to thank everybody for
9 listening and for being here, and this is a
10 project we're very excited about, and we think we
11 can do a great job, and we look forward to
12 beginning our activities here in Indiana. And if
13 you have any questions on anything we are here.

14 MR. KLINEMAN: You have five minutes.

15 MR. TRUMP: I don't think we need it.

16 MR. KLINEMAN: Well, we now
17 traditionally take a break and then we go to the
18 question period so we'll recess for 15 minutes.

19 MR. TRUMP: Thank you.

20 (At this time a short break in the
21 proceedings was had.)

22 MS. BOCHNOWSKI: Obviously the Trump
23 name is very recognized. The company is known
24 for glamour and fun, and obviously probably
25 everybody in this room heard several years ago

1 you had a problem with the land crisis in New
2 York and a lot of debt restructuring and problems
3 with your lenders.

4 Here is one of my concerns: From the
5 information you have presented I don't know if
6 those problems are over. Secondly, it's probably
7 a natural concern that you will come in here -- I
8 think the casinos that have come along shortly or
9 in the last few years make a lot of money at
10 least initially. My concern would be would you
11 simply use the situation of Gary to pay off some
12 of these other problems?

13 MR. TRUMP: I think we've probably never
14 been stronger than we are now. I'm not sure
15 we've ever had better access to capital. One of
16 the things I had mentioned was the redevelopment
17 that would happen.

18 \$2.5 billion dollars is going to be
19 spent over a period of ten years. We have
20 tremendous resources. We have a lot of cash
21 ourselves within the company, and beyond that we
22 have tremendous numbers of groups that want to
23 invest with us.

24 And I think to a large extent, you know,
25 when you mention 1990-91 a lot of companies went

1 out of business. A lot of companies went
2 bankrupt. We didn't. We stuck it out before,
3 and it was very tough period because in 1990-91
4 the real estate market collapsed and, of course,
5 you had it around here, but everybody had it and
6 New York in particular.

7 There was a company called Olympia &
8 York which was probably the most powerful real
9 estate company in the world. It is totally
10 gone. It's out of business, bankrupt, finished,
11 over. And one of the great things and one of the
12 things I'm most proud of is that during a very
13 tough period in the real estate industry my banks
14 stayed with me. We worked together. We paid
15 them back.

16 We have this great relationship with the
17 institutions, and that sort of tells you
18 something. It's easy to have a good relationship
19 in good times, but in bad times it's really
20 pretty good when you can have a good relationship
21 so I'm very proud of what happened to us.

22 I'm almost -- I said this before. I'm
23 actually glad we went through that period because
24 I learned a lot during that period. I wouldn't
25 want to have to do it again, but I learned a

1 lot. I learned about loyalties. I learned a lot
2 of people were loyal to me during this period of
3 time.

4 So the answer is I think we probably
5 have better access to capital than we've ever
6 had. I think we've shown a lot of resilience and
7 a lot of strength because other companies are
8 totally gone, wiped out, never to be seen or
9 heard from again, and we're here probably
10 stronger than we were.

11 As far as this area is concerned we have
12 a very strong commitment to it, and, you know, a
13 lot of folks will be coming in and they'll move
14 here and things. We are looking to make this a
15 real peach here, a real success.

16 We're putting our name on it, and when
17 we put our name on something -- that's why
18 General Electric chose us. That's the why the
19 people chose us with respect to the Empire State
20 Building. When we put our name on something it's
21 more than just recognition. It's very important
22 to us so we're looking for a long-term, very
23 solid relationship.

24 TRUMP REPRESENTATIVE: On the capital
25 markets just so there's no confusion, in the past

1 two years we've done many deals in gaming and
2 capital partners. At Trump Plaza we raised \$365
3 million and at the Trump's Castle about \$320
4 million so the capital markets are not only
5 available to us they have have been available to
6 us even after we go through and work out the real
7 estate downturn in New York.

8 So that's not an issue with respect to
9 this project, the size of this project. Not only
10 do we have current investment bankers from the
11 largest bank in the country, BT, Bankers Trust,
12 there have also been other investor banks who
13 were prepared to help finance this project.

14 MR. TRUMP: I'd like to just add that
15 the real estate markets in New York again are
16 very strong. I won't use the word booming yet,
17 but it looks like it could be booming very soon
18 so those markets are again very strong.

19 MR. KLINEMAN: The temporary site plan
20 and the site plan phase I shows some coordination
21 between the Trump organization and another
22 developer. Site plan II it sort of looks like
23 you would anticipate the Trump operation to be
24 separate from the other operation. You even have
25 your own breakwater.

1 TRUMP REPRESENTATIVE: We do, in fact,
2 have our -- well, we would submit to the
3 Commission that we would propose both vessels
4 sail behind that same breakwater, and, as you
5 recall, on the right-hand side of our project as
6 well as the left-hand portion where I said there
7 was potential links with East Chicago we are
8 allowing spaces there.

9 We are also as flexible as to realizing
10 if successful we would sit down with another
11 operator. The parking areas are, of course,
12 flexible with further development as well.

13 MR. KLINEMAN: I think that would be
14 very important. Have you seen any other
15 presentations? Were you here for those?

16 TRUMP REPRESENTATIVE: Yes, sir, I was.
17 I've seen them all.

18 MR. KLINEMAN: And you've seen that
19 there are developments who are proposing joint
20 programs in coordination with saving time and so
21 forth which I think would be important for two
22 successful boats and facilities.

23 TRUMP REPRESENTATIVE: Mr. Chairman, may
24 I answer that question? We've done everything we
25 knew how to do since we've been involved in this

1 case to get the pertinent information which
2 enabled us to more fully and completely be able
3 to predict. We've not been able to get that
4 information. What you see is the best we could
5 come up with under the circumstances.

6 MR. KLINEMAN: Okay. But the site plan
7 II you're showing one boat. Do you mean to have
8 two boats docked there?

9 TRUMP REPRESENTATIVE: Absolutely.

10 MR. KLINEMAN: You just haven't drawn
11 the other boat in?

12 TRUMP REPRESENTATIVE: That's correct.
13 We didn't want to be as bold, if you will, to say
14 we will be here. We are totally flexible and
15 willing to sit down when the time comes with
16 anyone else.

17 COMMISSION MEMBER: You didn't want to
18 paint a generic boat in there?

19 TRUMP REPRESENTATIVE: No.

20 COMMISSION MEMBER: Let me ask a
21 question. Who was the committee that made the
22 presentation to the city? Who would that be?

23 MR. RIBIS: I'll pick up that question.
24 I headed the team along with Mr. Dennehy; our
25 counsel, who was Bob Dinkus, who was general

1 counsel for us in New Jersey; Willie Harris, who
2 is our local counsel; and Mr. Trump came to
3 several meetings and presentations during the
4 course of that.

5 COMMISSION MEMBER: I think that you
6 made a pretty good point here about the
7 reputation of Mr. Trump and his facilities. How
8 is it that you weren't selected as one of these
9 two in your opinion?

10 MR. RIBIS: My opinion is it was the
11 most shocking and disappointing day of my life.
12 I don't think there's any comparison between the
13 company -- I'm chief executive officer. I'm not
14 Mr. Trump, but the company's very near to my
15 heart.

16 And I knew him 15 years before I came to
17 work for him four years ago, and I will tell you
18 that the presentation you saw today, we made a
19 presentation as good, and I have never figured
20 out how a company of the size and stature of this
21 company would not be one of the preferred
22 companies.

23 The two companies that were selected are
24 just run differently. One has a couple of
25 riverboats. They close someplace else when they

1 hope to make money. And the other one is a
2 company I think made under a million dollars in
3 operating profit the year prior to their
4 presentation.

5 So if you're asking me as a businessman,
6 as a lawyer, I have my own opinions which I won't
7 express publicly, but I don't have any idea on a
8 factual basis or a legal basis how that could
9 take place.

10 COMMISSION MEMBER: You might have to
11 work with these people so --

12 MR. RIBIS: Well, I'm glad you asked
13 that question because I am the chairman of the
14 association in New Jersey, and, believe me, we
15 have diverse interests, and we have problems, and
16 there's sometimes litigation with other casino
17 operators, and we have current disputes with
18 them.

19 But when it comes to the business of
20 working together I think that Mr. Trump and this
21 organization understand that that's business, and
22 we want the business that bad. There's no reason
23 to look backwards, and whoever is chosen I can
24 guarantee that this company can work with them.

25 You can check with companies in New

1 Jersey and the members of our association of all
2 the casinos, and we have not only that desire but
3 that ability.

4 COMMISSION MEMBER: This is to the
5 gentleman who served as -- I apologize for not
6 remembering your name.

7 MR. POLISANO: Mr. Polisano.

8 COMMISSION MEMBER: You made the comment
9 that you were proposing to moving the railroad
10 tracks.

11 MR. POLISANO: Yes, sir.

12 COMMISSION MEMBER: Is that something
13 that's easily done?

14 MR. POLISANO: No, sir, it will not be
15 easily done. It would involve some time. That
16 would be for our long-term plan. It would not
17 affect the temporary operation. We have thought
18 of ideas to work around it on a temporary basis.

19 However, long-term the project, because
20 it is so close to the shoreline of the lake and
21 segments the lake, one of the most beautiful
22 parts of the site from the rest of the site, we
23 would think that needs to be addressed.

24 COMMISSION MEMBER: Who do you have to
25 work with to do that, to get somebody's approval

1 out there?

2 MR. POLISANO: There's quite a few
3 approvals, and I'm sure it's a lengthy process.
4 As I sit here off the top of my head I'm sure
5 we'd have to work with the owner. That would be
6 the most obvious step. It's not as though we
7 want to eliminate that I want to make sure.
8 We're just simply saying it should be pushed back
9 and put alongside the existing tracks which are
10 further south of the site.

11 COMMISSION MEMBER: Is there a private
12 line that approved that it should be moved?

13 MR. POLISANO: We have had initial
14 contacts with Conrail very preliminarily. I
15 can't sit here and answer that question, but we
16 are hopeful that they could be. They are private
17 lines there, yes.

18 COMMISSION MEMBER: During the slide
19 presentation there was mention of being approved
20 by the Corps of Engineers by February of '95.
21 How would you complete that?

22 TRUMP REPRESENTATIVE: That is also
23 difficult to answer. As I'm sure you noticed,
24 our waterside proposal is much, if not totally,
25 different than everyone else's. Not having any

1 information, environmental impact studies of the
2 waterside, 120 days is what we put on the
3 schedule. 120 days in my opinion is very
4 optimistic.

5 I really can't answer your question as
6 to how long it will take. Someone else did a
7 presentation. They wanted (Inaudible). It
8 depends on the questions that the Corps has. If
9 there's any public comment that could drag on,
10 and it could be a very lengthy procedure.

11 I would love to mention, however -- Mr.
12 Ribis had mentioned our marina in New Jersey. We
13 dredged about 300,000 cubic yards beneath that
14 marina. There is Mr. Trump's personal yacht, the
15 Trump Princess.

16 We worked very cooperatively with the
17 Army Corps of Engineers on that project out of
18 Washington I believe, and we were able to get
19 that permit in 120 days exactly. So we have the
20 ability to make that happen if all goes well.

21 TRUMP REPRESENTATIVE: Our office is
22 trying as quickly as possible to expedite getting
23 the information that they need in order to be
24 able to make a decision, to give them the advice
25 they need to make a decision. We have reported

1 almost at every opportunity.

2 The basic area where we could proceed
3 would be to contact the City of Gary, and I'm
4 sorry we have not been able to get that requisite
5 information. We didn't really have access to it
6 until last Friday when I received a letter faxed
7 from the Mayor.

8 MR. TRUMP: I might just add we've had a
9 very extensive relationship with the Corps of
10 Engineers, and we've been happy. We've done much
11 work including 72nd Street to 59th Street along
12 the Hudson River.

13 In Atlantic City in addition to the
14 marina, which is one of the largest marinas on
15 the east coast, we had to go through the Corps of
16 Engineers, and we got the approval in I believe
17 it was 90 days.

18 We also got probably one of the toughest
19 approvals anybody had ever heard of and also got
20 approved for a pier that went 900 feet into the
21 Atlantic Ocean right on the beach. So we have a
22 very extensive relationship with the Corps of
23 Engineers, and we believe we can go forward at a
24 very rapid pace.

25 COMMISSION MEMBER: You also spoke of an

1 off-ramp for traffic control. Do you believe
2 that's necessary?

3 TRUMP REPRESENTATIVE: We do. Our
4 demographic studies indicate that we will be
5 getting as many as 2,600 cars a day. We feel the
6 existing entryway to and from that site with that
7 amount of vehicular traffic would cause
8 congestion.

9 Again, one of our strong marketing
10 philosophies is comfort of the guest. If the
11 experience is a good experience we may get a
12 return. We don't want people sitting in traffic
13 saying I'm not coming back here.

14 We want people to come right off a major
15 access roadway on to our site, have a great
16 experience parking, into the gaming facility,
17 into the hotel, into the restaurants, back out,
18 see you in a few weeks hopefully.

19 COMMISSION MEMBER: And that is your
20 responsibility to provide that plan?

21 TRUMP REPRESENTATIVE: It is not
22 included in our capital numbers. However, we are
23 also proposing \$18 million infrastructure
24 improvement in our capital, and it certainly
25 could be discussed in the confines of that \$18

1 million. We would work cooperatively with
2 whoever, particularly the city because we realize
3 they'll have strong input with that and the other
4 developer.

5 MR. HENSLEY: Well, since everybody's
6 slowed down up here, do you have a preliminary
7 project schedule? There was one on the slide
8 that was a little difficult to see, but if we
9 could get a copy of that showing us what those
10 time tables are and projections are and so forth
11 I think it would be helpful.

12 TRUMP REPRESENTATIVE: Do you want it
13 now or --

14 MR. HENSLEY: No. And along with that
15 you also have shareholders that are receiving
16 equity on (Inaudible). When could you provide us
17 a list of those shareholders?

18 TRUMP REPRESENTATIVE: As a matter of
19 fact, you have those.

20 MR. HENSLEY: Well, with their
21 addresses, with an estimated net worth, and with
22 a reason for why they were selected to receive
23 this.

24 TRUMP REPRESENTATIVE: The partial
25 answer to your question is that I think of the

1 four applicants two are the only ones who
2 actually filed their original addresses, but we
3 know they've been investigated, and we
4 investigated them. Mr. Hahn has worked on that
5 specifically, but you also asked us now for their
6 own net worth?

7 MR. HENSLEY: We're trying to get
8 educated on this whole process. One of the
9 things that we heard yesterday was that the
10 reason for this particular project was so that
11 people who could afford to invest in something
12 had a chance to own some of stock.

13 We heard this morning that the purpose
14 was to reward those people who made a
15 contribution to the applicant either previously
16 or in the future. We'd just like to be able to
17 take that information and digest it.

18 MR. SUNDWICK: We're really trying to
19 figure out why your company waives somebody for
20 just no reason at all.

21 TRUMP REPRESENTATIVE: Let me ask Mr.
22 Hahn to come forward and answer that because in
23 terms of those questions I might say, first of
24 all, Mr. Hensley, that we were contacted by
25 investors knowing that they would be

1 investigated, and we turned them in to the State
2 Police who immediately began to contact them and
3 did, in fact, investigate and talk with them. So
4 the answer I think to Mr. Sundwick's question,
5 Greg, you probably ought to elaborate on.

6 MR. HAHN: It's a pool of seven and a
7 half percent. I think we alluded to in our
8 presentation that seven and a half percent would
9 go to the Trump Foundation, and those same
10 individuals who are assisting us in that project
11 would also sit on the board of that foundation.

12 The foundation is a 501C3 irrevocable
13 trust, and as a charitable foundation we'll make
14 contributions to various charities throughout the
15 area.

16 The other reason -- the other seven and
17 a half percent, I think Mr. Trump alluded to this
18 earlier about participating in the New York
19 project, the Riverside project, there's heavy
20 community involvement, and as we were instructed
21 in working with this project we were asked to
22 come up with a list of blue ribbon committee
23 members. We went out to do that.

24 Those individuals are a diverse group,
25 school teachers, ironworkers, ministers, doctor,

1 lawyer, and other people, and those individuals
2 as well as the investors will sit on the board.

3 We also looked at the economic impact of
4 that, that those people will spend money in the
5 state of Indiana. They will pay taxes so it
6 broadens the economic impact of the entire
7 project.

8 TRUMP REPRESENTATIVE: Can I address one
9 part of your question with respect to why we did
10 this because I was the decision maker. It was
11 strongly suggested during the approval process.
12 This was one of the major criteria in determining
13 the acceptability of a proposal from the City of
14 Gary that local participation was mandatory, and
15 that is what was carried back to me by our
16 representatives.

17 If you're asking me does it make
18 economic sense, does it make business sense,
19 absolutely not. I have to finance this project.
20 I have to put in real dollars and real equity.

21 Now, taking it one step further, once we
22 retained Mr. Tabbert's law firm we went on a
23 process of due diligence because we felt it was
24 part of the process that we would not have
25 partners in a project that we didn't know or who

1 weren't acceptable.

2 Now, I'm not being critical of any of
3 these people. They're fine people, and we've
4 done an extensive due diligence on them.

5 However, we thought that a better use of this
6 money would be to this foundation and for
7 charitable interests.

8 I suggested, as I did to the CRDA in New
9 Jersey, that we use money to have low cost loans
10 available to police officers and firemen to live
11 in the city, to have additional police cars as
12 they've done in several other states which draws
13 law enforcement people back into the community
14 and have them living in the community.

15 But as for the investors, in all candor
16 there is no economic basis to do that. It became
17 part of the process.

18 COMMISSION MEMBER: It wasn't the policy
19 that was actually just required?

20 TRUMP REPRESENTATIVE: No, no, it
21 certainly wasn't. Mr. Trump and I discussed it
22 in some great detail because he had a lot of
23 problems understanding why and on what basis we
24 would do something like this.

25 MS. BOCHNOWSKI: In fact, I think this

1 is very important because I think everyone of the
2 young men has done the same thing. It's almost
3 twisting like -- I mean, the intent to have local
4 involvement, this is not local involvement.

5 This is like buying names so that you
6 can look like you have local involvement, and
7 you're no different than anybody else in this
8 regard, and that's why we have these so-called
9 local investors that are from Indianapolis.
10 Hopefully this experience will not be carried out
11 in other states.

12 MR. HENSLEY: Well, you're different
13 from the standpoint that you have explained it.

14 TRUMP REPRESENTATIVE: This is exactly
15 why there is participation at this level.

16 COMMISSION MEMBER: I'm a businessman
17 myself. I'm sure there's some rational
18 explanation for this. It's a good idea so I
19 appreciate that and your time for giving the
20 appropriate explanation.

21 TRUMP REPRESENTATIVE: Well, those were
22 rational discussions I had with Mr. Trump and you
23 would have liked to have heard that discussion.

24 COMMISSION MEMBER: I was listening. I
25 think community involvement is a key, and I think

1 it should be, and I think all the people that
2 made presentations intend to be involved in some
3 way or another. I think that's appropriate in
4 Gary and in any other city.

5 I just think that if you're going to do
6 something you ought to get paid for it, and if
7 you want to invest I think that's appropriate. I
8 don't see anybody looking for a free ride.

9 TRUMP REPRESENTATIVE: That's how we
10 handle our other projects around the country, and
11 our community involvement in Atlantic City is
12 through employees, vendors, education, Trump
13 University concept where we educate people to
14 come into the business.

15 That was our initial thrust when it came
16 to Gary. That was not -- we gathered, as part of
17 the process in many meetings, what was required,
18 and then when something is required and you're in
19 a competitive beauty contest obviously our
20 preference on a straight business basis would not
21 be to do something like this because an
22 investment community or an investment banker or
23 someone who's lending to the project is going to
24 question -- raise those very same questions as to
25 relationships and partnerships and distributions

1 of money.

2 MR. KLINEMAN: I hate to say this
3 because we want all the information we can get,
4 but we do have a time problem. And I know I make
5 long questions longer than they should be, but if
6 we can hold the answers to a little more
7 reasonable length.

8 I was just going to ask the question --
9 I don't know if anyone knows the answer to this
10 -- does Gary have a community foundation? It
11 bothers me that every one of the applicants has a
12 foundation plugged in, is creating their own
13 foundation, and I was on the Indianapolis
14 foundation for a number of years and --

15 UNIDENTIFIED SPEAKER: There are several
16 foundations. There's the educational foundation.

17 MR. KLINEMAN: I personally would like
18 to see the developers investigate the possibility
19 of rather than creating their own foundation
20 seeing if contributions couldn't be made in any
21 amount to an existing foundation which has
22 already had community involvement. (End of
23 tape).

24 I want to make sure that you contribute
25 the money to something that qualifies as a fully

1 qualified tax (Inaudible) involved, and I don't
2 think (Inaudible).

3 COMMISSION MEMBER: My question is would
4 you care to explain the projected increase in
5 attendance and wins by the casino's increased
6 competition?

7 TRUMP REPRESENTATIVE: That's strictly a
8 function of marketing. I think if we're first in
9 the market it's sustainable. I think we'll be in
10 this market. If we have an increased capacity
11 we'll get a bigger boat. I wish that would
12 arrive.

13 Unfortunately one of the things we
14 looked at as we went into year five was a
15 decrease in total revenue because we don't know
16 if we'll be able to sustain this revenue. That's
17 usually one of the things that is first to go
18 away.

19 So we think that our marketing people
20 will have to draw customers. We're going to be
21 aggressive. We're developing an airplane program
22 and junket networks to sustain that success.

23 MS. BOCHNOWSKI: This is a unique
24 situation in the timing of the marketing because
25 you have operations in Atlantic City, but, as you

1 mentioned in your presentation, that destination
2 is where people are going there to gamble the
3 night away, and there's a lot of other gaming
4 operations around. This is almost -- at least at
5 first it's going to be all by itself or one other
6 boat. It's not a destination yet. How do you
7 propose to make it that?

8 MR. TRUMP: One of the -- I think one of
9 the things we bring to the table is the Trump
10 name and what we've been able to do in terms of
11 marketing.

12 One of the reasons that, as I mentioned
13 before, General Electric chose us -- and although
14 it's a different business it's very similar -- is
15 that we get on a square foot of condominium space
16 in New York substantially more than any other
17 company with the Trump name, with the name. In
18 other words, the same building we just get about
19 \$125 a square foot more, and they found that, and
20 nobody could really compete with that.

21 One of the elements that I think we do
22 add is that while some of the entertainers we've
23 given -- we've had Elton John, we've had the
24 Rolling Stones, you know, again, you've heard
25 about Michael Jackson, and as the Commissioner

1 mentioned just a minute ago Michael Jackson is
2 from Gary, Indiana.

3 We would love to get Michael Jackson to
4 perform here. He lives now in Trump Tower. I
5 think we have a better opportunity to get that
6 than anybody else.

7 So many of the great entertainment
8 events that we have -- most of Mike Tyson's
9 fights, I think we've had over 50 percent of Mike
10 Tyson's fights, and I guess he will be fighting
11 again -- and because of the land mass -- I'm not
12 sure what I just said. He may have a problem
13 with fighting in his schedule.

14 But we add a lot of marketing clout, and
15 we really have access to the greatest performers
16 in the world, and it's something that we're
17 really proud of. And because of the large land
18 mass that we have here when we have the outdoor
19 arena you would have tremendous outdoor
20 amphitheater events.

21 And we have access -- and I think that's
22 what makes your destination. I think we're going
23 to need that especially a little later on as time
24 goes by and the competition comes on.

25 MR. KLINEMAN: Talking about Chicago

1 we're also going to be licensing a boat in East
2 Chicago, and I guess that's competition that you
3 have also thrown into your equation.

4 MR. TRUMP: That is correct, that is
5 correct.

6 MR. KLINEMAN: And you would hope to
7 have a strong viable operation?

8 TRUMP REPRESENTATIVE: From the
9 development standpoint we would love to see East
10 Chicago and the Gary area consider one hub of
11 gaming entertainment. That would be ideal.

12 MR. KLINEMAN: Sitting around the same
13 harbor?

14 TRUMP REPRESENTATIVE: Exactly. Thereby
15 you create that sort of destination.

16 COMMISSION MEMBER: (Inaudible).

17 TRUMP REPRESENTATIVE: That's to be used
18 by the city at their discretion for line item
19 budgets, for security, for police efforts in the
20 city.

21 COMMISSION MEMBER: Can you tell us how
22 much you've invested to date?

23 TRUMP REPRESENTATIVE: It's an estimate,
24 but I would say well in excess of a million
25 dollars, probably closer to two million dollars

1 in direct funds spent on this project because we
2 have a whole new company with respect to new
3 jurisdictions. But Mr. Dennehy -- Mr. Polisano
4 and our architect have worked fulltime on this
5 for a long period of time.

6 COMMISSION MEMBER: Is it expected that
7 the parent company will guarantee this particular --

8 TRUMP REPRESENTATIVE: Yeah. The form
9 of the financing for the investment I don't want
10 to tie myself down to, but clearly that's going
11 to have to be part of the financing mechanism.

12 MR. HENSLEY: You've said that whenever
13 you've gone into a community you've attempted to
14 use local contractors and businesses and so
15 forth. Have you identified any of those
16 businesses or contractors within Gary that you
17 will use?

18 TRUMP REPRESENTATIVE: I think, in fact,
19 we've already hired our contracting firm.
20 They're here today.

21 TRUMP REPRESENTATIVE: Mr. Dennehy
22 mentioned, and I believe I may have touched on it
23 a bit, Huber, Hunt & Nichols has been in Gary and
24 met with the Gary Construction Consortium as well
25 as the Director of Economic Development. They

1 are also qualified as a contractor to work in the
2 City of Gary. Yes, to answer your question.

3 MR. HENSLEY: Do you have any idea how
4 much money you will have spent here, actual cash
5 laid out by the end of the first year?

6 TRUMP REPRESENTATIVE: We estimate about
7 \$70 million.

8 COMMISSION MEMBER: Somebody had
9 mentioned the Sheraton Hotel looked like a real
10 opportunity.

11 MR. TRUMP: Well, I think it's a shame
12 that right in front of City Hall you have this
13 hotel that's been so badly -- I mean, just looks
14 pretty bad. It's an eyesore, and I think there
15 would be an opportunity to do something with it
16 whether it be through renovation into a new
17 hotel, or I know some other proposals came forth
18 for a nursing home.

19 But I also hear that a good use would be
20 some office space because City Hall may need
21 office space adjoining, and that would be
22 something we would certainly look into and
23 consider.

24 I just -- you know, it made an
25 impression when I was here six or seven months

1 ago. I saw this derelict building, open windows,
2 it really looks like hell, and then you have City
3 Hall right across the street from it, and it sort
4 of made an impression on me, why doesn't somebody
5 do something about that because it would not be
6 that difficult to do.

7 COMMISSION MEMBER: That's the question
8 I have. Are you making this a part of the
9 project?

10 MR. TRUMP: I think we'll build it, yes,
11 we will. I think it's important for Gary.

12 COMMISSION MEMBER: I agree.

13 MR. KLINEMAN: You have an operation in
14 other states other than Atlantic City, correct?

15 TRUMP REPRESENTATIVE: We have
16 operations obviously in New York and --

17 MR. KLINEMAN: No, I meant casinos.

18 TRUMP REPRESENTATIVE: Oh, gaming. We
19 have a joint venture called Diamond Head in
20 Mississippi which is going through the process of
21 getting various permits which will take about
22 another six or eight months.

23 We were pulling for a project in
24 Gulfport, Mississippi, but litigation was filed
25 by an adjoining casino landowner, and we had our

1 license and our approval about eight months ago,
2 but it's been going through the litigation
3 process, and we've been held up because of that
4 so that process is ongoing. He's suing not only
5 us, he's suing the city, but the fact is we have
6 to wait for the final decision.

7 MR. KLINEMAN: Okay. Are you looking at
8 any other areas? I don't want you to reveal any
9 secrets to us, but we want to make sure that the
10 commitment to Gary is a commitment which takes
11 precedence over other projects down the road.

12 TRUMP REPRESENTATIVE: Well, I think
13 that certainly we haven't spent any time in any
14 adjoining or close communities to Gary, and our
15 focus is here, and if we're going to make the
16 types of investment in Gary it's not in our
17 business interest to do something in an adjoining
18 or adjacent community.

19 MR. TRUMP: If I may, I'd like to
20 mention one fact that I think one of the reasons
21 we were so surprised and shocked that we weren't
22 designated is because virtually every
23 jurisdiction that we go to, and even
24 jurisdictions that we don't go to, they choose
25 us.

1 As an example, we get calls all the time
2 from Las Vegas wanting us to go to Las Vegas.
3 Why aren't you here, you have to be here. You
4 know, there's a very community-minded spirit out
5 there.

6 In Gulfport everybody else was turned
7 down for this particular site. We were able to
8 get the site and get full approval. Now, there's
9 a lot of litigation not involving us which is
10 litigation having to do with the city, but at
11 some point if that market straightens out -- and,
12 again, it is not a priority or anything else.

13 It's just a question there are a lot of
14 casinos in that area of the world, as you're
15 probably reading about, and I think two filed
16 bankruptcy today, one's filing next week. It's a
17 total disaster up there, but we have a site
18 there, and whether or not we go forward with it
19 will be something that will be determined.

20 But one of the things I'm most proud of
21 is the fact that virtually every jurisdiction
22 wants us. We turn down lots of jurisdictions.
23 Most of the time we turn them down. Sometimes
24 we'll go there and look and we'll turn them
25 down.

1 This is something we've fought very hard
2 for and wanted, and, frankly, when the local
3 politicians in their great wisdom chose a company
4 I've never heard of and another company I was
5 very surprised.

6 To be honest with you, I was shocked
7 because this is the one we want, and people want
8 us to go to jurisdictions and are willing to give
9 us jurisdictions and we can get them, and the one
10 we wanted we weren't given.

11 And our commitment is very, very great.
12 We feel very strongly toward it, and we think it
13 can be a great success and a great boon to the
14 area.

15 COMMISSION MEMBER: It seems that other
16 operations are adding family entertainment, and I
17 notice you didn't have anything about family
18 entertainment in your presentation.

19 MR. TRUMP: We will be doing much in the
20 area of family entertainment. A lot of that will
21 be the entertainment itself and the type of
22 entertainers we bring in because we're looking to
23 bring great entertainment to the area.

24 We will be very much involved in family
25 entertainment, and that's actually almost

1 becoming something that is automatic in the
2 casino industry.

3 We're building day care centers, as an
4 example, in Atlantic City because the families
5 come in, they can leave their children in the day
6 care centers and things such as this. So it's
7 almost becoming one and the same so perhaps
8 that's why it wasn't mentioned in perhaps the
9 kind of detail we should have.

10 COMMISSION MEMBER: This is a fairly
11 large operation that you are proposing, and I
12 notice that your demographics really only
13 included your operation so there's another boat
14 that's supposed to be there with you. Do you
15 think that there's enough business for two?

16 TRUMP REPRESENTATIVE: Yes, we do, sir,
17 yes, we do.

18 MS. BOCHNOWSKI: Do you think that being
19 such a large operation and, of course, being the
20 Trump operation do you think you would put the
21 other boat out of business?

22 MR. TRUMP: I think that we'll bring the
23 people for the other boat. I mean, the Taj Mahal
24 is representative of that. Resorts, which is
25 adjoining, is doing better business now than it

1 was doing before we opened. It gets a lot of
2 overflow, and I'm not saying that we take
3 business, but we create so much more business
4 that it just does better.

5 Showboat's another example. Showboat
6 does more business now than it did before the Taj
7 opened. The Taj has so many people, it's so
8 successful, it is so enormous that people
9 literally go to the other areas so I think it's
10 going to bring a lot of business, and I think
11 it's going to very much help the fellow
12 developer.

13 COMMISSION MEMBER: Mr. Trump, if you
14 were not here who would be running this
15 operation?

16 MR. TRUMP: Well, I have a very capable
17 group of people who has been headed up by Mr.
18 Ribis, and I have an organization that's really
19 outstanding. Pat Dennehy has lived here
20 virtually for -- it's been almost a year that
21 he's been working on this project. We've spent a
22 lot of time and a lot of money on this project.

23 And Joe Polisano has become involved,
24 and he's one of my top people, and he's been here
25 with Mr. Dennehy for a long time, and, as you can

1 see, they know the local market very well. They
2 virtually lived in the area for quite some period
3 of time and spent great amounts of time here,
4 consecutive time.

5 So I really pride myself on being a good
6 manager, and being a good manager is getting good
7 people, and Mr. Ribis has done an outstanding
8 job. Mr. Dennehy, Mr. Polisano, all of my people
9 I'm just very proud of so if I happen to get hit
10 by a bus walking outside this door, a bus from
11 Gary, it's a major story (Inaudible). I think
12 actually he would carry on very well, I hope.

13 TRUMP REPRESENTATIVE: Can I have a
14 guarantee that I will be that person?

15 MR. KLINEMAN: Do any other
16 Commissioners have anything? Mr. Thar?

17 MR. THAR: Thank you. I'd like to look
18 at your calculations with regard to the number of
19 passengers, patrons that you expect after a year
20 and what happens in year five if, in fact, it's
21 less than a million. You project 2.5 plus
22 million plus also factor in the fact that the
23 company may be able to draw a percentage more.
24 What justifies (Inaudible)?

25 TRUMP REPRESENTATIVE: We think that you

1 know we use a lot of information from the
2 existing boats in the Chicago area. Based on our
3 additional capacity and our marketing ability we
4 think that 2.5 is a stretch for the current
5 numbers.

6 MR. THAR: Now, while we were looking at
7 the slide I thought maybe what your program or
8 basis for it and what those figures might have
9 been is that you thought it would catch a market
10 here of so many billions of dollars. If you
11 tapped your market shares and market standard
12 that would justify your numbers. When you say
13 that are you just looking at the table?

14 TRUMP REPRESENTATIVE: No. We looked at
15 people, we looked at average gaming worth of
16 those people in that market area. We think the
17 market will grow, and we think that our fair
18 share of that market will vary as we go along.

19 We think that our market share will
20 start out at about 12.2 percent, and it will go
21 up to -- it's difficult to make comparisons in
22 capacity but, we looked at conservatively that
23 we're just a little bit below capacity, what we
24 felt was our percentage of capacity in the market
25 share.

1 MR. THAR: Do you then also believe that
2 part of the market that you will get will be
3 taken away from other existing markets at other
4 riverboats?

5 TRUMP REPRESENTATIVE: No. We're just
6 looking at our fair share of the market. Part of
7 it, and, again, one of the things that's
8 important, is the location of three boats in
9 close proximity.

10 We'll get more business in that area
11 because, quite frankly, people want to go see
12 more than one offering so it makes it so people
13 have an opportunity to visit our boat and other
14 boats that are in that close proximity.

15 MR. THAR: As a part of that plan do you
16 have a much bigger gaming patronage that you are
17 going to target?

18 TRUMP REPRESENTATIVE: We basically
19 target all segments for the gaming market. It
20 just depends on how much money you want to
21 spend. Each segment we usually -- there are
22 segments where we find we don't spend a lot of
23 money to market to. We cater -- in Atlantic City
24 we cater to a midlevel customer, basically a
25 driving customer, average gaming worth of between

1 100 and 400 per day.

2 MR. THAR: Is that the same market that
3 you would be targeting or spending a higher
4 percentage of your --

5 TRUMP REPRESENTATIVE: That's a critical
6 market. We think that will be a good market.

7 MS. BOCHNOWSKI: How do you consider a
8 market like that?

9 TRUMP REPRESENTATIVE: I'm sorry. I
10 didn't hear you.

11 MS. BOCHNOWSKI: Could they afford the
12 room rate of the hotel?

13 TRUMP REPRESENTATIVE: The one part --
14 in fact, I think the difference between the
15 land-based and not, you're certainly going to
16 increase your business because you're going to
17 have a more diverse group, and we will make sure
18 the hotel, as we do in Atlantic City, has rates
19 that are affordable so that it draws more
20 customers to your facility. That has to be part
21 of the marketing effort.

22 MR. THAR: I'd like to turn to an area
23 we've talked about a couple of times already.
24 The concern is about the ability of the Trump
25 organization to work I would say in harmony with

1 someone yet competitively with another operator
2 at the same site.

3 As I understand -- correct me if I'm
4 wrong -- it's my understanding originally, Mr.
5 Trump, you didn't want to come to Gary at all,
6 and then you changed your mind; is that it?

7 MR. TRUMP: Yes.

8 MR. THAR: Secondly, most of the
9 projects you've been involved with up until
10 recently have not been projects you've had to
11 share other things with another organization.
12 You do things in a big way, you do them
13 professionally, and it does promote somewhat of
14 an attitude perceived by the people in the
15 industry that you are very difficult to work
16 with.

17 Some of the comments today such as Well,
18 I don't know why we weren't picked, One guy is
19 like a chump change operator and the other one is
20 just throwing boats around, how do you resolve to
21 smooth that over? One of the greatest problems I
22 think you said is that this operation won't work
23 unless the two developers get along so those are
24 concerns of mine. Can you help alleviate those?

25 MR. TRUMP: Yes, sir, I hope so. In

1 Atlantic City, as an example, my president and
2 chief executive officer, Mr. Ribis, is the head
3 and was recently elected as the head of the
4 Casino/Hotel Association which is all 12 casinos
5 have gotten together, and they voted for the
6 person that they most wanted to lead them in the
7 direction that they wanted to go.

8 The executive from my organization was
9 chosen, and he's now the president of the
10 Casino/Hotel Association in Atlantic City.
11 That's all 12 casinos. The other thing is that
12 they're doing what's called (Inaudible) in
13 Atlantic City. This is composed of numerous
14 hotels in Atlantic City. The plan has been
15 done. The coordination has been beautiful.

16 Now, I will say this: Generally
17 speaking I own a hundred percent of my own
18 buildings. I own a hundred percent of Trump
19 Plaza. I own a hundred percent of the Castle. I
20 own a hundred percent of most of my buildings in
21 Manhattan so generally speaking I haven't had
22 partners.

23 But also largely I've been able to work
24 with partners, not in all cases, but nobody does
25 in all cases. But I've developed extremely good

1 relationships with many, many good people, and I
2 think maybe the best example, because it so much
3 pertains to the casino industry, is our
4 relationship with other casinos in Atlantic
5 City.

6 We have a great relationship with
7 Caesar's which is our next door neighbor. We
8 work jointly on things. We have, you know, just
9 a fabulous relationship. We have a very, very
10 good relationship with the Bally people. We've
11 had a lot of good relationships.

12 Now, we don't -- you're perhaps right,
13 and I didn't mean it in a snide way. I just had
14 not heard of one of the particular companies so
15 whether or not we work with them I think we can,
16 but I just don't know who they are.

17 And the other company, again, they
18 weren't in Atlantic City. We don't know them
19 very well but, we know of them, but we don't know
20 them very well. But I imagine we'll be able to
21 work with them, but, again, I don't know these
22 people.

23 One company I don't know who they are,
24 and the other company I don't know much about
25 them other than what they've done on the gulf

1 coast. So we've had a lot of good
2 relationships.

3 MR. THAR: I'm a little hard pressed to
4 believe that you don't know who these people
5 are.

6 MR. TRUMP: I don't know one of them.

7 MR. THAR: You don't know them
8 personally?

9 MR. TRUMP: I don't know them as a
10 company. I never heard of them.

11 TRUMP REPRESENTATIVE: If I could have
12 just two seconds, in cooperative efforts Harrah's
13 and Trump's Castle are cooperatively building a
14 corridor for Route 30 in Atlantic City, a major
15 access roadway, to their casinos. They enjoy
16 marketing together.

17 As for Caesar's they're an adjacent
18 landowner. We've been working cooperatively in
19 the development of taking over the old Holiday
20 Inn. There's land between our facilities that
21 we're working cooperatively on.

22 As to Taj Mahal we are linked physically
23 both on one side with Showboat and on the other
24 side with Resorts, and we have had no problem in
25 dealing with the companies in the proximity with

1 us although in competition, and that's what we're
2 in business to do is to be with other companies.
3 We are cooperative. We work with each other.

4 MR. KLINEMAN: Stick around. At 4:55
5 we're going to have a mixer for all four of these
6 developers.

7 MR. THAR: Who will be the on-site
8 manager?

9 TRUMP REPRESENTATIVE: At the present
10 time Mr. Dennehy will be the chief operating
11 officer.

12 MR. THAR: And will that be long-term?

13 TRUMP REPRESENTATIVE: He's been with
14 the company long-term, and we expect him to be
15 with us here in the long-term.

16 MR. THAR: With regard to your outdoor
17 amphitheater from the way it was located in the
18 slide it looked like it would be in the general
19 area where the other applicants have proposed
20 docking their boats. Is your program flexible
21 enough to move that amphitheater?

22 TRUMP REPRESENTATIVE: Absolutely, yes.
23 I guess it's difficult to see in that slide
24 there, but to answer your question, yes.

25 MR. THAR: So certain aspects of your

1 site plan are flexible?

2 TRUMP REPRESENTATIVE: Absolutely.

3 MR. THAR: With regard to the \$30
4 million capital investment, based upon the
5 application you stated it would come from the
6 Trump organization or Mr. Trump's personal
7 funds. Has that been determined?

8 TRUMP REPRESENTATIVE: It has not
9 because of the fact that it depends on the type
10 of financing we do here. We have the ability to
11 go either way, and we will decide as we get
12 closer to the project.

13 MR. THAR: Are the funds available today
14 for either situation?

15 TRUMP REPRESENTATIVE: The funds are
16 available. We may need certain board approval if
17 they come out of one of the casinos which we
18 don't anticipate having any problem getting.

19 MR. THAR: With regard to security
20 funding I was under the impression in the
21 application that it was going to be specifically
22 used to develop a police substation. Did I hear
23 something different today, or have I misread the
24 application?

25 TRUMP REPRESENTATIVE: I think -- I was

1 going to say I was going to agree with you, sir,
2 but I think I better let my chief operating
3 officer --

4 MR. THAR: I thought you said it was
5 supposed to go today to the City of Gary to be
6 used for law enforcement purposes, for police
7 cars and things like that.

8 TRUMP REPRESENTATIVE: Part of our
9 capital contribution to the city will be \$3
10 million for the building and refurbishment of the
11 police substation. After preliminary discussions
12 with the police department they accepted the one
13 percent amount.

14 MR. THAR: That's in addition?

15 TRUMP REPRESENTATIVE: The \$3 million is
16 a capital contribution.

17 MR. THAR: There was a discussion
18 earlier about doing something with the Sheraton
19 Hotel. I didn't remember anything about that in
20 your application. Is that something that just
21 came up today?

22 TRUMP REPRESENTATIVE: At the time of
23 the application it was not, but it would be
24 something we would seriously consider.

25 MR. THAR: At the time that you were

1 engaged in the city process had your discussions
2 with the bankruptcy courts been completed, or was
3 that part of what was going on at the time of the
4 endorsement?

5 TRUMP REPRESENTATIVE: First of all,
6 there was never a commercial bankruptcy, and I
7 keep hearing reference to these, and they were
8 two prepackaged reorganizations that we've done.
9 All debt was paid and has been paid currently,
10 and, yes, it has been paid.

11 MR. THAR: The question was: Was that
12 process going on at the time that the City of
13 Gary was evaluating the Trump proposal?

14 TRUMP REPRESENTATIVE: It was not. It
15 was long before that it was completed. I think
16 it was early 1992.

17 MR. THAR: I'll check it here.

18 TRUMP REPRESENTATIVE: We did a
19 recapitalization of one of our properties in
20 1993. Trump Plaza we did a recapitalization of
21 \$365 million. That had nothing to do with the
22 reorganization. We recapitalized the property,
23 bought out some debt, and it was in -- it may
24 have been late 1991 when we finished all the
25 prepackaged reorganizations.

1 TRUMP REPRESENTATIVE: That was February
2 through May of '92.

3 MR. KLINEMAN: Does anybody else have
4 anything further? Okay. Well, we thank you very
5 much for coming, and as I say -- (End of tape)

6 (At this time a short break in the
7 proceedings was had.)

8 MR. KLINEMAN: We are pleased to welcome
9 Mayor Thomas Barnes from Gary. Mayor Barnes is
10 here to summarize the activities with regards to
11 evaluating the independent developers.

12 MAYOR BARNES: Thank you very much, Mr.
13 Chairman and members of the Commission and those
14 of you who are gathered here after two full
15 days. Just a couple remarks from myself and then
16 I want to introduce two individuals who played a
17 part during all this process and then to make
18 some final notes myself, and I promise that we'll
19 be able to keep that time frame that's been
20 allowed to us.

21 But in this entire process that we've
22 been involved with there have been an awful lot
23 of folks who have played a part, most of them, of
24 course, without pay, but we used as well
25 extensive resources for which we have paid or to

1 date have obligated ourselves to pay primarily,
2 of course, from gaming initiative resources.

3 We identified and used good talent in
4 the process and, frankly, some that I questioned
5 the value of as we went along. Among those that
6 we've employed we think with good results have
7 been lawyers; consultants, fiscal and gaming
8 activity; appraisers; surveyors; environmental
9 specialists; clerks and typists; you name it.

10 Most important we utilized the talents
11 of people and institutions throughout our city to
12 direct our inquiry and policy direction,
13 individuals from this community who met as part
14 of committees, and you'll hear more about that,
15 on economic development issues, on labor
16 relations, job training, public relations,
17 political health, public safety, related issues.

18 We held meetings throughout the city
19 highlighting the local access portion of this
20 venture with weekly rap sessions attended by
21 businesses and citizens and industry reps.
22 Developers as well participated, and we were
23 extremely pleased that Jack Thar attended and
24 participated in several of these sessions along
25 with over 1,000 individuals.

1 In May of this year I forwarded
2 documents to this Commission to include our
3 preferred development recommendation. In that
4 recommendation we concluded, "The city requests
5 and recommends that the Indiana Gaming Commission
6 grant the licenses to Barden Communications and
7 President Riverboat Casinos and Monarch
8 Corporation subject to both developers entering
9 into a final development agreement with the City
10 of Gary."

11 I want to now introduce to you those
12 individuals that's been involved in this process,
13 who directly spearheaded the point of that letter
14 to you, Senator Earline Rogers on process
15 followed by attorney Gilbert King on mandatory
16 elements. Thank you.

17 SENATOR ROGERS: Thank you very much,
18 Mayor Barnes. Mr. Chairman, members of the
19 Commission, Mr. Executive Director, I'm going to
20 go through this process with you, but I want you
21 to know that if there are any questions raised
22 about this process I want you to ask me the tough
23 questions.

24 Anything that you think might need
25 answers to I want it because I think that this

1 process was one that was filled with integrity
2 and one that was done with the love of this city
3 at heart.

4 Step one in our process, Gary's
5 selection process began in July of 1993 following
6 the passage of legislation. The steering
7 committee, which was the committee made up of
8 persons who worked in the city administration,
9 and I was asked as one of the authors of the
10 legislation to be a part of that process because
11 of my knowledge of the statute, to be a member of
12 it, we were responsible for establishing the
13 vision of where we wanted to go and how to get
14 there.

15 We wanted to be proactive and not
16 reactive. There were no cook book rules or
17 models to follow. We knew, however, that
18 riverboat gaming afforded us the opportunity to
19 extract benefits for our city in exchange for the
20 city's favorable recommendation.

21 Step two, naming of the advisory
22 committee. An important element in any
23 development, especially one that may cause
24 controversy, is the implementation of an accepted
25 public participation program. This led to the

1 creation of the advisory committee.

2 Nine committees were established that
3 were related to every conceivable aspect of
4 casino gaming. More than 50 persons participated
5 in this process. Work products from the
6 committees ranged from the development of a
7 brochure entitled "The 14 Most Asked Questions
8 Concerning Riverboat Gaming in Gary" to the
9 establishment of a resource pool of persons
10 seeking employment in the riverboat industry.

11 City wide meetings were also held to
12 communicate the developers' message to the public
13 and marshal support for this new industry.

14 Step three, Gary's development committee
15 served in the capacity in which it has always
16 served and continues to serve. The first step a
17 business or industry has to make when wishing to
18 locate in Gary is to come before this committee
19 so this committee was the committee that the
20 developers went to first. This committee met
21 with developers and shared with them an existing
22 plan and efforts to redevelop the city.

23 Step four, hire consultants. Because of
24 the complex nature of the gaming industry
25 professionals were hired to assist the steering

1 committee in the evaluation of the development
2 proposals. Carl White, a former member of the
3 New Jersey Casino Control Commission who has been
4 with us since 1989 when we drafted the
5 legislation, contacted a gaming consultant from
6 Reno, Nevada, and Dick Shato of the national
7 association which is based in Minneapolis and
8 Indianapolis came on board once we received all
9 of the forms from the applicants.

10 Step five, proposal presentation.
11 Proposal presentation from the developers was
12 then submitted to the steering committee. We had
13 meetings much like those that you have conducted
14 over these past two days. The format was the
15 same.

16 Developers came in, made their
17 presentations. We as steering committee members
18 asked questions and heard answers to those
19 questions, and I'd like to say at this time that
20 all those hearings were taped and are available
21 if need be.

22 Step five, on October 15th and 16th of
23 1993 the steering committee and the consultants
24 armed with tapes, proposals, and a resource
25 manual prepared by our consultants and our own

1 personal notes set about the task to evaluate
2 some 12 proposals which resulted in the
3 presentations which were made before the steering
4 committee.

5 Step seven was our first attempt at
6 narrowing the field. The steering committee used
7 four major points in evaluating the proposals.
8 Financing to build the project and gaming
9 experience we considered most important because
10 the inability to demonstrate the ability to
11 finance a project and the experience to run a
12 gaming and riverboat operation, we considered
13 these two to be show stoppers.

14 Key also were incentives to the city.
15 We were looking for long-term economic impact and
16 the potential for spin-off development, plans
17 that would fulfill that part of the statute that
18 speaks to economic development increasing over a
19 wide geographic area. And I might at this point
20 in time explain to you that our definition of a
21 wide geographic area is within the confines of
22 the city limits of Gary, Indiana.

23 Shoreline development we considered most
24 important for enabling us to attract large
25 numbers of visitors thereby creating the revenue

1 stream and jobs so sorely needed by this
2 community.

3 Speed of development, realizing that
4 time is money and the first boat in the water
5 gets the cream, speed of development was another
6 important factor. Local and minority
7 participation was included because we felt it
8 aided in our attainment of jobs and revenue
9 enhancement.

10 And let me stop there a moment to talk
11 to you about minority participation as it relates
12 to investment. We did say to developers that
13 came before the steering committee that we wanted
14 Gary residents to have an opportunity to invest
15 in their operations, not to be given that
16 opportunity to be a part of the operation, but to
17 invest.

18 One of the things in this community --
19 one of the things we heard as we went around this
20 community visiting with various groups was that
21 we're always in a position where other people
22 make the money and we don't make the money, the
23 investors make money.

24 We want to invest so that we can feel
25 like some of the dollars are here. We don't want

1 just jobs. We don't want just the opportunity to
2 go there and gamble. We want to be able to
3 realize profits.

4 We thought that that was something that
5 we needed to do as a community, and we said to
6 each developer 15 to 20 percent opportunity for
7 investment. We never ever said to give anybody
8 anything.

9 I think John Barden summed it up best in
10 his presentation when he said we expect people --
11 he had put his money in so he expected anybody
12 else to invest in the proposal to put their money
13 in so that's our position as it relates to
14 minority investment.

15 Step eight, realizing that it was
16 critical that we negotiate agreements that were
17 favorable to Gary, and then fully aware that
18 casinos hire some of the best lawyers we enhanced
19 our attorney that served on the steering
20 committee.

21 We engaged the services of Bill Monroe
22 from Indianapolis, and our lawyers worked many
23 days, sometimes around the clock, to try and
24 negotiate the best deal for Gary.

25 Step nine, after nearly six months of

1 meetings, community hearings, dialog, and
2 discussion the steering committee called the
3 names of four developers we felt confident could
4 help Gary achieve the optimum in economic
5 development, and those companies in alphabetical
6 order were: Barden/President, Dunes/Monarch,
7 Riviera, and the Trump organization.

8 That was the work of the steering
9 committee, and, as I said in my opening remark, I
10 stand ready to answer any and all questions at
11 the close of the presentation as relates to this
12 process. Thank you.

13 MR. KING: Good afternoon, Chairman
14 Klineman and members of the Commission. By way
15 of introduction my name is Gilbert King, and I am
16 a lawyer by profession although in the last year
17 I have become a student of the gaming industry.

18 In my role as sitting on the Mayor's
19 steering committee you today have heard two days
20 of what we have listened to over the past several
21 months, numerous videos, numerous documents,
22 numerous presentations.

23 We think that that experience along with
24 the steps for (Inaudible) makes it clear that the
25 riverboat act is to assure that there is economic

1 development. That has given rise to some key
2 components of any agreement that is reached by
3 any developer. Consequently, we've come up with
4 our list that is essential to the City of Gary.

5 First, the first item on the list is
6 commitments to the (Inaudible) of \$10 million.
7 It's secured by a letter of credit or another
8 instrument acceptable to the city. The second
9 item is that the parent company be a signator to
10 the development agreement and stand behind those
11 commitments.

12 The third is a commitment to reimburse
13 the unsuccessful developers for any work product
14 actually incorporated in the project, for
15 example, the harbor modifications; a commitment
16 to train the personnel at no cost to the city or
17 the trainees; a commitment to \$1 million per
18 month penalty for each month the gaming vessel is
19 not ready beyond March 31, 1995.

20 We have some other commitments that are
21 just as important and just as crucial that the
22 mayor will enumerate. Thank you.

23 MAYOR BARNES: I'm sorry, Mr. Chairman.
24 Some of my script has changed, and I found out
25 about it after I started going through it.

1 MR. KLINEMAN: Well, you're starting off
2 with all those changes.

3 MAYOR BARNES: Well, we have some very
4 capable people, and they've been able to do it.
5 They have to do these little things from time to
6 time. Thank you very much, Mr. Chairman and
7 Commissioners, and to continue, Gary has a
8 vision, and achieving it depends on certain
9 strategic goals among many other things.

10 Certainly a part of that vision is
11 creating new job opportunities. Part of that as
12 well requires effective job training of our
13 citizens and certainly taking full advantage of
14 the wealth of world class learning institutions
15 that we have right here in our community, dealing
16 with the real and imagined problems of fear and
17 violence that permeate our community in certainly
18 too many areas, and implementing a plan of
19 rebuilding our city block by block if necessary.

20 I share with you some of the projects
21 and developments that are occurring at this very
22 moment in many instances. Some of these relate
23 to a particular area as determined by my economic
24 commission and I think are very important. That,
25 of course, is our Broadway renovation.

1 Broadway is a significant major corridor
2 in the city of Gary, Indiana. It's embodied of
3 what Gary used to be, and it's also, when we look
4 at those individual businesses that continue to
5 struggle against substantial odds, evidence of
6 the strength and capability that can make Gary
7 what we want it to be.

8 And we feel that it is something that
9 the role of gaming can support to provide, first
10 of all, revenues we talked about before and jobs
11 and sources of funds for the hundred million
12 dollar plus infrastructure needs of the city and
13 very specially as well can play a key part in the
14 development of our corridors.

15 Our main corridors to the City of Gary
16 are Broadway and from 4th Avenue and 2nd Avenue
17 to 53rd and, of course, along the 12 and 20 and
18 our whole lake front corridor from County Line
19 Road out to our airport.

20 Along Broadway there are many features
21 that represent a part of that symbolism but also
22 the practicality and substance of a city that
23 indeed intends to be restored: Starting now at
24 this very moment at 2nd and Broadway the new bus
25 shelter, a very attractive structure that is

1 being completed now; to the Gateway Park; to the
2 provisions that we made in what we call Gary's
3 super block, a part of it already under way on
4 5th and Broadway; other shelter activities; to
5 the investment by private developer NIPSCO; a
6 substantial development on 8th and Broadway;
7 across the street a partnership between the city,
8 the state, and a private developer which will
9 expect to see the Sears building completed in a
10 few months; on down to 9th and to 23rd and
11 Broadway what we call the corridor equity project
12 from 9th to 23rd; from Broadway to Madison over
13 100 acres that will include not only businesses
14 to be renovated but the addition of businesses
15 such as a minimall which will be located across
16 the street from the police department and already
17 has a developer who is ready to begin very soon;
18 to social type agencies such as the YWCA which
19 has plans for portions of that land as well; to
20 housing in addition; and in addition to that the
21 entire length of Broadway new lighting already is
22 being installed; but in addition to that
23 contracts have already been let and may start
24 today or very shortly for new sidewalks and curbs
25 throughout the entire length.

1 We share this because we want you to
2 know that while we see the riverboat gaming
3 opportunity as a significant supporting feature,
4 we have not and we do not now see it as a panacea
5 that will operate in and of itself to provide all
6 that the City of Gary needs, if you will, for its
7 redevelopment or for its rebuilding.

8 When the steering committee presented to
9 me their recommendations added to the store of my
10 own knowledge that I gathered through just
11 awareness and perception and some through looking
12 at documents, what have you, there was one
13 consideration that guided my thoughts.

14 First and foremost among those
15 considerations were developing commitments to
16 agreements on mandatory components. Among those
17 mandatory components I believe is a riverboat
18 casino with certain minimum features to be backed
19 up by legally enforceable mechanisms: Harbor
20 modifications; breakwater; staging pavilion for
21 gaming vessels; provisions for providing onshore
22 development which in the aggregate would include
23 features such as a hotel, lake front park,
24 community park, restaurants, night clubs, and
25 shops and other magnet features such as theater,

1 retail outlets, family activity center; a
2 pavilion and provisions for at least one landmark
3 off-site project per licensee valuing in the \$10
4 million range.

5 Again, referring to our corridor of
6 development one of those landmarks is being
7 purchased by the city at this very moment, and
8 that, of course, is the historic Union Building.
9 I can't think of the name of the movie that Alan
10 Ladd played in some years back, I think 1948.
11 That movie was filmed right in Gary, Indiana, and
12 a substantial portion of it took place at the
13 Union Station.

14 Commitment to capital support for Gary's
15 marina development, we did not and have not
16 abandoned our marina development plans. Those
17 plans are under way right now, and fortunately we
18 finally received the information from United
19 States Steel dealing with many of our concerns
20 that we had, and 120 acres that are under lease
21 to the City of Gary have been shown to be
22 available for development.

23 Payment to the city for prelicensing
24 expenses or support of other prelicensing
25 expenses, other off-site commitments to bring

1 total project capital investment to the range of
2 \$120 million dollars per licensee, commitment to
3 provide the city with three percent of adjusted
4 gross revenues in addition to the statutory five
5 percent, commitment to purchase 80 percent of
6 materials and services locally, commitment to at
7 least 15 percent ownership by citizens of Gary,
8 Indiana, commitment to hire 67 percent of
9 personnel required for operation of the facility
10 from within Gary and 90 percent from within Lake
11 County, and finally a commitment to train those
12 personnel at no cost to the City of Gary or to
13 the trainees.

14 Among the other considerations that I
15 made were unquestionable riverboat experience and
16 operation expertise; as much of a guarantee as
17 possible that Gary would be first; the need to
18 marry a group with the compatibility to form a
19 real development operational team with each other
20 and, most importantly, as well with the City of
21 Gary; certainly due diligence as to the ready
22 availability or projected availability of a boat;
23 the financial capability; commitment, most
24 important, to making it work for Gary, Indiana.

25 Mr. Chairman and members of the

1 Commission, this process has already worked for
2 Gary, Indiana. Through this process every
3 developer who is now before you has made a
4 promise, a promise in excess of \$100 million
5 investment.

6 That was not the case when this process
7 started. In fact, it was not the case when our
8 process of selection ended. But we are delighted
9 that it is the case today. The vote is needed.
10 We must have even from our preferred developers
11 execution of joint conditional development
12 agreements to guarantee delivery on the promises
13 made to Gary, Indiana.

14 I again take this opportunity to thank
15 this Commission for your wisdom in making it an
16 important part of your process that you spent
17 some time in the community that has been and will
18 be so widely affected by what occurs by your
19 decision.

20 And I can tell you that Gary, Indiana,
21 is a very strong city. I, like many citizens who
22 actually looked at those, who have visited and
23 have been a part of or wanted to be a part or
24 tried to be a part of this exciting development,
25 that we recognize that there are substantial

1 elements.

2 And there is a real promise in this
3 community that in spite of the many concerns that
4 we too often hear about in our community that
5 fail to pay attention to the other part of our
6 fabric which we see by the gathering of the
7 citizens, by our rap sessions, if not by the big
8 games that we had here with (Inaudible) a couple
9 weeks ago where over 6,000 people were gathered
10 in the state, but we see by this kind of
11 involvement that the same kind of renaissance
12 that we've seen in other communities coupled with
13 those developments already under way or promised
14 for our community can cause Gary, Indiana, to be
15 lifted up through our work and through our
16 investment where we want it to be.

17 Again, thank you very much. We are
18 appreciative of your attention and your
19 questions. (End of tape)

20 MR. KLINEMAN: Does anyone have any
21 questions?

22 MS. BOCHNOWSKI: How do you suppose the
23 confusion occurred on local investor
24 requirements? I mean, in the back of my mind I
25 thought these companies are just offering up like

1 you can make a hundred dollar investment,
2 something everybody can afford, and they can set
3 aside a certain amount.

4 MAYOR BARNES: Quite frankly, I do not
5 believe there was any confusion in our
6 agreements. It's written out, and the letters
7 are there. In fact, I'm certain we've probably
8 submitted that information to the Commission as
9 well.

10 If you'll look at the December 30th
11 agreement as well the January 5th agreement
12 you'll see the very specific language in it that
13 sets out the investment or equity ownership, and
14 at no time has Senator Rogers -- and I was not
15 here when apparently some comments were made that
16 generated some of that confusion, but at no time
17 have I ever been aware of anyone suggesting to
18 anyone to give someone a free ride.

19 This is the first time, this is the
20 first time in all this process that we've been
21 involved in since June of last year, this is the
22 very first time I've heard anyone indicate that
23 that was a notion or anything else, that we
24 required someone to be given stock or ownership.

25 MS. BOCHNOWSKI: Well, in a sense they

1 are because they're borrowing against future
2 earnings of this investment.

3 MAYOR BARNES: Well, I think the one
4 thing that if we did do, we may do, and I'm not
5 sure if we would or not, maybe, maybe we might
6 have set some standards for that. Maybe we might
7 have, but I'll tell you I know there are probably
8 a lot of other things that I would revisit about,
9 but I am much more knowledgeable about the
10 subject than I was then.

11 But I would certainly suggest that there
12 are a lot of areas like that that could cause you
13 to look at how you could tighten this up, how
14 could you make this more specific so that you
15 don't leave any room for question. But it's
16 difficult to imagine how that confusion could
17 have occurred. It's very difficult for me to
18 even imagine that.

19 MS. BOCHNOWSKI: Did you feel that your
20 two developers met this criteria in that regard?

21 MAYOR BARNES: At this point and from
22 what I have seen, no. It's still a requirement.
23 It's still a requirement, but, no, I do not feel
24 it --

25 MS. BOCHNOWSKI: Lots of these people

1 aren't from Gary.

2 MAYOR BARNES: Yes.

3 MS. BOCHNOWSKI: A lot of these
4 so-called local investors are not from Gary.

5 MAYOR BARNES: Yes. Well, again, our
6 requirements are very specific, and we've never
7 -- we heard some recommendations relative to
8 alternative ways of doing it, and even with those
9 suggestions we have not altered our process of
10 what our requirements are.

11 MR. HENSLEY: The investment in those
12 foundations into stock meet your criteria?

13 MAYOR BARNES: I'm really not certain
14 yet. I think those are the kinds of things that
15 really need to be looked at very, very closely
16 because I'm sure that -- and I wasn't here for
17 all the other presentations, but I do know that
18 the foundation is one I didn't really question.

19 MR. HENSLEY: In one instance, just as
20 an example, there's 15 percent set aside with
21 seven and a half percent going to investors,
22 quote/unquote, and seven and a half percent going
23 to community foundation.

24 The seven and a half percent that's
25 going to investors is written on (Inaudible)

1 notes which in effect does become a gift, and I
2 don't think that any of us up here would deny
3 that you should have local investors. We would
4 support that particular idea.

5 But as we looked at this and were trying
6 to explain it to ourselves as to why one of these
7 applicants would in effect literally give away
8 seven and a half percent of their revenues, which
9 in some cases is very substantial, we did begin
10 to question it, and that's one of the reasons why
11 we pursued it to the point we have.

12 MAYOR BARNES: I'm very appreciative
13 that you did pursue it because in some of these
14 instances I'm not sure if some of my staff were
15 aware of some of the items that were set out in
16 what was sent to you. I do know this, that there
17 have been some items that we've seen during the
18 course of these very valuable hearings that we
19 had not seen before.

20 But we do know what we have agreed to,
21 and we know what we've set out as our mandatory
22 requirements. We know what we've also set out in
23 our agreements that we have right now that we
24 have prepared and that we have presented to our
25 preferred developers for their review and their

1 acknowledgment, and the items that we set out do
2 not contradict anything that I have indicated.

3 One area that we did have some
4 communications on with one of our preferred
5 developers was the notion of putting into our
6 trust fund, our economic development trust fund,
7 because we already have one. We've established
8 one two or three years ago, and it's been quite a
9 valuable tool for us, but we have not agreed to
10 that proposal.

11 MR. HENSLEY: In these hearings that you
12 have heard the last two days has there been
13 anything in there that would cause you to change
14 your mind as far as the recommended developers
15 are concerned?

16 MAYOR BARNES: No, not to change my
17 mind. I think the hearings have been very
18 enlightening because, see, the good thing is that
19 you're not acting on this yet. I'm very
20 confident we're going to have additional
21 communications to you.

22 But in this whole process and while we
23 were going through the dynamics of choosing our
24 preferred developers we saw strengths and we saw
25 weaknesses, and in some instances, as you can see

1 from the fact that we started communicating with
2 what I would guess was 30 or maybe 25 -- I would
3 guess 30 or more developers have communicated
4 with us.

5 And, believe me, we've had some very,
6 very exciting aspects of proposals, but then when
7 you look at other aspects or the financial
8 capability or whether you just plain trust doing
9 business with them then it raises questions in
10 your mind.

11 So we did what we could to put all those
12 things together, and then those four our
13 committee in thier process and their
14 deliberations said Hey, Mr. Mayor, these are some
15 we can give you, and we don't think that we have
16 any doubts about this based on all our analysis.

17 And, of course, then it was left to me
18 to make probably more suggestive evaluations than
19 anyone else, but certainly we felt that was small
20 enough that the City of Gary would be protected.

21 MR. HENSLEY: Well, if it turns out that
22 one or neither of your recommended developers
23 were selected what sort of hardships would that
24 impose as far as you're concerned?

25 MAYOR BARNES: Again, our first priority

1 in all of this process is the interest of the
2 city, and we believe that in our review and in
3 our analysis that the promises, if you will, that
4 have been made to us, that they are good for us,
5 that they tie into our development plans for the
6 city.

7 As I indicated, one was very
8 significant, the Union Station, and one of our
9 developers has agreed to take on that project,
10 that \$10 million project. The Sheraton, which
11 another developer has agreed to take on, is
12 another one of those \$10 million projects as well
13 as the agreement to all the other aspects of it.

14 These things fit our economic
15 development plan for the City of Gary, and we
16 think, frankly, that with the agreement and with
17 the commitment, with the legal commitment to all
18 of these that it would make ours work.

19 There are some aspects I'm very
20 concerned about and I certainly would have to
21 revisit, and if they were not revised then I
22 would have some problems, and that's in the area
23 of local investment.

24 SENATOR ROGERS: One of the things we
25 said going along with the steering committee is

1 that in this process that we're certain that
2 unless there was new information that was
3 forthcoming, unless there was information that
4 you received that we did not receive, that we
5 could not envision a situation in which there
6 would be a difference between the applicants that
7 we chose and the applicants that you chose.

8 MAYOR BARNES: Well, that's what we
9 think.

10 MR. HENSLEY: Well, in response to that
11 we've learned some additional information, for
12 example, this morning that the \$36 million
13 additional investment in Sportopia from the
14 Lakeside investment was not included in the
15 numbers that were presented to us.

16 SENATOR ROGERS: That's exactly right.

17 MR. HENSLEY: So would that type of
18 information help you change your mind?

19 SENATOR ROGERS: I would think that we
20 would sort of want to take another look at that,
21 but bottom line total in terms of the money that
22 was being committed to this project was not the
23 sole decision upon which we made our decision.

24 I think if you remember about that
25 project and one of the negatives that that

1 particular developer had with the Commission was
2 a hotel, and they refused at that time to say
3 that they would build a hotel or saw a need for a
4 hotel, and they said that very same thing today.

5 And I guess, you know, with so many
6 people being from out of town these past few days
7 if I were to ask the question how many people on
8 the Commission and how many people in the
9 audience who stayed in Gary raise their hand in a
10 hotel, I think we would see that most hands would
11 be raised so we see the need for a hotel.

12 In our consideration, in our
13 deliberation, we certainly were cognizant of
14 whether or not the developers took into
15 consideration what we felt were our needs. I was
16 born here and the Mayor came here (Inaudible),
17 and so I've been an elected official for about 14
18 or 15 years all told. The Mayor has served in an
19 elected capacity.

20 We've had interchanges with the people
21 in this community, other people on the steering
22 committee. I think we've got a pretty good
23 handle on what this community needs and what
24 people have said we need in this community so
25 that for developers to come in and impose what

1 they think is needed upon us I think we have to
2 question that.

3 MR. KLINEMAN: Senator, we as a
4 Commission long ago, a year or so ago, recognized
5 that we wanted local input. The problem that we
6 have, and maybe you can address this, when you
7 read the statute you don't see the word local.
8 You don't see recommended developers.

9 You don't see any of those words in the
10 statute so we were faced with the situation where
11 we felt exactly as you felt, that we wanted local
12 input because this is not something we want to
13 force on the people, but rather we still feel,
14 however, when you read the statute it fit into
15 our decision. And we are faced with that
16 quandary not only here in Gary, but we're faced
17 with it everywhere we're going to go.

18 It's been our position that we wanted
19 the recommendation for the very reason that you
20 say but that we felt it was our obligation under
21 the statute to make an independent decision, and
22 if it happens to coincide with yours so be it.
23 If it happens not to be the same decision that
24 you made we can fully, at least in our minds,
25 satisfy the requirements.

1 And one other point, I believe that the
2 mayor said a few minutes ago you people had
3 brought these developers really to a point where
4 it's real hard to tell them apart on what they're
5 going to do for Gary, not only what they're going
6 to do period but what they're going to do for
7 Gary.

8 Sure, you can say maybe this one isn't
9 going to do anything for the sheriff and that one
10 isn't going to do anything for Union Station,
11 but, you know, they're really close, and I want
12 to credit you people with having done that
13 because if we would have come to Gary without
14 that we wouldn't have any idea of what was
15 necessary. So, anyway, we're obligated to do our
16 statutory job.

17 SENATOR ROGERS: Right, and we recognize
18 -- I mean, I know the statute. I helped to
19 write it and change it, but we recognize where
20 the authority lies, and that was done
21 intentionally. We felt that it should be a
22 committee outside the local community that made
23 that determination.

24 But we also felt that as city fathers
25 and, as I corrected someone else, some of us are

1 city mothers, city fathers and city mothers, we
2 have the responsibility to know who's coming into
3 this community because we're going to be held
4 ultimately accountable for it.

5 They're going to point to Senator Rogers
6 as the person who brought this legislation into
7 Indiana and Mayor Barnes that allowed these
8 riverboats to be in Gary. They're going to point
9 their fingers toward us and hold us responsible.

10 So we felt that we had -- in fact, I
11 felt that I had responsibility for the community
12 to at least try and sift through the developers
13 that were coming through. We initially started
14 out with some 26 developers wanting to come in,
15 and, as I said before, there was no model for us
16 to follow.

17 The only thing that we knew was that we
18 wanted to have some time alone and some
19 conversation with the people who wanted to come
20 here and put up riverboats, and I think our
21 process, as the mayor stated earlier, was we were
22 able to do what you may not have been able to do
23 at the Commission level which is to create an
24 atmosphere of provocation so that people were
25 competing for the preference by the city to draw

1 those numbers up so it ultimately means more
2 investment dollars into our community.

3 So I think that in hindsight we played a
4 very valuable role in this, certainly a role that
5 will mean a lot to the city of Gary, but we
6 certainly recognize and we certainly support the
7 fact that the final and ultimate decision lies
8 with this Commission.

9 COMMISSION MEMBER: Senator, let me ask
10 a question. I think I understand it, but maybe
11 you can clear it up a little bit. Your steering
12 committee recommended these four candidates to
13 the mayor?

14 SENATOR ROGERS: That's right, so we're
15 perfectly comfortable that these four can --

16 COMMISSION MEMBER: And these were
17 people that you felt within your committee --
18 they came up with the four people we've listened
19 to for the last two days?

20 SENATOR ROGERS: Not one of the four
21 that you heard today. One of the four was the
22 Riviera, and they ultimately I guess exited
23 themselves out of the process because they didn't
24 submit the proper papers to the Commission.

25 MR. THAR: Senator, it was kind of a

1 combined process, the application process. The
2 application they filed had some misinformation,
3 and plus in the background they did not follow up
4 by the deadline date which disqualified them from
5 further consideration for Gary. But there's no
6 question they will apply for another location,
7 but they are out of the process now.

8 SENATOR ROGERS: And so just three of
9 them are here, and, again, when we looked at the
10 lake site at that point in time when they came
11 before our committee we had set a bottom line
12 amount of \$100 million investment into the
13 community, and at that time they were at 70
14 million so they have not made what we considered
15 a minimum investment to the city so, yes, that
16 has changed.

17 COMMISSION MEMBER: They made the leap
18 of faith to the appropriate number I guess.

19 MS. BOCHNOWSKI: As far as the fact of
20 these local investors did you at any time
21 recommend names of possible local investors to
22 any of your applicants?

23 SENATOR ROGERS: No. What happened --
24 let me just speak personally. People, because
25 they knew that I was on the steering committee

1 and I guess people think that you're on the
2 inside, called and said Earline, I know you
3 know.

4 What I would say to them is look, if you
5 are interested in investing into any of the
6 casinos then you need to talk with the developers
7 so that the most I ever did was to give them the
8 names and the addresses of the developers so that
9 they could contact them for an opportunity to
10 invest.

11 MS. BOCHNOWSKI: But at no time did you
12 tell the developers --

13 SENATOR ROGERS: At no time, at no time
14 did I or did it ever come up in any of the
15 committee meetings here is a list of people or
16 here are some people. Let me just tell you, and
17 I don't want to say which developer, but there
18 was a representative of a developer that came to
19 me and asked me whether or not I knew anybody
20 that might want to invest in their operations,
21 and I said no, I did not, and I did not want to
22 submit any names to them.

23 So I do know that there was some
24 activity on the part of developers looking for,
25 and I don't think that that was a negative. I

1 think what some of the -- since we had set aside
2 this 15 to 20 percent I think that the developers
3 were genuinely interested in making these
4 opportunities available.

5 I don't know where the confusion came
6 over the fact that people wouldn't have to put in
7 money. I think it was the first time I ever
8 heard and I asked one of the developers what is
9 sweat equity, and they explained to me that sweat
10 equity was when you worked really hard for the
11 casino then you're allowed a certain point
12 because of the sweat you put into getting the
13 project, you know, to a certain point.

14 And, you know, the Mayor and I have been
15 involved since day one, and if we aren't
16 deserving of any sweat equity I don't think
17 anybody is deserving of what you categorize as
18 sweat equity.

19 MS. BOCHNOWSKI: You know, sweat equity
20 doesn't even bother me as much as --

21 MAYOR BARNES: Let me help to respond to
22 that question because I had a number of
23 individuals who called me from time to time.
24 It's entirely possible that some of those names
25 could have been communicated to the developers,

1 but in most cases suggested but not as a
2 recommendation but as individuals who were
3 interested.

4 But in most cases the individuals who
5 communicated with me, just as Senator Rogers
6 indicated, we gave them the names and the phone
7 numbers or whatever we could give them for direct
8 communication with the developers.

9 COMMISSION MEMBER: Mr. Mayor, I'd like
10 to say that I commend your staff on the intent of
11 the 15 percent. I think it's appropriate. I
12 think it probably answers the question that I
13 certainly had which is trying to figure out why
14 the people of Gary didn't get the opportunity.

15 As you can see, some of these people,
16 more than 50 percent of them, are not from the
17 Gary area so I don't have a problem with that. I
18 think it's admirable. I think it was good to
19 give people the opportunity to invest in the
20 program, and maybe down the road somebody will be
21 able to invest I believe. Thank you.

22 MR. KLINEMAN: I'd like to join in that
23 remark. I agree. I have a couple questions.
24 One is about the harbor. Does the city really
25 have a preferred harbor type development that

1 means something to them? I understand what the
2 Sheraton and the Union Station mean to you, but
3 is there a configuration that really means
4 something to you?

5 MAYOR BARNES: We have a concept, and
6 I'm not sure how to characterize that. I'm
7 sorry. How would you characterize that?

8 CITY REPRESENTATIVE: There's a Corps
9 section, group 404.

10 MR. KLINEMAN: Now, group 404 I knew
11 what it was, but my question is not where you
12 stand on that application so much as whether or
13 not the city really cares how the harbor is
14 finally being made safe for these boats. Does
15 it?

16 MAYOR BARNES: Well, we would like for
17 the -- we have a concept of our site plan that
18 was developed and that was submitted to the Corps
19 for their review and for their approval, and we
20 feel very confident that it's a site plan -- I
21 heard one developer say they may not be 100
22 percent supportive, but I'm not sure what the
23 difference would be.

24 But we believe that's workable, and we
25 don't think it in and of itself would be anything

1 that anyone could not fit in with, but it does
2 not lock in the details of the development.

3 MR. KLINEMAN: That answers my
4 question. My next question is: Where are we on
5 the lake? I know there was a condemnation filed
6 indirectly with --

7 SENATOR ROGERS: That's correct. That
8 hearing has been scheduled. I'll let attorney
9 King respond to that.

10 MR. KING: As the Commission may know, a
11 condemnation has been filed. We have, of course,
12 people that have filed objections to gaming, and
13 we just recently received those documents so
14 we're working on them.

15 MR. KLINEMAN: Are they perfunctory
16 objections, or were they objections of the
17 purpose for which the state and the city --

18 MR. KING: That was one of the
19 objections was the purpose, the company purpose,
20 which is certainly an issue we anticipated, and
21 we will be prepared to deal with that problem.

22 COMMISSION MEMBER: How long ago was
23 that filed?

24 MR. KING: I think it was three days
25 ago, two days ago.

1 MR. KLINEMAN: We've heard several times
2 or a couple of people have said gee, we wish we
3 could talk to the Lehigh Portland people. Is
4 that not possible with the position the city is
5 perceiving?

6 MR. KING: The input of the developers,
7 whoever they may ultimately be, have to be part
8 of the process, but the primary negotiators have
9 been the City of Gary.

10 MR. KLINEMAN: Are you going to have
11 somebody that says well, we've got real estate
12 negotiators on our staff and if they were
13 unleashed they could go do a deal?

14 MR. KING: That's what everybody says.
15 I can assure you that as late as yesterday
16 counsel for Lehigh has indicated to us that
17 they're still willing to talk to the City of Gary
18 so that is one of the realms of possibility.

19 MR. KLINEMAN: I'm personally concerned
20 about the staff of Lehigh because I think this is
21 such an opportunity, and if they really want to
22 be a good corporate citizen I would think that
23 they would reach out and cooperate.

24 They're going to be left with a
25 substantial amount of property right there.

1 They're going to have an operation that will
2 still make them a citizen of Gary. It isn't as
3 if they're selling something and never coming
4 back.

5 I wish the word would go out to them
6 that I personally at least feel that they should
7 move this process along and not have us go
8 through the extent of litigation when it's so
9 important to the people of Gary.

10 MR. KING: I'll make sure that that word
11 gets to them.

12 COMMISSION MEMBER: Why was it not until
13 just a few days ago that the condemnation action
14 was filed?

15 MR. KING: Pardon me?

16 COMMISSION MEMBER: Were the
17 negotiations going on? Why in the past two days
18 have these condemnations been filed?

19 MR. KING: Negotiations were going on
20 extensively. We thought we were very, very close
21 to resolveing this issue.

22 COMMISSION MEMBER: Maybe the developers
23 will help you with that.

24 MR. KLINEMAN: I see Mr. Barden and Mr.
25 Trump out in the audience. I'm sure they'd

1 volunteer to go up and work on it.

2 MAYOR BARNES: Mr. Chairman, if I could
3 just mention a couple of points that we talked
4 about before just very briefly. Again, just
5 dealing with the whole issue of the harbor
6 design, and it's obvious that whatever we do we
7 want to make sure that many dollars are going to
8 be available for --

9 And, of course, I agree with the
10 developers, and I think that all of the preferred
11 developers -- well, I'm not sure with one, but
12 basically where dollars would not fit into
13 capital expenditures, that commitment, those
14 dollars would go to the city so consequently we
15 are concerned that whatever we do that it be
16 effective, cost effective, and certainly least
17 expensive in terms of cost.

18 And in terms of the harbor design our
19 consultants, Floyd Daniels who has done as much
20 as probably anyone in the world, feel the design
21 we have is probably the least expensive and the
22 most cost effective.

23 Then one other item, again, just as a
24 little closure from my own point of view on the
25 15 percent issue, we feel that it is extremely

1 important that the 15 percent Gary resident
2 equity is a current requirement at least that we
3 made to those who are willing to sign agreements
4 with us, and we are certainly hopeful that it
5 will be one that everyone will abide by.

6 MR. KLINEMAN: Is that 15 percent
7 individual, or did that also go into some sort of
8 Gary foundation for part of that?

9 MAYOR BARNES: Well, the language is set
10 out Gary residents, and I think that it certainly
11 is something that could probably lead to
12 discussion about negotiation as to how we deal
13 with that so we could realize and take advantage
14 of it.

15 But I do know that in some instances
16 that number doesn't even remotely identify with
17 that notion so that's the reason we felt that the
18 very clear language would be something that no
19 one would have a problem misinterpreting unless
20 they wanted to, you know, not abide by that.

21 MR. KLINEMAN: Any other questions?

22 COMMISSION MEMBER: I think what you
23 said this morning or what somebody said, maybe it
24 wasn't you, is that they were very close to
25 meeting your requirements on the commitments, and

1 there were just a couple things that they
2 wouldn't abide by that you designed.

3 MAYOR BARNES: You said one of the -- it
4 was an applicant you said this morning? Oh,
5 Lakeside?

6 COMMISSION MEMBER: Lakeside, I'm
7 sorry.

8 MAYOR BARNES: I think as best I recall
9 I think that Senator Rogers probably
10 characterized their proposal and our negotiations
11 best when she indicated they were probably about
12 \$30 million less than what we had been able to
13 get the others to.

14 COMMISSION MEMBER: Did you get a
15 commitment that I believe I saw on the overhead
16 projector from the preferred developers to pay a
17 million dollars per month penalty after March
18 31st?

19 MAYOR BARNES: Yes. Well, from the date
20 they originally had was the July date. They had
21 a commitment to make the payment, you promise the
22 boat's going to be ready and we've got everything
23 ready, and then the boat's not here then we have
24 a problem. But the first day was July the 31st.

25 In our currently proposed agreement,

1 development agreement, we put that at March 31st
2 because this is what they indicated to us was
3 possible to do and that they could deliver on so
4 we made it March 31st as opposed to the July
5 date.

6 COMMISSION MEMBER: And on the
7 condemnation proceeding you'll keep it out of
8 Superior Court and in Porter County?

9 MAYOR BARNES: You can count on that.

10 MS. BOCHNOWSKI: Now, would you be
11 extending that date if the Supreme Court decision --

12 MAYOR BARNES: Anything outside of our
13 control, outside of the developers' control
14 naturally, but that primarily dealt with the
15 issue of the boat because we found that in our
16 impression there were some who did -- we just
17 thought the boat was important, and there are
18 some who did a lot of due diligence on it, and
19 there were some who came at the last day of our
20 development and said we got a boat, a fax piece
21 of paper showing -- (End of tape)

22 COMMISSION MEMBER: -- and not receiving
23 the information from the city that they found
24 necessary until last Friday. Can you respond to
25 that?

1 MAYOR BARNES: Well, again, we filed our
2 Corps application some weeks ago, and, in fact, I
3 think this is probably something that -- Mark,
4 can you respond to that because I believe that
5 you have sent out additional copies.

6 CITY REPRESENTATIVE: The Corps of
7 Engineers permit was filed in June of this year,
8 and copies were distributed to all of the
9 developers at that time.

10 COMMISSION MEMBER: They were
11 distributed equally among the four --

12 CITY REPRESENTATIVE: Yes, sir.

13 COMMISSION MEMBER: -- applicants?

14 CITY REPRESENTATIVE: Yes, sir.

15 COMMISSION MEMBER: Because the feeling
16 I got, the indication I got was that there was
17 preferential treatment towards the preferred
18 developers against Trump on that issue; is that
19 correct?

20 CITY REPRESENTATIVE: All of the copies
21 were distributed at the same time. If they did
22 not receive it we were not told of that.

23 COMMISSION MEMBER: That wasn't one of
24 the requests that came in?

25 CITY REPRESENTATIVE: (Inaudible).

1 MR. KLINEMAN: Mr. Thar?

2 MR. THAR: Just a couple of questions.
3 I'll ask them quickly if I may. If I understand
4 Senator Rogers' explanation, her explanation for
5 the reason Lakeside was not endorsed was because
6 their project did not come up with \$100 million
7 at the time they were negotiating.

8 SENATOR ROGERS: That was one, and then
9 the other one was the hotel issue.

10 MR. THAR: What was the reason the Trump
11 organization was not one of the two preferred
12 developers?

13 SENATOR ROGERS: I'm going to give that
14 to the mayor. I've got some opinions of my own,
15 but for the time -- the responsibility of the
16 steering committee, as you remember, was to get
17 to the point where there were four applicants
18 that we felt could do the job for Gary, and those
19 were the names of those four applicants that they
20 turned over to the mayor at which time he
21 selected the two so he's better able to answer
22 the question on why the Trump organization was
23 not selected.

24 MAYOR BARNES: In my deliberation I
25 indicated some of those factors, and I also

1 indicated that some were characterized as
2 subjective, some you could characterize as
3 objective, but in my opinion the two that were
4 preferred met what I saw as the key element, the
5 capability of getting into a joint or a three-way
6 relationship, the readiness in terms of the boat
7 although one did not have a boat.

8 But there were other factors. The
9 vision that we set out was one that we felt
10 stronger about and more favorable to, but, again,
11 we dealt with those. Trump as a part of that
12 equation, we certainly felt that they were
13 strong, but we simply felt the other two were
14 better.

15 And we also felt that -- and we did, in
16 fact, make a recommendation for the third
17 license, and there was some indication originally
18 that they would accept that, they would accept
19 that without too much change.

20 SENATOR ROGERS: Let me just talk about
21 when we discussed the Trump organization during
22 the deliberations when we got down to the four
23 one of the problems that we had as a steering
24 committee was just being able to understand the
25 complex nature of the financing for the Trump

1 organization.

2 Not only did we have those problems but
3 our consultants had those problems. They're very
4 complex, but we as the steering committee did not
5 want that to be a factor in holding them outside
6 of the four, but that was the reason. We were
7 getting conflicting information as to the ability
8 of Trump organization to sustain a project.

9 MR. THAR: If I may very quickly move on
10 to another subject. What fits best with the
11 city's economic development plan, the Sheraton
12 hotel as an annex for city offices or as a
13 residential location for senior citizens?

14 MAYOR BARNES: We've got -- in the City
15 of Gary right now we probably have 30 percent
16 excess senior citizens in our housing authority
17 properties right now. That does not mean that
18 we're not committed to improving the quality of
19 residences for seniors.

20 In fact, at this very moment we're
21 supporting a community development corporation
22 that is going to renovate the Ambassador Hotel
23 for some of those here, and I know that Dr. Ross
24 would probably agree it's one of the finest
25 apartment buildings in this entire city.

1 It's going to be done -- it's under way
2 right now in terms of the planning and the
3 investment as a senior citizens home so we did
4 not see the Sheraton, and we do not at this point
5 see that, as a suitable use of that particular
6 property.

7 MR. THAR: What is the preferred use of
8 that property?

9 MAYOR BARNES: Well, again, what we've
10 looked at is as a municipal annex. It's entirely
11 possible that even on some of the upper floors
12 that we might have some mixed units in terms of
13 some type of apartments or rooms, but our primary
14 thrust is certainly not to have another structure
15 that would be dedicated solely to senior
16 citizens.

17 MR. THAR: Some of the agreements with
18 regard to the developers call upon certain hiring
19 of Gary residents, a certain percentage. Viewing
20 the economic development analysis in order to
21 follow the economic development impact of
22 riverboat gaming up here we need to know what you
23 mean by a Gary resident. Would you define that
24 for us?

25 MAYOR BARNES: Well, I'm not sure. We

1 may have some other legal -- one of our
2 accountants here may have some thoughts on that
3 that may be more cogent than what I might
4 suggest, but I'd simply say somebody that lives
5 in Gary.

6 MR. KLINEMAN: That's why you're not a
7 lawyer.

8 MR. KING: I think the connotation that
9 the committee has always had and we thought was
10 fairly (Inaudible) we would talk about a Gary
11 residential requirement that would square with
12 the voting requirement, and we know the landscape
13 is changing on that, but certainly the
14 residential requirements would be something the
15 state would be able to live with as well as the
16 City of Gary.

17 MR. THAR: Let me just explain some of
18 our concern. If somebody hires 1,000 Gary
19 residents that could be people that moved to Gary
20 yesterday in which case the study of the impact
21 on the schools and tax basis is substantially
22 different than if they hire 1,000 people or 67
23 percent or 87 percent of 1,000 people who have
24 lived here for ten years whose residences are
25 already established so if we could get something

1 in writing on that after it's been thought out
2 and worked through the committee.

3 MR. KING: We'll be glad to sharpen that
4 up.

5 MR. THAR: One final question. It was
6 brought to the attention of the Commission during
7 a couple of the presentations by not endorsed
8 applicants that they have had a very difficult
9 time getting access to information from the city
10 or from the land location interview, Buffington
11 Harbor plan. Would you address that?

12 MAYOR BARNES: Well, I'm not sure. I'm
13 certain we probably have records of the many
14 instances that we deal with Buffington where
15 we've had the developers communicate with us or
16 we need to get out to the site, we need to do it
17 this afternoon, we need to do it in the morning,
18 whatever.

19 We had a set process whereby we would
20 call I think it was Donald Hodson who was doing
21 that, if not then he Clark Metz. We would
22 contact an individual at Buffington, indicate to
23 them that this organization or that organization
24 wants access and make it available to them.

25 So we certainly attempted to do

1 everything that we possibly could to smooth that
2 process out. The only area that in some cases we
3 may have had some difficulties is if we had
4 information that was more or less proprietary
5 information that individuals were paid for.

6 We did not ask, and I don't know that
7 someone asked others, to provide us with
8 information that they had paid for with their
9 money and they wanted for their own use, and we
10 certainly did not feel that it was appropriate
11 for us to do that.

12 But any information, public information,
13 there's never a request that I am aware of that
14 was not honored by us, and if we were slower than
15 we should have been, of course, you know, that's
16 a charge that's laid out to me a lot of times,
17 and we try to improve on it as best we can.

18 But in all honesty, I'm not aware of any
19 incident where we would have intentionally taken
20 a different track relative to information that
21 should have been available to everybody.

22 MR. THAR: My final observation is I'd
23 like to on behalf of the staff and Commission
24 thank you and your staff for helping us organize
25 today the meetings up here as well as the

1 organizations ability to see through this
2 process.

3 MAYOR BARNES: Thank you very much. Mr.
4 Chairman, thank you.

5 MR. KLINEMAN: I would certainly join in
6 that sentiment as do all the Commissioners.

7 MAYOR BARNES: Thank you so much. We're
8 delighted to have you here.

9 MR. KLINEMAN: I think we'll now take a
10 break.

11 (At this time a short break in the
12 proceedings was had.)

13 MR. KLINEMAN: Captain Clay Potts from
14 the United States Coast Guard has come down, and
15 we certainly appreciate you coming here. We had
16 a presentation from the Captain and his crew in
17 Indianapolis some time ago so we certainly
18 appreciate you coming down here again today so
19 with that I will allow you to proceed.

20 CAPTAIN POTTS: I'd be happy to, Mr.
21 Klineman. Mayor Barnes, Commissioners, I'm
22 Captain Clay Potts, commanding officer of the U.S.
23 Coast Guard marine safety offices in Chicago.

24 I'm the commanding officer of the branch
25 safety office in Chicago. That's my military

1 title, but I also serve as the Captain of the
2 port and the officer in charge of the marine
3 inspections for the area that includes southern
4 and eastern shores of Lake Michigan including all
5 of northern Indiana.

6 As such my duties include local
7 responsibility for accomplishing the Coast
8 Guard's commercial vessel safety, port safety and
9 security, waterways management, and marine
10 environmental protection programs.

11 In general, that means that we're
12 involved in many aspects of these new gambling
13 ship operations, and it's in these capacities I'd
14 like to address the Commission today.

15 I understand you had a long day today
16 and yesterday so I'll make a short statement, and
17 then I'll try to answer your questions. When I
18 spoke at your April meeting in Indianapolis I
19 concentrated on federal safety and inspection
20 requirements for gaming vessels on Lake Michigan
21 and (Inaudible) on the boat.

22 We discussed the increased risks, the
23 associated higher problems and safety equipment
24 required when passenger ships are operated in
25 Lake Michigan or on Lake Michigan in winter. I

1 appreciate the fact that you considered these
2 factors in developing your draft rules for
3 excursions and at this point will not require the
4 ships dock on the lake in the winter season.

5 I also briefly addressed the importance
6 of careful site selection, risk analysis, and
7 emergency planning to ensure that regardless of
8 the route the excursions take the passengers will
9 not be exposed to unacceptable hazards, and
10 that's (Inaudible).

11 If I can expand on that, as typical
12 emergency response teams we in the Coast Guard
13 tend to think in terms of worst case scenarios.
14 We try to be students of history, analyzing,
15 remembering past accidents and tragedies, and we
16 are trained in ways to avoid repeating past
17 mistakes.

18 When it comes to maritime disasters we
19 unfortunately have a lot of subject matter to
20 study. One local example is the capsizing of the
21 steamer Eastland in July 1915 in Chicago which
22 resulted in the loss of 835 lives. This was the
23 Great Lakes' worst accident ever, and it occurred
24 inside a harbor.

25 Now, modern U.S. ship safety standards

1 are the strictest and most advanced in the world,
2 and the liklihood of accidents is smaller than
3 ever before. But we can't ignore Murphy's Law,
4 and, therefore, we must be conscientious to both
5 prevention efforts and in preparing to respond
6 effectively when things go wrong.

7 We suggested identification of the
8 hazards should be a first step, and we urged that
9 in addition to economic and political factors you
10 consider the complication of operating in a
11 marine environment when you choose locations for
12 gambling ships.

13 Washington D.C. headquarters is calling
14 this a marathon site risk analysis. We think
15 that these considerations should include studies
16 of existing vessel traffic patterns, the new
17 (Inaudible) restrictions that might be
18 re-created, increased vessel traffic directly
19 attributable to the gaming operation including
20 customers arriving by private and commercial
21 boats, available search and rescue and evacuation
22 resources, capabilities of shore-based fire
23 fighting and medical facilities, and towing
24 vessel availability and capabilities.

25 Hopefully the risk analysis will

1 convince you that the proposed location of
2 operation will not create an inherently safe
3 situation, but I think you can expect that it
4 will identify short falls in existing
5 capabilities and equipment and even interagency
6 problems.

7 The analysis could then serve as a great
8 justification for you to require the appropriate
9 parties to secure the needed equipment and take
10 any actions necessary to reduce the risks.

11 Once your Commission decides that a safe
12 operation can be run at a certain location the
13 applicant should be required to submit a
14 contingency plan which addresses exactly how they
15 plan to respond to all emergencies including
16 medical emergencies, fires, falls overboard,
17 collisions, groundings, flooding, loss of
18 propulsion, severe weather emergencies, and oil
19 spills.

20 Training of the crews, including the
21 casino employees, is vital to making the plans
22 work. Regular coordinated exercises are
23 extremely valuable and should also be required.

24 Now, I realize that you are already
25 asking for emergency response plans which must be

1 approved for a permanent position. I haven't
2 seen the specifications for these plans, but I
3 would appreciate the opportunity to work with you
4 during the review process.

5 We will try to assist you in any way we
6 can to make sure that all bases are covered, and
7 also local emergency response agencies have
8 valuable input to provide, and I'm sure they will
9 want to participate in it.

10 In closing, I want to thank you for
11 inviting us today, and I'll take your questions.

12 MR. KLINEMAN: Thank you, Captain.

13 MS. BOCHNOWSKI: Have you seen the
14 proposed breakwater set-up that they're talking
15 about for Buffington Harbor?

16 CAPTAIN POTTS: Yes.

17 MS. BOCHNOWSKI: Do you think that this
18 is adequate to protect that harbor?

19 CAPTAIN POTTS: Well, what I have seen
20 is an engineering study, and what we've
21 maintained all along is that we're going to
22 pretty much going to have to see how it works
23 before we can make a final decision.

24 MS. BOCHNOWSKI: So how it works meaning
25 that it will have to be built before you can

1 actually see if it's going to work?

2 CAPTAIN POTTS: Well, it's something
3 that looks good on paper with the exception of
4 some minor details. One of the things that
5 concerns us is maybe the addition of so much
6 structure that it's going to be more difficult to
7 maneuver inside the harbor.

8 But to tell you the truth, we in the
9 Coast Guard are not qualified to make a ruling or
10 evaluation, an engineering evaluation, of whether
11 the wave heights are going to be attenuated
12 sufficiently or not.

13 MS. BOCHNOWSKI: So what happens if,
14 let's say, the Army Corps of Engineers says fine
15 and then we do end up getting into a situation
16 where it isn't fine? Can they -- I mean, I
17 suppose they have to move it further or --

18 CAPTAIN POTTS: Well, the bottom line is
19 the safety of the vessels that are operating in
20 the harbor. If the vessels that are operating in
21 the harbor are only of the type that can operate
22 safely inside a protected harbor and the
23 improvements to the harbor do not create a safe
24 environment then we will have to make some
25 changes.

1 COMMITTEE MEMBER: Are you saying that
2 you won't know until it's built in there?

3 CAPTAIN POTTS: Realistically, yes.

4 COMMISSION MEMBER: So you could go
5 ahead and designate whatever the specifications
6 are of the proposed plan?

7 CAPTAIN POTTS: Well, the specifications
8 -- we do not have specifications for a protected
9 harbor. What it is is more of a performance
10 standard. It's a general classification of a
11 body of water, and we've said this body of water
12 is more like a harbor than it is like the whole
13 lake.

14 COMMISSION MEMBER: And have the
15 applicants, the ones that we've been talking to,
16 had any contact, or has the Coast Guard had any
17 contact with the four applicants that we've been
18 talking to the last two days?

19 CAPTAIN POTTS: I don't know about other
20 offices. My office has had contact with I
21 believe two of the people you've been talking
22 to.

23 COMMISSION MEMBER: And do you recall
24 which ones?

25 CAPTAIN POTTS: Monarch and President.

1 MR. KLINEMAN: You issue certificates
2 for carrying passengers in open areas, and then
3 you have a lesser certificate. Could you kind of
4 run through those for us, explain those?

5 CAPTAIN POTTS: Well, the certificate of
6 inspection specifies a route that the vessel is
7 allowed to operate on, and that route is
8 dependent upon primarily the stability, water
9 tight integrity, and subdivision of the vessel,
10 in other words, primarily structural
11 determinations.

12 The plans for the vessel are reviewed by
13 our technical staff in Washington, and a document
14 called a stability letter is issued to the vessel
15 after the calculations are run and in some cases
16 a physical test on the vessel has been conducted
17 where they incline the vessel and do engineering
18 studies with the measures that they take.

19 If a vessel can get what we call an
20 unlimited Great Lakes stability letter for the
21 exposed waters of the Great Lakes then a
22 certificate of inspection is issued by my
23 office. We would not have limitations on the
24 route that the vessel can operate under as far as
25 stability goes.

1 As we said in April, the life saving
2 equipment requirements and so forth and the
3 manning requirements change depending on where
4 they operate and what time of year they operate.
5 As far as stability is concerned, which is the
6 thing that is covered by the design of the
7 vessel, if you can get an exposed water stability
8 letter then the route could be anywhere in the
9 Great Lakes.

10 If a vessel is limited by its design
11 parameters to operating only on certain bodies of
12 waters, such as rivers, protected waters,
13 semiprotected waters, then when we get the
14 stability letter we have to make the
15 determination as to what body of water in my area
16 of jurisdiction the vessel's qualified to operate
17 on.

18 In the case of Buffington Harbor we were
19 approached by some people who wanted to know
20 whether they had vessels of that type that they
21 could operate in Buffington Harbor without any
22 improvements being made.

23 The information that we were able to
24 collect from the people who had historically
25 operated in Buffington Harbor looked at some

1 weather data to know what to expect and indicated
2 fairly clearly that the face of the dock where
3 the vessels would have to tie up in Buffington
4 Harbor was not well protected in many ways, ones
5 that you could routinely expect to see.

6 So that's why I made a determination
7 months ago that in its present condition
8 Buffington Harbor would have to be considered
9 exposed waters. It's more like being out on Lake
10 Michigan than it is being in really a protected
11 harbor.

12 MR. KLINEMAN: There seems to be some
13 indication that you might certify boats to
14 operate outside of the harbor itself with some
15 restricted distances. Is that your opinion not
16 knowing what Lake Michigan looks like outside the
17 harbor?

18 CAPTAIN POTTS: It has been accepted
19 that the Great Lakes in the summer season between
20 the 15th of May and the 15th of September, the
21 waters of Lake Michigan and of all the Great
22 Lakes approximately out to 20 miles are indeed
23 considered partially protected subject to
24 modification by the local officer in charge of
25 marine inspection.

1 And this is where we have had to make
2 some local determinations based on what we know
3 about the weather conditions in Lake Michigan
4 water, the way the water acts up when the weather
5 changes and so forth, so, yes, we have been
6 talking about vessels with protected water
7 stability letters, partially protected water
8 stability letters, being able to operate in the
9 summer season out three miles.

10 MR. KLINEMAN: Any other questions? Mr.
11 Thar?

12 MR. THAR: Just one question, Captain.
13 You indicated that local emergency response
14 organizations play an important role. I was just
15 wondering what some of the organizations are that
16 would be in this area.

17 CAPTAIN POTTS: Particularly local fire
18 departments. One of the contingencies that I
19 feel should be planned for that should be the
20 most dangerous situation would be a fire on a
21 vessel that doesn't occur at a dock with a full
22 load of passengers.

23 The local fire departments, municipal
24 fire departments, generally do not have training
25 necessary for fighting a fire on a ship. That's

1 a generalization but one that I think most
2 firefighters would agree with because, just as
3 with all forms of emergency response, specialized
4 training is necessary.

5 The city has never had a need to get
6 marine firefighting training, and most likely
7 they don't have it. Marine firefighting schools
8 are available if they can get the people and the
9 money accomplished.

10 But firefighting definitely needs to
11 involve fire chiefs, county, local emergency
12 planning crews who could deal with (Inaudible)
13 matters such as you might have to break the
14 barrier if you had to evacuate a lot of people
15 from the vessel, people who are versed in how to
16 get a hold of a lot of buses in a hurry, how to
17 get more medical personnel, how to initiate major
18 disaster response.

19 Certainly all those people will be and
20 will want to be involved because, as you know, at
21 any given time we're only talking about two
22 vessels in this case, but we could have several
23 thousand people at risk or involved in an
24 incident that occurs.

25 Police departments as well as local

1 ambulance normally would be involved if any full
2 scale evacuation is going to happen. You have to
3 have control of the situation and everything
4 else.

5 MS. BOCHNOWSKI: Now, I know that, for
6 example, you have like an inspection crew signing
7 documents for fire safety. Is there a special
8 kind of fire inspection that has to be done on a
9 ship, or is that the normal run of the mill
10 inspection?

11 CAPTAIN POTTS: These vessels -- on
12 these Coast Guard certificate vessels all of the
13 fire inspections are going to be done by my
14 office, the U.S. Coast Guard. The structural
15 fire protection, in other words, the way the
16 vessel is built to stop the spread of fire,
17 control it and so forth, is all built in and
18 required in the design and construction phase.

19 MS. BOCHNOWSKI: And once they make that
20 how often is it renewed?

21 CAPTAIN POTTS: Every year. On these
22 large passenger vessels we do quarterly
23 reinspections on board, and this is the key is
24 that the Coast Guard will take care of pretty
25 much what happens on board and what the

1 performance of the crew required by the Coast
2 Guard is.

3 But when it comes to the response that's
4 going to take place off ship with the local fire
5 department, with locating vessels and trying to
6 evacuate the ship, we can't control that. That's
7 the part that we hope you, the local community,
8 and the casino will control.

9 MS. BOCHNOWSKI: So in a sense some of
10 these ships, I take it, may already have some
11 certification, but in a sense you have to
12 recertify them based on their crew, and so if
13 they don't pass inspection they won't be
14 operating, correct?

15 CAPTAIN POTTS: Correct.

16 MR. KLINEMAN: Is it up to us to ask the
17 developers to prepare the emergency response
18 program or something they might submit to us, or
19 do we submit it directly to you and ask for your
20 approval, or is that something we don't get
21 involved in?

22 CAPTAIN POTTS: There is no federal
23 requirement right now to have an emergency
24 response plan like this. Under my general
25 authority as Captain of the port for the safety

1 of the port in Buffington, Gary, Chicago,
2 whatever, in my area of jurisdiction I can
3 require just about anything I feel is necessary.

4 But there is no written federal
5 requirement for a response plan. There is some
6 thought in Washington about drafting regulations
7 and going through the regulatory process to try
8 to get to that point, but right now the state
9 regulatory agencies, the state gaming commissions
10 will make that a condition on the issuing of the
11 permit.

12 MR. KLINEMAN: Make it a condition if
13 they get an emergency response plan approved by
14 you?

15 CAPTAIN POTTS: Approved by you and
16 then, as I say, we've offered to work with you.

17 MR. KLINEMAN: And part of that plan in
18 generalities I presume we can get some idea what
19 we should be putting into those regulations
20 through your office?

21 CAPTAIN POTTS: Yes, sir.

22 COMMISSION MEMBER: The work, it would
23 be safe to set it up with the community in an
24 effort to help the City of Gary and all the
25 cities (Inaudible) and it all be equal with the

1 city?

2 CAPTAIN POTTS: Yes.

3 COMMISSION MEMBER: And have you had any
4 contact with the city?

5 CAPTAIN POTTS: Not yet, not with the
6 City of Gary.

7 COMMISSION MEMBER: Do you think you
8 probably will?

9 CAPTAIN POTTS: We're going to talk more
10 about that. We have talked to the city candidly
11 as far as service people, and, in fact, we had a
12 meeting a few months ago, month and a half ago,
13 with the emergency response team and then with
14 the county and some of the state emergency
15 planning agencies too, law enforcement,
16 firefighting, and so forth so they are -- it was
17 initiated by the city. But you're right --

18 COMMISSION MEMBER: You're saying they
19 had this exercise in order to certify the boat?

20 CAPTAIN POTTS: (Inaudible). But you're
21 right, this means that my present staff which was
22 never really dying to -- we're dealing with
23 Joliet and Aurora and Elgin right now. We've
24 already been there, and soon it will be Chicago,
25 Hammond, and Gary, but that's something that we

1 feel is important, that we have to try to
2 increase our manpower.

3 MR. KLINEMAN: Anything further, Mr.
4 Thar?

5 MR. THAR: No, sir.

6 MR. KLINEMAN: Well, thank you, Captain,
7 for coming.

8 CAPTAIN POTTS: Thank you very much.

9 MR. KLINEMAN: I think we're now going
10 to go into the phase where we're trying to kind
11 of clean up, and I don't know how it's going to
12 work, but we just asked by the agenda that all
13 four developers be available to answer any
14 additional questions that the Commissioners might
15 come up with so I guess there's no structure.

16 We just need to have the gentlemen from
17 before, and everybody can't have their whole
18 entourage, but maybe a few of the key people can
19 come up, and we can certainly introduce some of
20 those people who have never met each other. I
21 think that's the first thing we're going to do.

22 This has been a very arduous time for
23 all of you I'm sure. I know it's been for the
24 Commission. Without your cooperation we could
25 not have had, in my judgment, the meaningful

1 hearings that we've had in the last couple of
2 days.

3 I want to personally on behalf of all
4 the Commissioners thank you all, and you have our
5 word that we will make a fair decision. You've
6 made it awfully tough for us. Your presentations
7 were outstanding, and the programs are everything
8 we might have hoped for. They're wonderful
9 programs, and all of you deserve licenses, but
10 the legislation can only give us two in Gary.

11 Do any of the Commissioners have any
12 questions?

13 MR. HENSLEY: I'd like to ask
14 (Inaudible) to provide the same information on
15 the shareholders.

16 UNIDENTIFIED SPEAKER: We'd be happy
17 to.

18 MR. HENSLEY: Do you know what it is to
19 address estimating that (Inaudible) market
20 contribution?

21 UNIDENTIFIED SPEAKER: Yes. In fact,
22 there was some misinformation communicated
23 yesterday concerning that subject. I'd be happy
24 to tell you now or put it in writing.

25 MR. HENSLEY: That's okay. If we could

1 just have that written.

2 COMMISSION MEMBER: Next question is to
3 Mr. Trump. Mr. Trump, just briefly there has
4 been reference to a lawsuit of yours. Revco is
5 the Defendant. It's my understanding that the
6 suit was filed by Revco in Orange County Court.
7 Could you just briefly (Inaudible)?

8 MR. TRUMP: Yes. It would be the case
9 on the Grand Hyatt Hotel. This is the one hotel
10 I don't manage. We haven't been very successful
11 in the hotel, and we aren't as happy because
12 we've had difficulty with the manager which was
13 the Hyatt Corporation.

14 It is turning out that there was one
15 issue that probably won't be resolved. We've won
16 every aspect of the lawsuit to this point, and,
17 in fact, there are right now representatives
18 there right now, and settlement negotiations are
19 going on. It had to do with we were unhappy with
20 the way and manner and quality of which the hotel
21 was being managed.

22 COMMISSION MEMBER: What was the basis
23 of the countersuit?

24 MR. TRUMP: The basis of the countersuit
25 was that they wanted to continue as the manager

1 of that hotel, and we've prevailed in the
2 courts. We've won in the courts. In fact, we
3 won in the highest court in the state of New York
4 by a vote of five to nine, and we are now in
5 settlement negotiations which based on our
6 victory we are in settlement negotiations, and
7 probably that will be taken care of. Thank you.

8 MR. KLINEMAN: If you have any other
9 questions if you could propound whatever
10 questions you have now to any of these
11 gentlemen.

12 COMMISSION MEMBER: I just had a couple
13 for Lakeside, which I apologize for referring to
14 as Lakeview. The question to Lakeside that I
15 would have is: If we paired you up with another
16 company that had not planned to build a hotel
17 would Lakeside be inclined to build a hotel?

18 LAKESIDE REPRESENTATIVE: I think one of
19 the things that we have to look at in this
20 particular case is we're talking a joint
21 development proposal. I think that Lakeside is
22 pretty clear, and certain joint development
23 proposals will have to be put together between
24 all the parties, both licensees and the City of
25 Gary as our partner as well the state of

1 Indiana. So I guess all parties would be at the
2 table, and full joint development will have to be
3 finally resolved.

4 LAKESIDE REPRESENTATIVE: I would just
5 like to add that when you're talking about how to
6 spend 220 or 230 million dollars there should be
7 a way to get a hotel. That's a lot of money.

8 COMMISSION MEMBER: I have another quick
9 question, and if you could pardon my memory,
10 there was a discussion about you having a
11 temporary boat before your permanent boat?

12 LAKESIDE REPRESENTATIVE: No.

13 COMMISSION MEMBER: Is there any problem
14 that you know of that may delay the retrofiting
15 of your boat taking it past the time you've
16 promised it?

17 LAKESIDE REPRESENTATIVE: No.

18 COMMISSION MEMBER: I don't have any
19 more questions. I think everybody has done a
20 fine job, and I hope the people who are selected
21 can work together and with the city and all send
22 Christmas cards to each other. I think if you
23 want to do this you need to be reasonable and
24 meet the requirements the city laid out, and I
25 thank you all for your time and your effort.

1 Thank you.

2 MR. KLINEMAN: I just wanted to clear up
3 a couple things about the boats first. Does your
4 boat meet the test that it can operate in
5 unprotected waters, partially protected waters?
6 Where is your boat in the scheme of things? And
7 I'll probably ask the question down the line.

8 LAKESIDE REPRESENTATIVE: At this time
9 we have not intended to make our boat meet the
10 criteria for unprotected waters. I believe that
11 we could make the vessel meet the criteria for
12 unprotected waters although in conversations and
13 discussions that we've had with Captain Potts and
14 the Coast Guard in Chicago and continuing
15 discussions with him and discussions with Coast
16 Guard headquarters in Washington D.C. in addition
17 to working with the Corps of Engineers and
18 continual research on what this marina's going to
19 turn out like and what the harbor's going to turn
20 out like I feel convinced that -- I said
21 yesterday safety's a primary concern so that boat
22 can meet whatever requirements are required for
23 this site.

24 MR. KLINEMAN: Is that a yes?

25 LAKESIDE REPRESENTATIVE: That's a yes.

1 UNIDENTIFIED SPEAKER: Our boat will
2 meet the maximum requirements, yes.

3 MR. KLINEMAN: Next boat?

4 UNIDENTIFIED SPEAKER: We'll introduce
5 Jack Gilbert, marine architect. Jack will
6 respond specifically to the question.

7 MR. GILBERT: The vessel for will meet
8 the requirements for the stability and so forth
9 for exposed waters. (End of tape)

10 UNIDENTIFIED SPEAKER: I'd also like to
11 add to that that Jack has been in contact with
12 the Chicago Coast Guard office I believe. He has
13 been in contact with the Chicago Coast Guard.

14 MR. KLINEMAN: Monarch?

15 MR. BOB FARAH: Mr. Chairman, as was
16 said yesterday (Inaudible) and the boat has been
17 designed, the contract has been signed with the
18 shipyard, and the boat will be in Gary in March
19 of this year, and also the boat has been designed
20 for open waters because we were not sure as to
21 when the harbor can be protected. Thank you.

22 MR. KLINEMAN: I think that's all I've
23 got.

24 MS. BOCHNOWSKI: Something that came out
25 during the Trump presentation, I'd kind of like

1 to hear from you who you think your market is
2 going to be. For example, when we heard from
3 (Inaudible) I got the impression they were
4 talking about more of an upper-middle-class type
5 person or whatever, and if you're selected would
6 you be able to work with somebody that's
7 marketing to a different type of customer?

8 TRUMP REPRESENTATIVE: We can work
9 together.

10 MR. ELLERS: President's market is
11 traditionally and historically a lower market.
12 We do not cater to high rollers. We do not --
13 when I think of high rollers I think of million
14 dollar players and things of that nature. I'm
15 talking about people who wager reasonable amounts
16 of money.

17 We're a low market operation. We draw
18 from regional markets. We believe that that fits
19 our market in Davenport, our market in Biloxi,
20 our market in St. Louis. We believe that is the
21 appropriate market for these operations.

22 If you look at what is happening in
23 Chicago, what is happening to the riverboat
24 operations throughout, these are basically
25 regional attractions drawing from a regional

1 base. There is some tourism. There are buses
2 coming in. We have very active bus programs
3 going on, as I said yesterday. We even bus
4 people from South Bend to Davenport, Iowa.

5 At this stage -- I'm not saying what
6 could happen five years from now, but at this
7 stage we do business with a regional middle
8 market operation. That is traditionally where
9 we've been successful.

10 MS. BOCHNOWSKI: Will you be able to
11 work with somebody who has a different concept of
12 what kind of customers?

13 MR. ELLERS: As good as we think we are
14 we don't think we know it all so we believe that
15 probably we could benefit and learn from other
16 people, and certainly things have to be
17 compatible, but the people do not have to do
18 exactly what we do in order for us to be able to
19 work with them.

20 MR. KLINEMAN: Anything else, Ann?

21 MS. BOCHNOWSKI: You know, I think we've
22 pretty much covered that. That's what comes to
23 mind.

24 UNIDENTIFIED SPEAKER: Well, I think we
25 could certainly work with anybody to the extent

1 that the two operations are working in the same
2 area and do not overlap is probably beneficial
3 for the entire operation. I think that the fact
4 of the matter is that most of the people that
5 come to any casino, including riverboat casinos,
6 are middle market people.

7 There are a number of high rollers that
8 come to riverboats. By definition our market is
9 a middle market, and that's just what it is as
10 far as population. That's where most of your
11 customers end of being.

12 MR. BOB FARAHI: We have a vision that
13 because we have three boats in the area to make
14 it really a destination resort it would take to
15 market to probably the middle American, and the
16 things that we propose are such that we have to
17 get long-term marketing and investment for this
18 project and we feel that overall it's going to be
19 headed to middle America.

20 MS. BOCHNOWSKI: Would your hotel be
21 affordable for that market?

22 MR. BOB FARAHI: Absolutely. Let me say
23 that in the casino industry hotel package room
24 rates are much lower for the same quality of room
25 than a hotel that does not have a casino because

1 for casino profits it's very important to keep
2 those rooms filled. Because you want to keep
3 those rooms filled you usually run a much lower
4 average room rate than in a comparable hotel that
5 does not have a casino.

6 MS. BOCHNOWSKI: Thank you.

7 MR. HENSLEY: I'd just like to comment
8 first that one of the reporters told me a while
9 ago that I was not nearly as hard on the people
10 today as I was on the ones yesterday. I think he
11 was drawing some inference that I must be getting
12 tired or bothered or something.

13 But the fact of the matter is in some
14 cases we have more information than we do in
15 others, and that sometimes stimulates the
16 questions. I did want to ask, however, that, as
17 we pointed out, there's a great disparity between
18 the applicant with the most expected annual
19 attendance, which is the Trump organization, and
20 the applicant with the least expected attendance,
21 which is Lakeside.

22 Do you feel that if the Trump
23 organization, for example, were one of the
24 applicants, if they were able to pull that off
25 would that change your estimates any on the basis

1 that you made those projections? In other words,
2 if you're going to have 2,300,000 people come
3 next door to you are you going to have any of
4 those riding your boat as well as theirs?

5 LAKESIDE REPRESENTATIVE: We would be
6 more than happy to be next door to them and to
7 have us be wrong and to have two and a half
8 million people.

9 MR. HENSLEY: What do you think the
10 spillover really is?

11 LAKESIDE REPRESENTATIVE: What, sir?

12 MR. HENSLEY: What do you think the
13 spillover really is? They're not just coming
14 there to ride one boat.

15 LAKESIDE REPRESENTATIVE: No. The fact
16 of the matter is I think that's one of the
17 advantages that Gary will have in having two
18 boats, sort of a multiplayer type effect in that
19 there's more traffic. People have an alternative
20 as opposed to getting stuck on one boat.

21 We've always thought the concept of two
22 boats together including, you know, one next door
23 to us, that the fact is critical mass so we think
24 that's a real advantage for other operations in
25 the area.

1 MR. HENSLEY: Do you have an opinion
2 what percentage that might be?

3 UNIDENTIFIED SPEAKER: We think it would
4 be enhanced. We've got one of the best CEO's in
5 the business. He's as clever in figuring out how
6 to get traffic through the boats as anybody else,
7 and we'll be looking to his expertise, and also
8 Pat Kennedy is running a very successful
9 operation at this time in East St. Louis so we're
10 the lightweights when it comes to figuring out
11 how to get people to our boats.

12 On the other hand, when we create a set
13 of numbers those are numbers we take to negotiate
14 your coverage, your benchmarks off of that and
15 everything.

16 MR. HENSLEY: But it's just that you
17 would be able to attract not what you would
18 consider (Inaudible).

19 UNIDENTIFIED SPEAKER: Oh, when we did
20 this we did a lengthy analysis. People could
21 stand up here for the next several hours and tell
22 you how we arrived at these traffic numbers and
23 also the effect from Chicago, but we took into
24 consideration that so many boats would get so
25 many market shares.

1 MR. HENSLEY: I'm not trying to
2 challenge your estimates. What I'm saying is
3 that when we're looking at this we're looking at,
4 say, a two-boat venture and so something says to
5 me the level of activity that we can expect that
6 happens to be I think mainly the main draw that
7 you have in that location so if that main draw in
8 that location happens to be twice as many
9 visitors as you have projected once they get
10 there what's the logic that they're going to ride
11 your boat too?

12 UNIDENTIFIED SPEAKER: I think it ought
13 to have a tremendous positive impact on our
14 numbers.

15 MS. BOCHNOWSKI: It appears that the
16 City of Gary was not aware of the extent of the
17 development of Sportopia. Is this because you
18 just chose not to tell them about that, or is it
19 because it's a relatively new concept?

20 LAKESIDE REPRESENTATIVE: No. The
21 concept was presented at the time, but, again,
22 that was over a year ago when we made the
23 presentation, and the concept of Sportopia was
24 not nearly as developed and not as involved as it
25 is now, especially in terms of the amount of

1 dollars we'd be investing in that project.

2 So that information is, in fact, new in
3 terms of the dollars involved in the Sportopia.
4 We had a concept that that was a reasonably new
5 concept at the time so we did not discuss with
6 Gary the magnitude of the investment.

7 MR. THAR: I have a couple more
8 questions, if I may. I would ask all the
9 applicants with regard to the information on the
10 local investors to include this in your package.

11 The city has advised that they did not
12 suggest local investors should be given a stake
13 so with regard to each applicant why did you
14 structure the local investments such that local
15 investors did not actually have to put up any of
16 their own cash?

17 Secondly, under each of your setups do
18 local investors have a voice in the governing of
19 the operation as a regular shareholder would, or
20 are local investors' shares nonvoting shares?
21 You don't have to answer that. Just include that
22 in your package.

23 Secondly, with regard to the Trump
24 organization the Riverside South project was
25 described as a \$2 million project, a joint

1 venture with some Asian investors. What risks
2 are the Gary projects exposed to if the Riverside
3 South project gets off to a slow start?

4 MR. TRUMP: We have no liability on that
5 project. As a result of an unusual transaction
6 that I was very fortunate to have made we had no
7 liability on that transaction, no financial at
8 all, no financial liability at all. The money
9 will be funded, but we have no liability.

10 MR. THAR: So the answer to my question
11 would be zero risk for Gary?

12 MR. TRUMP: Zero risk for Gary, yes.

13 MR. THAR: If I may, just starting with
14 Barden/PRC if each of you could answer this
15 question, what type of commitment will you make
16 to use purveyors of goods and services first from
17 Gary and then from Lake County?

18 BARDEN/PRC REPRESENTATIVE: I think
19 we've made a very firm commitment that I think
20 exceeds the city's requirement regarding goods
21 and services and employment, utilizing minority
22 firms first in Gary and then the area.

23 MR. THAR: Before you pass the mike let
24 me say that the ten percent minority business
25 enterprise and five percent women business

1 enterprise as the statutory goal would be
2 anticipated by this Commission to be probably
3 exceeded in Gary so --

4 MR. BARDEN: Absolutely, sure,
5 especially in our case, especially with my
6 involvement. I have been a strong advocate of
7 that my entire career. We had a goal in Detroit
8 when I built the cable system of 30 percent. We
9 exceeded 55 percent. I even help people create
10 businesses to service us so we have a history of
11 that, and that's really a lot of what Don Barden
12 is about.

13 TRUMP REPRESENTATIVE: As for the Trump
14 organization's commitment obviously we have not
15 only promised, if you take a look at our record
16 in Atlantic City their statutory requirements we
17 far exceed and are in the lead as a company both
18 as to women and minority businesses, as to our
19 affirmative action plans.

20 And I sit as chairman of three
21 properties, and I can assure you that not only
22 would we comply with statutory requirements,
23 regulatory requirements, we intend to hire a pool
24 of employees and a pool of vendors and purveyors
25 in the greater Gary area, Gary and the greater

1 Gary area, as we do in Atlantic City.

2 UNIDENTIFIED SPEAKER: Yes, we fully
3 support the program for affirmative action or
4 hiring business enterprises, and our experience
5 has been extremely positive, and we would
6 certainly expect to exceed the goals that they've
7 set.

8 MR. BOB FARAH: All I can say, based on
9 our experience in Reno we use about 90 percent of
10 our supplies locally both for construction and
11 for operation, and we are fully intending of
12 doing so in here to the extent that one of these
13 three men here on the panel are going to be here
14 through the construction of the project to make
15 sure we are getting all of our supplies locally
16 and make sure it is done right.

17 MR. THAR: Mr. Ellers, we had had a
18 discussion over some numbers during the course of
19 your presentation. I believe in a follow-up
20 conversation that I had with you we may have
21 determined the numbers you were looking at during
22 the course of the discussion were not the same
23 numbers that were in your application and used in
24 our analysis. Does that seem to be an accurate
25 statement of our conversation?

1 MR. ELLERS: That's correct, Mr. Thar.

2 MR. THAR: Could you have the
3 organization submit those figures you were
4 looking at to us between the time of the
5 completion of this hearing and the next hearing
6 to our office?

7 MR. ELLERS: We will have that to you
8 certainly no later than Tuesday. I apologize to
9 the Commission. It appears that our numbers, our
10 application, was not updated. My marketing
11 people were looking at it yesterday.

12 The reason there was confusion is
13 because I'm looking at one set of numbers and Mr.
14 Thar and Mr. Hensley are asking about other
15 numbers, and those don't sound like the numbers.
16 They are the numbers you have, but they were not
17 numbers that I have, and we will correct that
18 forthwith.

19 MR. THAR: And, Mr. Brown, I believe you
20 had indicated or started to indicate that the
21 Commission may have some misinformation with
22 regard to the local investor situation as it
23 pertains to Dunes. Would you include your
24 position on that in your local investor
25 information?

1 MR. BROWN: Certainly. Thank you.

2 MR. THAR: That would conclude my
3 questions.

4 MR. KLINEMAN: Anything further? Well,
5 I did want to thank you in the routine and the
6 way you've handled it. We are now going to,
7 again, take the information we've requested, and
8 we will have a public hearing tomorrow where we
9 welcome input from Indiana.

10 After that we will await the Supreme
11 Court decision that we can go ahead then we will
12 probably get one more session, the length of
13 which I do not know. You've already presented a
14 lot of information already. How much more
15 information we'll need I'm not sure, but it will
16 all depend on where the Supreme Court rules, and
17 I, again, thank you all.

18 (At this time the proceedings were
19 adjourned.)

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STATE OF INDIANA)
) SS:
COUNTY OF MARION)

I, Maria W. Collier, Notary Public, do hereby certify that on the 31st day of January, 1995, I transcribed verbatim from audio tape the proceedings of the Indiana Gaming Commission Public Meeting.

I further certify that annexed hereto is a full, true and correct transcript of the proceedings as carefully transcribed from my original stenographic notes.

Maria W. Collier

MARIA W. COLLIER

My Commission Expires:

August 25, 1995