

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: NEMACOLIN WOODLANDS - FAYETTE, LLC

\* \* \* \* \*

PUBLIC INPUT HEARING

\* \* \* \* \*

BEFORE: GREGORY C. FAJT, Chairman  
James B. Ginty, Raymond S. Angeli,  
Kenneth T. McCabe, Jeffrey W. Coy,  
Gary A. Sojka, Kenneth I. Trujillo

HEARING: Wednesday, November 17, 2010  
10:15 a.m.

LOCATION: Pennsylvania State Museum  
300 North Street  
Harrisburg, PA 17120

WITNESSES: Ray Quaglia, Maggie Hardy Magerko,  
Christopher Plummer, James Perry, Paul Keller,  
Virginia McDowell, George Fenich, Anthony Mumphrey,  
Jeffrey Nobers, Stephanie Miller, William Paulos,  
Albert Federico, Susan Hensel, Richard O'Neil

Reporter: Cynthia Piro-Simpson

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CHAIRMAN:

Good morning, everyone. My name is Greg Fajt. I'm the Chairman of the Gaming Control Board. And just as a matter of housekeeping, I'd like to ask everybody to turn off their BlackBerries, cell phones and other personal devices. They tend to interfere with the communication system here. If everybody would please stand to join me in the Pledge of Allegiance.

PLEDGE OF ALLEGIANCE RECITED

CHAIRMAN:

This morning we will hold a Category 3 Licensing Hearing for Woodlands Fayette, LLC, which will be followed this afternoon by the licensing hearing for Penn Harris Gaming. Yesterday we held the hearings for the other two Category 3 Applicants, Mason-Dixon Resorts, L.P., and Bushkill Group, LLC.

A Category 3 License is for facilities to be located in well-established resort hotels. The authority for this license is found in Section 1305 of the Pennsylvania Racehorse Development and Gaming Act. As I have stated before, at each of the other hearings, at the conclusion of today's proceedings,

1 the Board will consider and evaluate all four  
2 Applicants, and then we'll have the task of exercising  
3 our discretionary authority and decide whether the  
4 Board believes awarding this license to one of the  
5 Applicants will best serve the Commonwealth's and the  
6 public's interest as outlined in the Act. With that,  
7 by way of background, I will now call the licensing  
8 hearing for Woodlands Fayette to order.

9           As the first order of business I'd like  
10 to announce that just prior to this hearing, the Board  
11 convened a brief Executive Session for the purpose of  
12 taking evidence related to this Applicant that is  
13 protected as confidential under the Gaming Act. The  
14 purpose of these proceedings today is to provide the  
15 Woodlands Fayette, LLC with a final hearing to  
16 introduce testimony and evidence to prove to the  
17 Board's satisfaction that they are eligible and  
18 suitable for licensure, as well as to convince the  
19 Board that the Applicant should be selected for the  
20 available license.

21           In addition, these hearings will provide  
22 the opportunity for the Applicants to answer any  
23 questions that the Board may have relating to their  
24 application. I do want to just make it very clear  
25 that in the Executive Session we had, some of the

1 information dealing with financial matters we are not  
2 deeming publicly protected, and we may have some  
3 questions on that just so the Nemaocolin folks are  
4 clear about that.

5           Also in this proceeding, we have one slot  
6 machine licensee who has both filed a Notice of Intent  
7 to Contest the Woodlands Fayette, LLC Application and  
8 has been granted intervenor status by the Board. That  
9 Licensee, Washington Trotting Association, will have  
10 15 minutes to address their concerns to the Board at  
11 the conclusion of Woodlands Fayette primary  
12 presentation. After hearing from Washington Trotting  
13 Association, Woodlands Fayette will have 15 minutes to  
14 rebut.

15           The public has previously had  
16 opportunities to be heard with respect to these  
17 Applicants during the public input hearings and  
18 through written comments and correspondence. That  
19 public comment period has now closed. All of the  
20 public testimony and comments will be taken into  
21 consideration by the Board when deliberating on each  
22 Applicant.

23           As required by the Act, the decision of  
24 the Board will not be forthcoming on these Applicants  
25 until such time as the Board has the opportunity to

1 deliberate and determine eligibility and suitability  
2 for the award of the license consistent with the  
3 public interest. And as I stated yesterday, that it  
4 is our intention to make a decision on this Category 3  
5 remaining license at our December or January meeting.  
6 I will now ask our Chief Counsel, Doug Sherman, to  
7 address and review this Applicant as made by the  
8 staff. Doug?

9 ATTORNEY SHERMAN:

10 Yes. Thank you, Chairman and Members of  
11 the Board. Each of the Category 3 Applicants have  
12 undergone a lengthy and thorough review. The parties  
13 to this proceeding today is the Applicant itself and  
14 its principals and the Office of Enforcement Counsel  
15 (OEC), representing the Bureau of Licensing, Bureau of  
16 Investigations and Enforcement (BIE) and the Financial  
17 Investigation Unit of that Bureau.

18 The application of Woodlands Fayette was  
19 filed with the Pennsylvania Gaming Control Board on  
20 January 12th, 2010. A public input hearing was then  
21 held in Fayette County, Pennsylvania on September 8th,  
22 2010, during which time Woodlands made a presentation  
23 concerning its project, including oral testimony and  
24 the submission of documentary exhibits. During the  
25 course of that hearing, speakers other than the



1 Applicant presented either their support for or  
2 opposition to the proposed project. The hearing was  
3 recorded and transcribed and available for the Board  
4 as part of the record in this proceeding.

5           In addition, the Gaming Control Board  
6 placed materials submitted by Woodlands on its website  
7 to allow greater public access to the information  
8 concerning the proposal, the projections, the studies  
9 and all materials presented to the Board. These  
10 documents included local impact reports. The  
11 dissemination of this information permitted the  
12 Board's receipt of written submission both in support  
13 of and in opposition to the project. As of the  
14 deadline for submission of written comments, the Board  
15 received 400 written comments from members of the  
16 public.

17           In addition, the Bureau of Licensing, the  
18 BIE and Financial Investigation Unit, in conjunction  
19 with the accounting firm of Urish, Popeck & Company,  
20 has undertaken a review of the application consistent  
21 with the mandates of the Gaming Act. The result of  
22 this licensing and investigative phase of the  
23 application process is the creation of a suitability  
24 report which summarizes the findings of the bureaus as  
25 to the Applicant's compliance with the Act's

1 licensing, eligibility and suitability requirements.

2           Further, in its application, Woodlands  
3 submitted a traffic study for the Board's  
4 consideration, detailing the effect on local traffic  
5 if Woodlands were to be granted a Category 3 License.  
6 The Pennsylvania Gaming Control Board retained the  
7 firm of McCormick Taylor to review the study and to  
8 issue its own report concerning the Woodlands traffic  
9 situation. Albert Federico, senior traffic engineer  
10 of McCormick Taylor, is here today and will make a  
11 presentation to the Board to that effect.

12           I'd like to now discuss stipulations and  
13 exhibits for the record. Woodlands Fayette and the  
14 Office of Chief Counsel (OCC) have entered into a  
15 stipulation regarding the admission of certain  
16 documents into the record in these proceedings.  
17 Specifically the application and related documents,  
18 the suitability report provided to the Board, the  
19 public input hearing transcript and exhibits, public  
20 written comments, the local impact report, traffic  
21 studies and correspondence related thereto, and all  
22 filings made at the Office of Hearings and Appeals  
23 (OHA) with respect to this Applicant are included in  
24 the record. Those items are identified and offered as  
25 Exhibits One through Ten, and by stipulation are

1 admitted into the record as the stipulated evidentiary  
2 record for the Board's consideration.

3 (Hearing Exhibits One through Ten  
4 marked for identification.)

5 ATTORNEY SHERMAN:

6 Of particular note relative to the  
7 stipulated evidence is a testimonial stipulation  
8 wherein the procedure employed by the Bureau of  
9 Licensing, the BIE and the Financial Investigation  
10 Unit is outlined. That stipulation has been marked as  
11 Exhibit Eight. In addition, the transcript of these  
12 proceedings and any other evidence submitted and  
13 admitted as exhibits in connection with this  
14 Applicant's licensing hearing today, including the  
15 transcript of the Executive Session held earlier,  
16 along with any post-hearing memorandums, would  
17 likewise be part of the record before the Board for  
18 its consideration in making licensing decisions.  
19 Thank you.

20 CHAIRMAN:

21 Thank you, Doug. I see that we have  
22 representatives from Woodlands Fayette at the table.  
23 Anybody who is a non-lawyer who will be testifying on  
24 behalf of Woodlands Fayette or may testify today, if  
25 you could please stand to be sworn in by the

1 stenographer.

2 -----

3 WITNESSES SWORN EN MASSE

4 -----

5 CHAIRMAN FAJT:

6 Thank you very much. Before we begin,  
7 I'd just like to ask all of the folks from Woodlands  
8 Fayette, before you begin your testimony, if you could  
9 please clearly state your name and then spell your  
10 name for our court reporter, that would be  
11 appreciated. And with that, you may begin.

12 ATTORNEY QUAGLIA:

13 Thank you. Good morning, Mr. Chairman,  
14 Members of the Board. I'm Ray Quaglia, Q-U-A-G-L-I-A,  
15 from the Ballard Spahr firm, and it is my privilege to  
16 be before you today for what is my favorite part of  
17 practicing before the Board, and that is having the  
18 opportunity to present the application of a uniquely  
19 qualified Applicant, Woodlands Fayette, LLC.

20 We would like to begin, as we always do,  
21 by thanking the Board's staff for all of their hard  
22 work and attention to this application. As always, we  
23 could not be here today without all of their efforts.  
24 As a matter of housekeeping, there have been ten  
25 exhibits admitted by stipulation. The Applicant has

1 four additional exhibits we would like to introduce.  
2 Copies have been provided to Chief Counsel and to  
3 Mickey Kane for clerical purposes. They are, and I  
4 will propose to call them, Exhibit 11, which would be  
5 a hard copy of the slide presentation that we'll be  
6 presenting today for the Board's and public's  
7 reference. Exhibit 12 would be a CD of our  
8 presentation, which includes certain video that we're  
9 showing as part of the presentation. Exhibit 13 is a  
10 copy of the brief submitted by the Board through the  
11 OCC, to the Pennsylvania Supreme Court, dated  
12 September 21st, 2009 in the Greenwood Gaming Appeal of  
13 the Valley Forge decision. And Exhibit 14 is the  
14 Board's reply brief in that same matter, submitted on  
15 October 5th, 2009. And we would respectfully move the  
16 admission of these exhibits into the record at this  
17 time.

18 CHAIRMAN:

19 So noted. We will accept those.

20 (Hearing Exhibits 11 through 14  
21 marked for identification.)

22 ATTORNEY QUAGLIA:

23 Thank you, Mr. Chairman. The Board will  
24 be hearing today from a number of witnesses on behalf  
25 of Lady Luck Nemacolin team, including representatives

1 from Nemacolin Woodlands Resort, the Applicant's  
2 parent company, Isle of Capri Casinos, the proposed  
3 manager of Lady Luck Nemacolin, TMG Consulting, who we  
4 are proffering as our expert on revenues and economic  
5 impact, and Fenich & Associates, who we are proffering  
6 as our tourism expert.

7           As a threshold matter, before we start  
8 our testimony, we respectfully submit that Woodlands  
9 Fayette clearly satisfies and exceeds the applicable  
10 statutory eligibility criteria for a Category 3  
11 Applicant, which is that we have not applied for a  
12 Category 1 or 2 Slot Machine License. We are  
13 eminently a well-established resort hotel, with more  
14 than 275 rooms under common ownership and available  
15 for rental. We have substantial year-round  
16 recreational amenities. This Applicant is wholly  
17 owned by the resort hotel owner and is significantly  
18 further than 15 linear miles from any other licensed  
19 facility.

20           Echoing the comments of Chairman Fajt to  
21 start these proceedings, the focus of our presentation  
22 today will be on the unrivaled extent to which the  
23 proposed Lady Luck Nemacolin project satisfies the  
24 explicit intent of the General Assembly in the Gaming  
25 Act, quote, to enhance the further development of the

1 tourism market throughout this Commonwealth, including  
2 but not limited to year-round recreational and tourism  
3 locations in this Commonwealth. And as the Board  
4 itself succinctly stated through its Chief Counsel in  
5 its brief to the Pennsylvania Supreme Court last year  
6 in Greenwood Gaming's appeal of the Valley Forge  
7 License, rather than seeking Applicants who desired  
8 first and foremost to run a casino, the General  
9 Assembly clearly established Category 3 Licenses for  
10 only 500 machines to create an amenity for the resorts  
11 winning licenses, thereby increasing the flow of  
12 tourism to those facilities and, in turn, into the  
13 Commonwealth, a goal of the Act.

14                   Consistent with this salutary goal, Lady  
15 Luck Nemaocolin stands apart from the other Applicants  
16 for a Category 3 License by virtue of the Nemaocolin  
17 Resort's enviable and widely-acknowledged status as a  
18 world-class resort that compares favorably with the  
19 finest properties anywhere. In fact, separate and  
20 apart from this application process and before some of  
21 our competitors even considered trying to claim the  
22 status of a well-established resort hotel, Nemaocolin  
23 was running promotional spots like the following and a  
24 few others you will see today to remind everyone what  
25 a truly unique tourist destination our Commonwealth

1 has to offer.

2 VIDEO PLAYED

3 ATTORNEY QUAGLIA:

4 Our first witness today appropriately  
5 will be Maggie Hardy Magerko, the president of  
6 Nemacolin Woodlands Resort and of 84 Lumber Company.  
7 Ms. Magerko has been the president of Nemacolin since  
8 1989, and together, with 84 Lumber, employs  
9 approximately 5,500 team members. She has been named  
10 one of the top women in American business and has  
11 earned the honor of introducing --- or reintroducing,  
12 as the case may be, the Nemacolin Resort to the Board.  
13 Ms. Magerko?

14 MS. MAGERKO:

15 Yes. It's M-A-G-E-R-K-O. Commissioners,  
16 I would like to take this opportunity to thank all of  
17 you for allowing Nemacolin to be included in the  
18 process of awarding the Category 3 Gaming License.  
19 Both my father and I have been committed to the  
20 Commonwealth of Pennsylvania for over the last 50  
21 years and will continue to be.

22 My father, Joe Hardy, founded 84 Lumber  
23 in 1956 with a small loan from his father-in-law and  
24 was able to turn one store into the largest  
25 family-owned lumber company in the United States. We



1 continue to house our headquarters here in the  
2 Commonwealth of Pennsylvania.

3           In 1987 Nemaocolin was up for sale at a  
4 bankruptcy auction. My father attended the auction  
5 with no intention to purchase the resort parcels.  
6 Later that evening he came home to tell my mom and me,  
7 we just purchased a resort. We were shocked. When we  
8 gained possession in July of 1987, we started on a  
9 mission of passion, love and vision. We had 32 rooms,  
10 a golf course already established, but we knew we had  
11 to create a vast array of amenities to attract guests  
12 to our destination, and that's when the fun and hard  
13 work began.

14           My dad has a saying and that is, the only  
15 thing Nemaocolin doesn't have is an ocean, and we're  
16 working on it. Now, it's gaining. The Category 3  
17 would allow Nemaocolin to rise ahead of our  
18 competition. Just yesterday we were awarded the  
19 distinction of the only five-star status in the  
20 Commonwealth of Pennsylvania. That's huge. That was  
21 our goal since we started. The way to achieve the  
22 status of five star is not only the quality of the  
23 resort facility itself, but more importantly our  
24 associates who serve our guests, over 1,000 of them.  
25 That makes us who we are. And we would love to add

1 more to the family.

2                   On another note you may be asking why  
3 now? Why not in 2006? Well, now we have a gaming  
4 partner with a proven track record and a willingness  
5 to invest \$50 million, and of course, the table games.  
6 If granted the license, we would view this as a  
7 privilege to make sure that the Commonwealth of  
8 Pennsylvania will be proud to house a casino in such a  
9 unique and one-of-a-kind resort. Nemaocolin is a  
10 well-established resort. With so many amenities and  
11 with 2,000 acres at our disposal, I highly doubt we'll  
12 ever stop finding new and exciting ones to add.  
13 However, a casino would be the most anticipated  
14 amenity to add to the wonderful guest experience.  
15 Thank you very much.

16                   ATTORNEY QUAGLIA:

17                   Thank you, Ms. Magerko. Our next witness  
18 will be Chris Plummer, the general manager of  
19 Nemaocolin Woodlands Resort. Oh, excuse me.

20 VIDEO PLAYED

21                   ATTORNEY QUAGLIA:

22                   Our next witness will be Chris Plummer,  
23 the general manager of Nemaocolin Woodlands Resort.  
24 Mr. Plummer has 15 years of experience in the tourism  
25 and hospitality industry, including eight years of

1 gaming experience with Caesars Entertainment. He sits  
2 on the Board of Directors of the Laurel Highlands  
3 Visitors Bureau, and is a graduate of Lebanon Valley  
4 College in Annville, Pennsylvania. And he is here to  
5 address operations at Nemaquin. Mr. Plummer.

6 MR. PLUMMER:

7 Thanks, Ray. Last name is Plummer,  
8 P-L-U-M-M-E-R. Good morning, Commissioners. And I  
9 want to take this opportunity to thank you and  
10 everyone in attendance today for this opportunity. As  
11 you're probably going to see here, I really, really  
12 like to talk about Nemaquin.

13 In the resort hospitality and tourism  
14 business, it starts and ends with your people.  
15 Because of the vision of our owners and our talented  
16 and dedicated associates, Nemaquin has been fortunate  
17 enough to be recognized by the top names in our  
18 industry, five diamonds from AAA for both Falling Rock  
19 and Lautrec. Mystic Rock is a Golf Digest top 100  
20 course. The Woodlands Spa was rated ninth best in the  
21 country by the readers of Condé Nast Traveler. And as  
22 Maggie alluded to, just yesterday Falling Rock  
23 received the most coveted award in the industry, five  
24 stars from the Forbes Travel Guide. Nemaquin is now  
25 one of only six resorts in the entire world to offer

1 both five-star lodging and dining on the same  
2 property, and our associates could not be prouder of  
3 this accomplishment.

4           A keystone to our culture is vision, the  
5 vision not only to be contemporary with other  
6 offerings in the resort industry but to actually  
7 create that path that other resorts follow. This  
8 vision has created an extensive list of amenities for  
9 our guests to enjoy that rival any destination in the  
10 world. And that list begins with our lodging options.

11           These six options start with our three  
12 distinct hotels, including Falling Rock, The Château  
13 and The Lodge. Families utilize our townhomes and  
14 private home collection for spending time together and  
15 enjoying home-cooked meals. And the Maggie Valley RV  
16 Park is one of the finest recreational vehicle parks  
17 you'll find anywhere.

18           Dining. Dining is a central part of the  
19 Nemaquin experience. We operate 15 unique dining  
20 facilities covering our 2,000 acres. From fine dining  
21 and Mobile five-star/AAA five-diamond Lautrec to a  
22 quick breakfast overlooking the scenic Laurel  
23 Highlands at The Gazebo, to evening entertainment in  
24 The Cigar Bar, our guests have plenty to choose from.

25           Corporate events are a vital component to

1 our success, and this year we will host over 40,000  
2 corporate room nights, making up 50 percent of our  
3 total revenue this year. Corporations use Nemaclin  
4 to create relationships with clients and associates,  
5 resulting in increased revenue and performance. We  
6 have over 31,000 square feet of meeting space, a  
7 dedicated team of 15 planning and event specialists,  
8 as well as unmatched team boating programs.

9           When guests come to Nemaclin, they come  
10 to Nemaclin to reconnect, reconnect with their  
11 families, reconnect with their friends and their  
12 clients. All of our recreation amenities are designed  
13 around this very philosophy. We offer the finest in  
14 traditional resort activities, like 36 holes of golf  
15 and a full-service spa and salon. Outdoor recreation  
16 is bountiful at Nemaclin, with mountain biking,  
17 hiking, climbing, downhill skiing and snowboarding.  
18 Our field club includes 30 stations of sporting clays,  
19 Orvis fly fishing and Upland bird hunting. But it is  
20 the unexpected activities that set us apart, like the  
21 longest zip line in Pennsylvania, 18 miles of off-road  
22 driving and even dog sledding.

23           Across our 2,000 acres guests get to  
24 enjoy the Hardy family art collection. A walk around  
25 the resort is quite simply a study in world-renown

1 art. This collection includes famous pieces by  
2 Botero, Calder, Lautrec and interesting collectibles  
3 like a piece of the Berlin Wall, original Beatles  
4 photographs and historical artifacts. The Auto Toy  
5 Store houses a collection of antique automobiles and  
6 our vintage plane museum showcases aviation history.

7           Our expansive retail offerings include  
8 everything from men's and women's apparel, a jeweler,  
9 a cigar shop, a fly fishing shop where you can learn  
10 to tie your own flies. We've also created  
11 relationships with companies like Nike, Jeep and Vera  
12 Bradley to enhance our retail offerings, giving our  
13 guests the shopping experience they're accustomed to  
14 in their home town.

15           So, as you can tell, the Hardy family  
16 really likes to collect stuff. So, when I received a  
17 call a few years ago to start looking for a zookeeper,  
18 veterinarian and begin construction on animal  
19 habitats, of course I was not surprised. Not much  
20 surprises me at Nemaquin, and that's one of the  
21 things that makes our resort very special. Today, our  
22 Wildlife Academy is home to nearly 100 species of  
23 exotic animals and even includes a luxurious pet spa  
24 and a full-service veterinary clinic.

25           Every amenity at our resort is spread

1 across our 2,000 acres. One of the comforting  
2 conveniences of a real resort is the ability to  
3 arrive, park your car and worry about nothing. Our  
4 extraordinary shuttle service transports our guests to  
5 most of our existing successful amenities. This is a  
6 service expected of any true resort destination.

7           So, the vision of our owners, associates  
8 and guests has created one of the finest resorts in  
9 the world. The amenities that make up our resort are  
10 impressive and extensive, and each of these amenities  
11 are operated by the most passionate and talented  
12 associates in the industry. All of this is right here  
13 in Pennsylvania, and we're very proud of that.

14           It is very, very important to understand  
15 that our competition is not local. It is regional and  
16 national in scope with like resorts in Florida, New  
17 York, California, Colorado, West Virginia and  
18 Virginia. When our sales team is competing for  
19 business, they are not up against local resorts. They  
20 are competing with the Greenbrier, the American Club,  
21 the Broadmoor, various Ritz-Carltons and Four Seasons  
22 and Pebble Beach. Currently, 60 percent of our guests  
23 come from outside of Pennsylvania, and nearly 70  
24 percent of our room nights come from outside of  
25 western Pennsylvania. Our top market is already the

1 greater Baltimore and Washington, D.C. area. And as  
2 you can see from the map, we attracted guests from 44  
3 states last year.

4           This customer base is driven to our  
5 resort by one of the most aggressive and successful  
6 sales and marketing efforts I have ever been a part  
7 of. Our sales and marketing team is made up of 16  
8 associates with over 200 years of hospitality and  
9 marketing experience. Our sales associates are  
10 assigned and held accountable for developing specific  
11 regions and markets. Our marketing team is tasked  
12 with increasing repeat business and testing new and  
13 emerging geographic markets. They accomplish this  
14 through relationship cultivation, targeted media  
15 campaigns and a lot of time and effort in our target  
16 markets.

17           We attribute a lot of our success to our  
18 sales and marketing efforts. On the heels of one of  
19 the most difficult times in the hotel and resort  
20 industry, this team's efforts have attributed to a  
21 nearly 15 percent growth in revenue the last ten  
22 months, with an occupancy rate 20 percent higher and  
23 an average daily rate of 14 percent better than our  
24 competitive set, according to Smith Travel Research.

25           Fortunately, when so much of your culture



1 is driven by vision the question always comes up, and  
2 that question is, what is next? And with Maggie and  
3 Mr. Hardy, generally that question is followed by a  
4 very loud, and how fast are you going to make that  
5 happen?

6                   Nemacolin needs this amenity to keep up  
7 with our competition, improve our amenity offerings  
8 and increase our room nights and revenues.  
9 Pennsylvania needs gaming at Nemacolin to create the  
10 only destination gaming in the states and drive new  
11 tourists into the Commonwealth. I know of no other  
12 casino in the world that offers this portfolio of  
13 amenities. As the gaming market expands in PA and the  
14 surrounding states, this critical element will be  
15 crucial to the success of gaming operations. Putting  
16 this casino at Nemacolin is 20 years ahead of the  
17 curve in the gaming industry and the model will be  
18 mimicked across the country. This is a huge  
19 opportunity for our state.

20                   And I'm also very excited to have a  
21 partner in Isle of Capri, because they're going to  
22 help me answer that Mr. --- Maggie and Mr. Hardy  
23 question, how fast are you going to make this happen?  
24 Isle's expertise in the gaming market, combined with  
25 Nemacolin's vision and amenities is going to create

1 something very, very special. The current gaming  
 2 facilities in Pennsylvania are first class. They're  
 3 as nice as you'll find anywhere in the country. There  
 4 is absolutely no need to gamble with this final  
 5 license. Nemacolin has the finest resort in the  
 6 Commonwealth and adding gaming as an amenity to our  
 7 resort is no gamble whatsoever. So, again, I thank  
 8 you for the time to sit here and talk to everybody  
 9 about Nemacolin. I hope you can see the passion that  
 10 I and hundreds of other associates have for this  
 11 property. Thank you very much.

12 VIDEO PLAYED

13 ATTORNEY QUAGLIA:

14 Our next witness --- it will be a tough  
 15 act to follow, is James Perry, the chairman and CEO of  
 16 Isle of Capri Casinos. Mr. Perry has 30 years of  
 17 experience in the gaming, hospitality and tourism  
 18 industry. He's a former Gaming Industry CEO of the  
 19 Year and has extensive experience leading major gaming  
 20 and entertainment destinations, including four  
 21 separate \$1 billion properties. And he, too, is a  
 22 native of Pennsylvania. Mr. Perry is here to address  
 23 for the Board Isle of Capri and the Lady Luck brand  
 24 that's been selected for Nemacolin. Mr. Perry.

25 MR. PERRY:

1                   Good morning, Mr. Chairman, Members of  
2 the Commission. James Perry, P, as in Paul, E-R-R-Y.  
3 I'm here to represent Isle of Capri Casinos as their  
4 chairman and chief executive officer.

5                   Isle of Capri Casinos was founded in  
6 1992. The first operations were in the Midwest,  
7 riverboat casinos, and have since that expanded across  
8 the country. We're one of the ten largest  
9 publicly-traded gaming companies in the United States,  
10 and we have a senior management team that has over 200  
11 years of experience in gaming, operating experience in  
12 20 states, six foreign countries, and more than 75  
13 different gaming properties. Our chief operating  
14 officer and myself have plenty of east coast also  
15 gaming experience, having each of us spent over 15  
16 years in the Atlantic City market.

17                   Currently, Isle of Capri Casino operates  
18 15 properties in six states. We have nearly 8,000  
19 associates or employees and over 16,000 gaming  
20 positions and 2,200 hotel rooms in our portfolio.  
21 Clearly, Isle of Capri has the financial capability to  
22 execute this project. We currently, over the past  
23 several years, have generated about \$60 million  
24 annually in free cash flow, and we currently have over  
25 \$100 million of financial capacity in our revolver,

1 clearly sufficient funds to build out the Nemaacolin  
2 project.

3           To the extent that we have other projects  
4 on the horizon, the timing of this project relative to  
5 those projects clearly gives us the cushion to be able  
6 to get this project open and operating as soon as  
7 possible after the decision by the Commission. I'd  
8 also like to say that neither Isle of Capri nor any of  
9 our senior management team have ever failed to execute  
10 on a project for which we have been selected.

11           Thirty (30) years of operating experience  
12 in the gaming business brings an operating philosophy  
13 that I share with our team. Number one is to exceed  
14 our customers' expectations. One of the proudest  
15 moments in my career was one time when, after taking  
16 over a company, after about 18 months I was asking the  
17 gentlemen in the room what they had seen changed. And  
18 the answer I got was prior to the arrival of this  
19 management team, we did everything to satisfy the  
20 corporate office. Now we do everything to satisfy the  
21 customers standing right in front of us. If there's  
22 ever a tribute that I would like to have, that would  
23 be it. They are well trained. We focus on a  
24 courteous team that meets and looks our customers in  
25 the eye, greets them and wishes them a good day. We

1 also think it's very important to create a fun  
2 atmosphere. Gaming is an entertainment experience.  
3 It needs to be fun for our customers, as well as our  
4 associates.

5           And finally, we need to position our  
6 brands. Isle of Capri Casinos currently operates two  
7 brands, the Isle brand, which is more of a regional  
8 destination with hotel rooms and convention and  
9 meeting space, and the Lady Luck brand. Because  
10 Nemacolin already has sufficient hotel space, meeting  
11 and convention space, plus a host of other amenities,  
12 we have selected the Lady Luck brand for our casino at  
13 Nemacolin. It's ideal for a friendly, fun atmosphere.  
14 It focuses on exceptional customer service through  
15 training and employee rewards. I will share with you  
16 that every employee in the company is eligible to  
17 participate in a bonus based on meeting or exceeding  
18 customer expectations.

19           We offer an assortment of the most  
20 popular slots and tables. Clearly, that's our  
21 product. We need to deliver and make sure that we  
22 have the very best for our customers. And we've also  
23 added a couple of custom amenity packages that will  
24 exist in the Lady Luck Casino. That's our Otis &  
25 Henry's Restaurant, which we will hear more about, our

1 Loan Wolf Bar, and we also believe that entertainment,  
2 live entertainment, is particularly important in the  
3 casino environment.

4           What has changed in gaming over the last  
5 several years? Throughout this, quote, recession,  
6 we've got an experienced economy. Customers are  
7 looking for an experience beyond what they may receive  
8 in their neighborhood and gaming operators have  
9 discovered the new normal for consumer expenditures.  
10 Customers are demanding more from service, seeking  
11 more value with their discretionary dollars.

12           I'd like to share with you my thoughts on  
13 why Nemacolin. Clearly, as Pennsylvania became an  
14 opportunity for Isle of Capri, we looked at the  
15 opportunities of whether we might join up with a  
16 resort existing in the State of Pennsylvania. And I  
17 would like to take you through my view, as the  
18 chairman, as how we looked at this opportunity. To  
19 me, the Class 3 License is clearly a Las Vegas model  
20 versus the traditional Atlantic City or convenient  
21 gaming model. I think that is what the intention of  
22 the legislature was. They clearly established  
23 sufficient convenience gaming throughout the state,  
24 and the resort model was created for a different ---  
25 more of a Las Vegas type model, which focuses on hotel

1 rooms and other amenities.

2           Over the past 15 years or so, Las Vegas  
3 has generated about 50 percent of their revenue ---  
4 the casinos in Las Vegas have generated about 50  
5 percent of their revenue from the casino and 50  
6 percent from other amenities, rooms, food, beverage,  
7 entertainment, shows. That's more of what the model  
8 appears to be for the Class 3 Casino License.

9           Given that, I'd like to take you through  
10 my view that, depending on your occupancy percentage  
11 of any of the four Applicants that you have before you  
12 for this selection, we're going to generate a  
13 sufficient amount of revenue from our rooms occupied.  
14 Generally speaking, I will tell you that in the Las  
15 Vegas model an occupied room will generate about \$400  
16 in casino revenue. At Nemaquin Woodlands we expect  
17 that we will generate about 100,000 room nights per  
18 year. That generates about \$40 million of casino  
19 revenue for our facility.

20           So, the question for a chairman, the  
21 question for any executive looking at the opportunity  
22 in Pennsylvania is how do you drive the additional  
23 revenue from people who are taking advantage of your  
24 amenities? Clearly this challenge has been asked of  
25 every Applicant. We've all hired our experts to help

1 us with coming up with the revenues, but the  
2 traditional gravity model, which is clearly the best  
3 model, really focuses on what the capacity of the  
4 market is. And none of these individuals, neither  
5 ours nor any of the other people have ever been asked  
6 to deal with this issue of how do you handle the \$10  
7 de minimis expenditure that has to be made in order to  
8 qualify to enter the casino floor. Well, the answer  
9 is, is that you need to have amenities. You need to  
10 have a way for customers to take advantage of an  
11 amenity for which they will spend a minimum of \$10 in  
12 order to enter the casino.

13                   Currently, Nemaocolin Woodlands generates  
14 about 110,000 of those patrons annually. At \$100 a  
15 patron, that would be another \$11 million. In order  
16 to take full advantage of the opportunity that's  
17 before us, we need to put together packages, visits  
18 and things like that, that will generate about 130  
19 percent increase in order to take full advantage of  
20 the market capacity that Dr. Mumphrey, our expert,  
21 tells us is in the market and available. And in order  
22 to do that, we need to package up, whether it's visits  
23 to the spa, whether it's golf, whether it's the Elks  
24 Club from Johnstown or whether it's a bridge club from  
25 some other part of the state to come --- or from



1 Baltimore or from Washington, to come in, have a spa  
2 treatment and also have the availability to visit the  
3 casino. You can't generate the revenues that you need  
4 to generate in order to maximize the full potential of  
5 your market if you don't have sufficient amenities in  
6 order to drive that business.

7           So, as a chairman, as a CEO looking at  
8 what the opportunities were in Pennsylvania, where do  
9 you go to find that? We were lucky enough to find  
10 Nemacolin Woodlands because it has in place all the  
11 elements that are required in order to be successful  
12 in driving the casino revenue that will maximize the  
13 opportunity for the state. I can't imagine any other  
14 --- and I looked --- being a native of Pennsylvania, I  
15 looked at other resort opportunities within the state  
16 to see if there was the possibility to do that, and I  
17 believe that Nemacolin is the best choice to take  
18 advantage of that opportunity. And to paraphrase that  
19 great American patriot, James Carville, this is all  
20 about it's the amenities, stupid. And then,  
21 gentlemen, I will tell you that, that is the  
22 opportunity that I think exists in order to maximize  
23 the revenue opportunity --- the casino revenue  
24 opportunity for the State of Pennsylvania.

25 VIDEO PLAYED

1                   ATTORNEY QUAGLIA:

2                   You may recognize our next witness from  
3 the big screen. It is Paul Keller, chief development  
4 officer of Isle of Capri Casinos. Mr. Keller has 25  
5 years of experience in project development, including  
6 extensive experience in the entertainment, resort and  
7 casino sectors. He has designed award-winning gaming  
8 and entertainment projects. Mr. Keller is here to  
9 address for the Board the design of our proposed  
10 casino amenity. Mr. Keller.

11                   MR. KELLER:

12                   Thank you, Ray. Paul Keller,  
13 K-E-L-L-E-R. Good morning, Commissioners and Members  
14 of the Commission staff. I may have the absolute  
15 easiest job here this morning because I get the  
16 distinct pleasure to describe the very special design  
17 concepts that we have brought to this spectacular  
18 resort and this very special place. But first I have  
19 a few specific housekeeping issues to go over with you  
20 under the suggested guidelines of this hearing.

21                   First, let's take a look at the closest  
22 resort entrance to the casino off U.S. Route 40.  
23 There are actually multiple resort entrances nearby,  
24 but this is the primary one that would serve the  
25 casino area. This intersection has already been

1 approved by PennDOT for a dedicated left-turn lane and  
2 a traffic signal. The physical widening of the road  
3 has already taken place. And all that is left to do  
4 here is to stripe the lanes and install the traffic  
5 signals, which again have already been approved. Our  
6 traffic engineer, Terry McMillan, is with us today in  
7 the event the Board should have any further technical  
8 questions. But suffice it to say, that the traffic  
9 plan is very adequate, and in the opinion of our  
10 engineer, actually improves the traffic along this  
11 road. Therefore, our traffic needs are met.

12                   With respect to the adequacy of the  
13 infrastructure, the Board already heard testimony in  
14 our September public input hearing, but I think it  
15 bears repeating that all necessary utility  
16 infrastructure is present and available on site.  
17 Furthermore, local police and fire departments have  
18 determined there is adequate support for this  
19 facility. Therefore, our infrastructure needs are  
20 met.

21                   Now, as you can see on this site plan, in  
22 the area immediately surrounding the casino, we will  
23 have importantly in excess of 900 close, well lit and  
24 convenient parking spots, including valet parking.  
25 Much of the paving is already in place and much of the

1 remainder has already been graded. In addition to the  
2 parking fields which adjoin the casino and which are,  
3 on their own, very adequate even for a busy night, the  
4 resort has many other opportunities for parking in the  
5 various hotels and other parking lots on the resort  
6 grounds.

7           Of course, as Chris said, all of the  
8 hotels and other lots are tied together with  
9 Nemacolin's efficient, ever present friendly 24/7  
10 shuttle service that is always available and in  
11 constant use by resort guests. Guests at Nemacolin  
12 like to park their cars and like to forget about them  
13 during the duration of their stay. The shuttle is  
14 part of the Nemacolin lifestyle while you are on  
15 property.

16           As you can see, we are working with an  
17 existing building originally constructed to be a large  
18 outdoor retail store and is now in use by the resort  
19 for bowling, games, rock climbing and other fun  
20 activities. These activities will be relocated  
21 elsewhere on the resort, and the interior will be  
22 remodeled for the specific needs of a casino. The  
23 interior work can start very quickly. We do plan to  
24 expand the building slightly, as you can see in this  
25 slide, in order to accommodate larger bathrooms and

1 the additional back-of-house space that is needed for  
2 gaming and law enforcement offices.

3           In this rendering we are pointing out the  
4 control stations we designed just inside the front  
5 doors of the casino. We have essentially created a  
6 funnel at the front door specifically designed to  
7 ensure that we have a physical barrier which can  
8 prevent non-qualifying people from entering. The  
9 barrier is designed to expand and contract with  
10 customer volume, depending on time of day and day of  
11 week. While the successful Applicant must still  
12 submit a detailed patron access plan and the Board  
13 must approve that plan, we assume a point of control  
14 would be required so that a patron's qualification to  
15 enter is verified prior to admittance. Qualification  
16 requires that a patron be either an overnight guest, a  
17 patron of an amenity or a holder of a qualified  
18 membership. But whatever documents are needed to  
19 prove qualification, whether it's a room key or a cash  
20 receipt from the pro shop or a patron card, it can be  
21 verified at these stations.

22           And now it is my pleasure to act as your  
23 tour guide through the casino itself so that you can  
24 visualize in advance the incredible building we hope  
25 to create. We begin at the primary entrance off U.S.

1 Route 40, where patrons will enter if they're not  
2 staying on property. No one will have trouble finding  
3 the entrance as we have designed this dramatic  
4 monument sign and reader board which can continuously  
5 promote the marketing tie-ins we will employ to take  
6 advantage of the unparalleled array of amenities  
7 available on this sprawling resort. Win a round at  
8 the legendary Mystic Rock Golf Course. Win a spa  
9 treatment package. Win a day at the Shooting Academy  
10 or the Off-Road Academy or the Nike Golf School. Win  
11 a ski package and so forth.

12                   Now, entering the main doors of the  
13 casino, we see the control point that I just described  
14 with the main table pit right in front of us. Our  
15 exclusive high-limit pit is in the back, in its own  
16 beautiful private room near the restaurant. And off  
17 to the right, surrounded by some of our  
18 state-of-the-art slot product, is Isle's proprietary  
19 venue which Jim discussed, the Lone Wolf Bar.

20                   The Lone Wolf is not just a casino bar,  
21 it is a multi-faceted amenity in its own right and  
22 worthy of Nemaquin. This venue is designed for  
23 burgers, live entertainment and private group events.  
24 We have a sports bar, vintage pool tables, an exterior  
25 secured patio with outdoor fire pits overlooking the

1 resort grounds. The Lone Wolf will be a perfect place  
2 where conventioneers, reunion participants and  
3 vacationers of all types can relax after a day on the  
4 Links or at the spa or at the Shooting Academy. It's  
5 a wonderful spot to gather and get ready for a night  
6 of great casino entertainment.

7           Within the casino we will also add yet  
8 another wonderful dining option to compliment the  
9 resort's other great food establishments. This is  
10 Otis & Henry's, another one of Isle's proprietary  
11 creations. We intend to create a casual à la carte  
12 dining experience, with its own internal bar, serving  
13 mid-price meals that feature locally sourced products.  
14 Combined with other food venues on the resort, there  
15 will be nearly 700 restaurant seats on property.

16           One of the great aspects of being  
17 integrated into a complete full-service resort like  
18 Nemacolin is that we can utilize other venues when we  
19 need to accommodate large groups or groups with  
20 special requirements. So, a large wedding party, a  
21 reunion, a convention, can work with group sales to  
22 include a night at the casino as part of a total  
23 resort package. Or if we want to sponsor a  
24 significant musical act at the resort, the venue can  
25 handle a 900-seat indoor theater or literally

1 thousands outdoor. I believe we might actually have  
2 more entertainment options than any of the Category 1s  
3 offer in Pennsylvania. But that's the beauty of being  
4 part of a large complex like Nemacolin.

5           Mostly, we have been focused on creating  
6 a project that integrates the casino into this resort  
7 in every sense of the word. The Hardys and Isle  
8 wanted this to fit like a glove, not to overpower, not  
9 to take away, not to diminish, but just the opposite.  
10 This is designed to add to the mix of amenities for  
11 this spectacular five-star resort and open up new  
12 markets for the Commonwealth as only a one-of-a-kind  
13 resort like Nemacolin can.

14           Now, let's spend a moment discussing our  
15 build plan and construction schedule. As you can see  
16 from the details of our plans, we have already  
17 advanced the design quite substantially. We would be  
18 ready to release our design team to complete working  
19 documents immediately, and we could be ready to  
20 commence certain construction activities as early as  
21 March. Our goal is to be open before the leaves begin  
22 to change next year in the beautiful Laurel Highlands.

23           This \$50 million construction project  
24 will create approximately 150 construction jobs. We  
25 ask the Board to note that all of the capital goes



1 towards enhancing the guest experience in the casino,  
2 as there is really nothing that needs to be done here  
3 to create a new resort or reinvigorate an existing  
4 one. And finally, I would like to mention the  
5 important fact that Isle of Capri has its own in-house  
6 design and construction department that is extremely  
7 competent and experienced. Our team, headed by  
8 Richard Meister, who is here with us today and is a  
9 35-year veteran of the casino industry, as well as  
10 myself, have collectively managed over \$5 billion of  
11 casino projects over the course of our careers. Given  
12 the opportunity, I'm confident that if we get the  
13 opportunity to build this very special, unique casino,  
14 we will not have any trouble doing it. Thank you very  
15 much.

16 VIDEO PLAYED

17 ATTORNEY QUAGLIA:

18 Our next witness today will be Virginia  
19 McDowell, the president and chief operating officer  
20 for Isle of Capri Casinos. Ms. McDowell has 30 years  
21 of gaming industry experience. She started very  
22 young. She was Gaming Industry Executive of the Year  
23 in 2009 and received a Lifetime Achievement Award in  
24 Casino Marketing this year. She sits on the Board of  
25 Directors of the American Gaming Association and is on

1 the Board of Trustees of the National Center for  
2 Responsible Gaming. She, too, is a Pennsylvania  
3 native and a proud graduate of Temple University. And  
4 Ms. McDowell is here today to address the planned  
5 operations at Lady Luck Casino, Nemacolin.

6 MS. MCDOWELL:

7 Thank you. Good morning, Chairman and  
8 Commissioners. It's Virginia McDowell. Capital M,  
9 small C, capital D, O-W-E-L-L. Two of the  
10 Commissioners share my pain on that.

11 Lady Luck Casino --- you heard earlier  
12 that --- Maggie and Chris say that it all starts with  
13 the right employees. We completely agree. That is a  
14 philosophy that we share and that we believe in. The  
15 Lady Luck Casino is projected to create 600 new jobs,  
16 full and part-time positions. About 400 of them will  
17 be in the actual gaming facility itself. And 200 of  
18 them will be incremental jobs at the resort. That  
19 will support the increased occupancy, the hotel  
20 occupancy, that we believe that the gaming amenity  
21 will drive, as well as increased utilization of all of  
22 the other amenities that we've been talking about this  
23 morning.

24 Our target for new employees is to hire  
25 80 percent from the region from the Laurel Highlands,

1 90 percent overall from the Commonwealth of  
2 Pennsylvania. And we believe that there's a number of  
3 things that we do as a company that would add further  
4 value to these jobs, to these employees that we hire.  
5 For example, our Pay for Skills Bonusing Program,  
6 where we give employees in select departments the  
7 ability to actually add incremental skills and for us  
8 to pay them for those skills so that it increases  
9 their wages going forward.

10           As it relates to training, it is our  
11 intent to explore partnerships with the local  
12 education institutions. There are several community  
13 colleges, as well as a number of other business  
14 interests that we have approached and have approached  
15 us so that we can partner on this training, since we  
16 will be doing so much of our hiring locally. There's  
17 a tremendous amount of industry-specific training that  
18 has to happen for slot attendants and dealers. We are  
19 very, very fortunate again because of the dedication  
20 of the Nemaquin staff to making sure that their  
21 employees are the best in the business that we will be  
22 able to partner with the proprietary Nemaquin  
23 Training Center so that the experience that is offered  
24 across the entire resort is of the highest caliber.

25           We do have the ability --- as Jim

1 mentioned earlier, we have nearly 8,000 employees  
2 across our 15 casinos, and we do have the ability to  
3 utilize those subject matter experts from other  
4 jurisdictions to help train, as necessary. And we're  
5 also very proud of some of our custom training  
6 programs. Jim had talked earlier about our See, Say,  
7 Smile Program, where we actually train our employees  
8 to look our customers in the eye, say hello, say  
9 goodbye, in every single transaction. We measure that  
10 across our entire company. We measure that against  
11 the properties that we compete against, the 15  
12 properties that we compete against. We have achieved  
13 a 90 percent success rate with that program, which  
14 means nine out of ten times that somebody walks into  
15 one of our properties they feel that the service and  
16 the courtesy is elevated, and we do bonus down to the  
17 line employee level. We put money in their pockets  
18 for exhibiting and performing those behaviors.

19                   We have a very, very strong commitment to  
20 diversity and to the communities where we operate, the  
21 states in which we are licensed. Our goal for  
22 workforce diversity is to exceed that of the local  
23 market. As it relates to our diversity program for  
24 employment, we promote and engage equal opportunities  
25 in all aspects of employment and training. We have

1 interesting mentoring programs for new employees so  
2 that they assimilate into our properties. And we have  
3 found that by doing that it dramatically reduces  
4 turnover.

5           Our program for construction and  
6 purchasing diversity is to identify and recruit, and  
7 just as important, qualify minority and women business  
8 enterprises as vendors and in our construction  
9 projects. Again, we do work very close in the states  
10 where we operate with the regulatory bodies to help  
11 identify and qualify qualified MWBEs.

12           As it relates to our charitable programs,  
13 we support organizations that are affiliated with  
14 minority and disadvantaged groups. We are very  
15 dedicated to improving the communities where we  
16 operate. We support hundreds of community and  
17 charitable organizations at each of our properties,  
18 thousands across the entire company, you know, big  
19 names and small. We try to work with all of the  
20 groups in our communities, the American Red Cross,  
21 Ronald McDonald House, Toys for Tots, and this year  
22 we're currently partnered with the USO at our St.  
23 Louis corporate office.

24           Over the 20 years that this company ---  
25 or nearly 20 years that this company has been in

1 existence, we estimate that our employees have donated  
2 over 150,000 hours of volunteer time. That became  
3 very evident a few years ago during Hurricane Katrina.  
4 We have a relief fund that was established for  
5 disaster relief and financial hardship. Our property,  
6 literally, in Biloxi, Mississippi was picked up and  
7 very gently deposited on top of our parking garage.  
8 We made the decision --- Isle of Capri made the  
9 decision to continue to pay those employees and to  
10 continue to volunteer to get the community up and  
11 running as a result of this horrible disaster. We  
12 were the first gaming facility to reopen in the Biloxi  
13 market after Katrina as a result of that extraordinary  
14 dedication.

15                   It has also led to the creation of the  
16 Community Aces Charitable Foundation. This is an  
17 organization where we donate time, treasure and talent  
18 to these thousands of organizations that I mentioned,  
19 not just in terms of financial support but, just as  
20 importantly, in terms of making our employees have the  
21 ability --- time away from work programs that give  
22 them the ability to volunteer with these charities.

23                   We are a leader in responsible gaming and  
24 we are active in the leadership of the American Gaming  
25 Association. We adhere to the Code of Conduct of the

1 AGA. Actually, way back when, because Jim and I have  
2 been in this business for a few years, we were  
3 actually part of the committee that actually drafted  
4 the AGA Code of Conduct. We provide annual training  
5 in responsible gaming and TIPS training for all of our  
6 team members. We promote and enforce the  
7 self-exclusion programs in each of the jurisdictions  
8 where we operate, and we will work closely with the  
9 Pennsylvania Office of Compulsive and Problem Gaming  
10 to tailor our program for Pennsylvania. And we have  
11 submitted our program formally as part of our  
12 application.

13 I think one of the things that is most  
14 exciting to me as a career marketing professional is  
15 the tremendous benefit to the Commonwealth of  
16 combining these two amazing marketing organizations.  
17 You heard Chris talk a little bit earlier about the  
18 Nemacolin marketing team and over 200 years of  
19 experience in driving visits to the property from  
20 across the nation. We do the same thing. We will be  
21 introducing our IsleOne Players' Club. We currently  
22 have over ten million names in our club, ten million  
23 participants in our IsleOne Players' Club. About one  
24 million of them are what we refer to as active  
25 customers, in other words, someone that we are

1 currently in communication with on a regular basis.  
2 And then add to that the 80,000 customers that are  
3 currently in the Nemaocolin database.

4           From the regular interactions that we  
5 have with these customers, we know that they visit  
6 other properties. There is significant cross-property  
7 visitation. And we recently undertook a very  
8 interesting survey and asked our customers about their  
9 traveling habits. Are you willing to travel for a  
10 quality experience? Eighty-five (85) percent of the  
11 customers that we surveyed told us --- 85 percent of  
12 the --- you know, the million total in the database  
13 that responded told us that they travel to Las Vegas  
14 once a year, 85 percent. It tells us that if you have  
15 the right resort, the right amenity, the right  
16 destination, that we have the ability to take these  
17 customers that are primarily across the Midwest and to  
18 incent their travel to a particular destination.

19           We do have very sophisticated marketing  
20 and data warehouse programs. Our data warehouse  
21 platform gives us the ability to go into those one  
22 million names and to find out, quite frankly, what  
23 makes them tick, you know, do you like golf, do you  
24 like gourmet dining, do you like Italian versus French  
25 versus Chinese, and then we can tailor our marketing



1 communications with them. And there are a lot of  
2 them. We currently send to our 15 --- the customers  
3 at our 15 properties about three million pieces of  
4 direct mail a month, 36 million pieces of direct mail  
5 a year.

6 Both Nemaquin and Isle have very, very  
7 strong social media platforms. Never thought that I  
8 would actually be testifying before a commission and  
9 talking about tweets and YouTube and Facebook, but  
10 that's part of our life these days, and you really  
11 have to understand that in terms of being able to  
12 communicate with our customers. In addition to that,  
13 just in terms of back-of-the-house posters and tent  
14 cards and table cards and all the inserts in that  
15 mail, we do about another 7,000 marketing  
16 communications on a monthly basis on top of that. So,  
17 you know, very, very dynamic marketing team, and we  
18 are very, very used to interacting with our customers.  
19 We know who they are, we know what they are, and we  
20 know how to drive their business.

21 One of the great examples of that in  
22 terms of our cross-marketing opportunity is a new  
23 program that we introduced this year called our  
24 Jester's Jam Concert Series. We took headline acts,  
25 packaged them up, tweeted the information to all of

1 our customers, posted the videos on Facebook, had all  
2 kinds of fun with this, in addition to our traditional  
3 direct marketing programs. We had about 20 acts that  
4 performed almost 50 shows across our properties. We  
5 had 25,000 customers that enjoyed this and had a great  
6 time and, you know, posted their reviews on Facebook  
7 and had a --- you know, just had an absolute blast.

8           When I look at the potential of the  
9 Nemaquin Resort, when I look at what we can do in  
10 terms of bringing these two organizations together, I  
11 can envision that the grand finale of the Jester's Jam  
12 Concert Series next year, before those leaves in the  
13 Laurel Highlands begin to turn colors, that the finale  
14 of that Jester's Jam Concert Series would be here in  
15 the Commonwealth. But what would be fantastic is not  
16 only would I be able to invite our customers to a  
17 proprietary entertainment offering that we have and  
18 have established very successfully, but I would be  
19 able to invite them to an award-winning facility where  
20 they could stay in an award-winning hotel, where they  
21 could eat in an award-winning restaurant, where they  
22 could relax in an award-winning spa, and where they  
23 could play a round of golf on an award-winning course.  
24 And that, in our business, is not only spectacular but  
25 it is unique at this point. And I hope we have the

1 opportunity to show you what these two great  
2 organizations can do together. So, thank you very  
3 much.

4 VIDEO PLAYED

5 ATTORNEY QUAGLIA:

6 Our next witness today will be Dr. George  
7 Fenich, the president of Fenich & Associates. Dr.  
8 Fenich. Dr. Fenich has over 35 years of experience in  
9 the tourism and hospitality industry. He has a Ph.D.  
10 in policy and planning from Rutgers University and has  
11 played a prior management role at Shawnee Resort in  
12 the Poconos. He is currently a professor of  
13 hospitality management at East Carolina University.  
14 He has co-authored a number of books, articles and  
15 presentations on gaming and tourism and has special  
16 expertise in destination and attractiveness analysis.  
17 Dr. Fenich, if you could please describe for the Board  
18 the business of Fenich & Associates.

19 DR. FENICH:

20 I'll start by introducing myself. It's  
21 Dr. George G. Fenich, F-E-N-I-C-H. I thank the Board  
22 for the opportunity to be here this morning and share  
23 some insights on tourism and the applications.

24 In terms of the firm Fenich & Associates,  
25 our clients include over 50 convention and visitors

1 bureaus, tourism agencies, development agencies,  
2 gaming companies and even academic institutions such  
3 as Temple. We function currently as a research  
4 advisor for the Pittsburgh and its Countryside  
5 Convention and Visitors Bureau. In that role we help  
6 lead their tourism research, guide their staff and  
7 currently are applying destination attractiveness  
8 methods to their visitor intercepts. Our associates  
9 have significant expertise in gaming operations,  
10 having authored over ten texts, 100 papers and made  
11 100 presentations on casino gaming management,  
12 operations and tourism.

13 ATTORNEY QUAGLIA:

14 Excuse me. What was the scope of your  
15 engagement for Lady Luck Nemacolin?

16 DR. FENICH:

17 Our primary scope of engagement was to  
18 analyze tourism in Pennsylvania. But most  
19 specifically not just in Pennsylvania, in the  
20 Commonwealth, but also on a regional basis and a  
21 national basis. We also assessed all of the four  
22 Applicants in terms of the context of the legislative  
23 intent.

24 ATTORNEY QUAGLIA:

25 And briefly, what were your conclusions?

1                   DR. FENICH:

2                   On a high level, the 30,000 foot level,  
3 if you will, we found that Nemaocolin is best  
4 positioned to increase tourism at a well-established  
5 resort in the Commonwealth. Pennsylvania has a unique  
6 opportunity to create a nationally-renowned resort  
7 destination with gaming. Only Nemaocolin proposes a  
8 resort with gaming model, we heard that a little bit  
9 earlier in the testimony, as compared to convenience  
10 gaming model. And thirdly --- or fourthly, lastly,  
11 Nemaocolin is the only Applicant who competes currently  
12 with top American resorts for tourism business. And  
13 obviously, the granting of the license would only  
14 enhance their competitive position.

15                   ATTORNEY QUAGLIA:

16                   Thank you. Your reports are part of the  
17 record, but if you could, just for the Board, briefly  
18 describe the methodology you used.

19                   DR. FENICH:

20                   There are a number of elements to the  
21 approach or methods. One is obviously reliance on the  
22 firm's existing expertise in tourism and gaming,  
23 especially our work in destination attractiveness  
24 analysis and the models that we have developed. We  
25 also have a reliance on established independent and

1 unbiased sources of data, such as previously written  
2 research reports and data from government agencies.  
3 We and our team made a point of visiting not only all  
4 four of the Applicants but also visited existing  
5 operations at Rivers, Meadows and Mount Airy.

6 ATTORNEY QUAGLIA:

7 And what, in particular, if anything,  
8 were you looking at in conducting your study?

9 DR. FENICH:

10 From a very broad basis, we were looking  
11 at tourist expectations in the current century.  
12 Tourists are looking for fresh and modern facilities.  
13 The tourists of today have higher levels of  
14 expectation than those of yesteryear. They are more  
15 sophisticated in their consumption habits. And in  
16 order to stay competitive, a resort must be  
17 innovative. With that comes a commensurately high  
18 level of service. And I think you've sensed that with  
19 the current application from Nemaocolin.

20 A resort must be innovative, must be  
21 expansive, and it needs to continue to evolve its  
22 range of amenities to keep attracting today's  
23 tourists. The food and beverage, the lodging, the  
24 sports, the entertainment, the activities, all must be  
25 on site. The amenity package must be created for a

1 get-away experience, not just to meet the needs of an  
2 overnight traveler. Casino gaming is an increasingly  
3 important component of full-service resorts in the  
4 U.S. and elsewhere. For example, in California, the  
5 Native-American resort, Sycuan, started as a card  
6 room, very simple. Has now expanded into a  
7 destination resort with golf amenities and all the  
8 attractions.

9                   We also looked at resort attributes, you  
10 know, what do resorts need to have. And our finding  
11 in this case and all is that they must contain  
12 substantial guest attractions within the resort  
13 itself. Customers, as per the legislation, prefer a  
14 well-established resort, something that they know and  
15 can trust. Customers to these kinds of destinations  
16 expect to travel some distances to access the  
17 property. These kinds of facilities typically cover a  
18 large land area. That land area is necessary for the  
19 critical mass of attractions in destination resorts.  
20 Most often they are found in relatively remote or  
21 rural locations. I think we're all aware that there  
22 are very good, full-service hotels, with rooms, food  
23 and beverage, swimming pools, spas and entertainment  
24 in places like New York City and San Francisco. They  
25 are not resorts. Post modern tourists want to travel

1 to resorts where there is more to do.

2           We also looked at gaming industry trends,  
3 what's happening in this aspect of the hospitality and  
4 tourism industry. The casino gaming business is  
5 trending towards expanding of non-gaming amenities.  
6 We've heard that in prior testimony already today.  
7 The newest resort operations now derive 50 percent or  
8 more of their revenue from non-gaming sources.

9           Another industry trend is that facilities  
10 seek to broaden their customer appeal and expand their  
11 business model due to a couple of things, one, the  
12 ever expanding competition in the local casino market  
13 due to changing state laws and regulations not only in  
14 the Commonwealth but jurisdictions around the country.  
15 We also are finding that tourists are a part of and we  
16 all are a part of the current experience economy. We  
17 all want the total experience in our goods and  
18 products. The evolving guest expectations are for  
19 quality and innovative product offerings.

20           There's also an emphasis in the gaming  
21 industry on entertainment, food, spas and recreational  
22 amenities to be a part of or added to existing  
23 facilities. The total resort experience is created  
24 by, obviously, the variety and quality, I underscore  
25 quality, of these attractions. It includes, again,



1 much more than just what's necessary for an overnight  
2 stay. We found that in the gaming industry, golf has  
3 become a critical element for inducing increased  
4 visitation and economic success. In fact, of the 700  
5 casinos in the United States, less than 50 of them  
6 even have a golf course. Nemaocolin would become one  
7 of ten with more than one golf course and would be  
8 only one of four east of the Mississippi with two or  
9 more golf courses.

10                   Lastly, full-service spas are also an  
11 integral part of what the consumer demands. And my  
12 anecdote here is when my wife and I talk about going  
13 to a resort, the first question I hear is, is there a  
14 spa, and how much is there. And I think some of the  
15 Board Members could relate to that.

16                   ATTORNEY QUAGLIA:

17                   Thank you, Dr. Fenich. And based on your  
18 experience and your study, what conclusions can be  
19 drawn with respect to casino business models  
20 generally?

21                   DR. FENICH:

22                   We've heard some of this earlier in  
23 testimony. There are basically two models, not just  
24 here in the Commonwealth but throughout the United  
25 States and the world, for that matter. The one model

1 is the convenience casino model, very much like your  
2 Category 1 and Category 2 operations here in the  
3 Commonwealth. In that model, that business model,  
4 customers are motivated to come to the facility  
5 because of what is offered on the casino floor itself.  
6 They're coming to game. The vast majority of revenue  
7 then in the operation is derived from the casino  
8 floor. The majority of patron time is spent in the  
9 casino itself. And for the convenience casino model,  
10 this model I'm describing, customers generally travel  
11 60 minutes or less to participate in that strictly  
12 gaming-oriented experience.

13           The other model is the resort with casino  
14 model. This is more analogous to what you're looking  
15 at in your Category 3. Customers are motivated by the  
16 array of amenities that are available at the facility  
17 or on property. The revenue stream is split between  
18 the casino and all of the other amenities. The  
19 majority of time of a guest is, in fact, spent on non-  
20 casino activities, not just on the casino floor. And  
21 as we heard, and we will hear more later from Dr.  
22 Mumphrey with the gravity model, customers are willing  
23 to travel substantially greater distances to come to a  
24 resort with a casino-modeled business and the  
25 convenience casino model.

1                   ATTORNEY QUAGLIA:

2                   And what were your findings, if any,  
3 specifically with respect to the Lady Luck Nemaocolin  
4 project?

5                   DR. FENICH:

6                   With Nemaocolin, and I will repeat, my  
7 team visited all four of the Applicants, so we've been  
8 there, we've done that with all of them, that in terms  
9 of tourist expectations, Nemaocolin is and will  
10 continue to exceed expectations. Nemaocolin is the  
11 only Applicant property that's able to provide a true  
12 large resort tourism experience that customers of  
13 today are increasingly coming to demand. There's a  
14 large array of year-round amenities. Substantial  
15 revenue is derived from non-gaming activities and  
16 sources. Because of all of this, there is and will  
17 continue to be an increase in room nights and tourism  
18 visitation once or if the casino license is granted.  
19 And also, we notice that in terms of expectations, the  
20 size and inclusiveness of the experience is greater at  
21 Nemaocolin than anywhere else.

22                   We also looked at Nemaocolin customers or  
23 guests. And I point out they're drawn from a broader  
24 geographic area than convenience casinos and are  
25 currently drawn from a very broad geographic area

1 outside the Commonwealth, including D.C., Maryland and  
2 Ohio.

3                   Nemacolin also has a different  
4 demographic than typical casino gamers, namely higher  
5 income. And I refer you to the study done by Harrah's  
6 Entertainment, a benchmark study that found that the  
7 typical U.S. gambler has a family income of about  
8 \$70,000 a year. Nemacolin is the only Applicant with  
9 an existing customer base with family incomes that are  
10 higher than that. This is likely to generate more  
11 revenues per guest, obviously likely to generate  
12 higher win and will lead to longer stays because the  
13 guests have more disposable income.

14                   ATTORNEY QUAGLIA:

15                   And finally, Dr. Fenich, having, as you  
16 said, visited all four sites, what is your opinion, if  
17 any, with respect to how the other Applicants compare  
18 to the Lady Luck Nemacolin project?

19                   DR. FENICH:

20                   I'd like to focus on how Nemacolin  
21 compares. Nemacolin, as I think you've seen in  
22 testimony, has a much broader and wider range of  
23 amenities, much more capable at attracting the resort  
24 tourist. Its size and scope is much, much larger and  
25 greater than any of the other Applicants. It's

1 quality is attested to by the fact it's a  
2 well-established resort. It's award winning. It has  
3 received numerous accolades and continues to receive  
4 accolades, as Maggie testified earlier. Further, in  
5 terms of comparative analysis, there's less market  
6 saturation in the Laurel Highlands area in Nemacolin  
7 than other regions, both in terms of tourism and the  
8 gaming experience. Nemacolin is a true resort with  
9 casino proposal, as compared to a convenience casino  
10 proposal.

11           In summary, I'd like to suggest that with  
12 Nemacolin there is a unique proposal before you.  
13 Granting a license to Nemacolin would best fulfill the  
14 intent of increasing tourism. Existing Category 3  
15 Licenses are --- have been awarded in eastern  
16 Pennsylvania. By considering awarding this license to  
17 Nemacolin, it would geographically balance your three  
18 casino licenses. Nemacolin is the only Applicant that  
19 is consistently ranked amongst the top 50 U.S.  
20 resorts. It is top ranked in Pennsylvania, not only  
21 as a resort and its restaurants, but top ranked as a  
22 spa, top ranked golf course. It does not rely on  
23 gaming as the primary economic generator and nor will  
24 it, when and if the license is granted. And in  
25 conclusion, I'd like to share with you my views that

1 by granting a license to Nemaocolin, the Board has the  
2 opportunity to create one of the most unique resorts  
3 with casino gaming not only in the Commonwealth but in  
4 the U.S. and in the world. Nemaocolin is the only  
5 Applicant that can draw national and international  
6 visitors, and it would be a source of pride for the  
7 Commonwealth and its citizens. Thank you very much.

8 ATTORNEY QUAGLIA:

9 Thank you, Dr. Fenich.

10 VIDEO PLAYED

11 ATTORNEY QUAGLIA:

12 Our next witness this morning and the  
13 seventh of the eight witnesses that we will be  
14 presenting is Anthony Mumphrey, Ph.D., the president  
15 of TMG Consulting. Dr. Mumphrey is a retired  
16 professor of urban and regional planning at the  
17 University of New Orleans and a former executive  
18 assistant for planning and development in New Orleans.  
19 He is a Naval Reserve veteran. He has his Ph.D. in  
20 regional science from the University of Pennsylvania  
21 and has previously provided expert testimony to this  
22 Board in 2006. Good morning, Dr. Mumphrey. If you  
23 could please describe for the Board the business of  
24 TMG Consulting.

25 DR. MUMPHREY:

1                   Thank you, Ray. Good morning,  
2 Commissioners. My name is Anthony Mumphrey,  
3 M-U-M-P-H-R-E-Y. Our firm practices general urban  
4 planning consulting, including financial consulting,  
5 feasibility studies, economic impact assessments,  
6 benefit cost analyses, market assessments and project  
7 management.

8                   Since I'm going to be talking about a  
9 market assessment, let me define what a gaming market  
10 assessment is. Fundamentally it is a projection of  
11 the amount of revenue that a casino will generate on  
12 an annual basis. As for TMG Consulting's experience,  
13 we have been in business since 1984 and over the last  
14 decade we have performed gaming market assessments for  
15 projects in New Mexico, Pennsylvania, Mississippi,  
16 Wisconsin, Delaware, Massachusetts, Florida,  
17 Wisconsin, Arizona, California, Central America and  
18 extending as far as Singapore. I would respectfully  
19 add that in testimony before this Board on the  
20 Philadelphia License, our firms projections of win per  
21 position very nearly encompassed the actual win at the  
22 Philadelphia region casinos, which have been open long  
23 enough to have stabilized.

24                   Additionally, the State of Delaware in  
25 2009 selected our firm to analyze the impact of

1 increasing the supply of gaming, including video  
2 lottery terminals and introducing table gaming at  
3 horseracing tracks in other locations. Although table  
4 gaming at certain sites have been open for a  
5 relatively short time and revenues might not have yet  
6 stabilized, the range of our revenue projections of  
7 the impact of table games on gaming revenue are close  
8 to the actual impact.

9 ATTORNEY QUAGLIA:

10 And what was the nature and scope of  
11 TMG's engagement for Lady Luck Nemaquin?

12 DR. MUMPHREY:

13 We were retained in connection with the  
14 site selection process for a proposed resort casino.  
15 We were asked to prepare projections of gaming  
16 revenues on an annual basis for the Lady Luck  
17 Nemaquin Casino. In addition, we completed a  
18 socioeconomic impact assessment of the casino,  
19 including the projection of jobs, spending, income and  
20 Commonwealth and local taxes. We conducted an  
21 analysis of the projected revenues generated by the  
22 Lady Luck Nemaquin Casino, as compared to the other  
23 Applicants, as well as the projection of lost revenues  
24 to other existing Pennsylvania casinos. The lost  
25 revenue would be caused by the operation of the Lady



1 Luck Nemacolin Casino or the other Applicants. We  
2 call this effect cannibalization.

3                   Finally, we prepared a projection of  
4 impacts of the casino on existing Pennsylvania casinos  
5 in the tri-state and western Maryland mini-market  
6 area. In accomplishing this work we did field work,  
7 gathered data and information, built several  
8 analytical models and prepared the reports now under  
9 discussion.

10                   ATTORNEY QUAGLIA:

11                   Thank you, Dr. Mumphrey. And your  
12 reports are in the record in this application. But  
13 for the Board's benefit, what was the bottom line of  
14 TMG's study?

15                   DR. MUMPHREY:

16                   Lady Luck Nemacolin Casino, with  
17 projected revenues of \$66.8 million, will generate  
18 more revenue than the other Applicants, at least \$4.6  
19 million in 2013, more than the other Applicants. Lady  
20 Luck Casino will cannibalize or draw less gaming  
21 revenue from existing Pennsylvania casinos, at least  
22 \$5.5 million less than the other locations. On the  
23 slide now on the screen the red areas represent  
24 revenue cannibalized from other Pennsylvania casinos.  
25 That runs from \$1.8 million for Nemacolin to \$17.5

1 million for Mechanicsburg. As a result, our casino  
2 will generate more new gaming revenue, \$13.3 million  
3 more, than the other locations. And Lady Luck Casino  
4 will generate more Commonwealth and local taxes than  
5 the other Applicants, at least \$6.4 million more than  
6 the other Applicants.

7 ATTORNEY QUAGLIA:

8 And this is new gaming tax revenue?

9 DR. MUMPHREY:

10 Yes, sir.

11 ATTORNEY QUAGLIA:

12 Thank you.

13 DR. MUMPHREY:

14 Generally, my conclusion is that Lady  
15 Luck Casino at Nemaquin as a true resort casino, will  
16 be a superior location and generate and maintain more  
17 visitors, permanent jobs, income and taxes for the  
18 Commonwealth than the other Applicants.

19 ATTORNEY QUAGLIA:

20 Thank you. And what methodology did TMG  
21 use in conducting its study?

22 DR. MUMPHREY:

23 Keeping in mind the purpose of a resort  
24 casino, which is to attract gamblers because of its  
25 high amenities, we used a dual market methodology.

1 This means we estimated casino revenues and their  
2 impacts by breaking up visitors into two categories,  
3 the regional gaming market and the resort tourism  
4 market. To project the regional gaming market, we  
5 performed what was essentially a market study using a  
6 standard transportation and marketing model. This  
7 model is referred to as a gravity model, which is a  
8 social analogy to Newton's Law, and by the way, the  
9 gold standard of market analysis.

10 In the model, the analogous bodies are  
11 the casinos and the gaming age populations in the  
12 Nemaquin gaming submarkets. The attractiveness  
13 between the casinos and the gaming age populations are  
14 measured in terms of casino visits or admissions.  
15 Simplistically speaking, the larger the gaming age  
16 populations and casinos, the greater the number of  
17 admissions, while larger distances between submarkets  
18 and casinos reduce admissions. Data input through the  
19 model include, among other factors, gaming age  
20 population, casino and submarket locations,  
21 projections of gaming propensity, frequency, win per  
22 visit and casino attractiveness.

23 In this slide, the Nemaquin regional  
24 gaming market has been defined as a 200-mile radius  
25 from the facility. It currently contains about 21.3

1 million residents, 15.8 million of whom are 21 years  
2 or older. The market has been divided into 25  
3 discreet submarkets based on certain shared  
4 characteristics, including geography, drive times,  
5 casino access and socioeconomic profile. Projected  
6 casino visits times win per visit yields projected  
7 casino revenue.

8                   Additionally, for the resort tourism  
9 market, we included visits, revenue and their impacts  
10 from guests staying at the Nemaocolin Resort, as well  
11 as drive-by traffic, local tourists to the Nemaocolin  
12 area and players and revenue from players attracted by  
13 the IsleOne Players' Club Rewards Program discussed by  
14 Virginia McDowell in her presentation.

15                   ATTORNEY QUAGLIA:

16                   And applying this methodology, Dr.  
17 Mumphrey, if you could explain to the Board why does  
18 Lady Luck Casino generate more revenue?

19                   DR. MUMPHREY:

20                   By virtue of Lady Luck Casino, a  
21 Nemaocolin location, being a true resort, the amenities  
22 associated with Nemaocolin will attract more visitors  
23 than will the other Applicants. A 200-mile radius  
24 allows regional gamblers to visit the Nemaocolin  
25 resort, gamble and return home relatively quickly,

1 which phenomenon is well known in the gaming industry.  
2 Although some of the gamblers will be closer to other  
3 casinos and a fair share of them will go to these  
4 casinos, there will be others who decide to make the  
5 trip to Nemaquin, and it would be wrong to discount  
6 the impact of these gamblers on the Lady Luck Casino  
7 in Pennsylvania. Of course, the casino will draw  
8 substantially from folks closer to it. When you  
9 include resort and tourism guests, about 41 percent of  
10 visits come from within 60 miles of the casino. For  
11 instance, we are all familiar with driving by one fine  
12 restaurant or retail store to go to one that we like  
13 better or have a new and different experience.

14                   Additionally, our gravity mile analysis  
15 did, in fact, take into account the attraction of  
16 other existing and planned casinos to gamblers,  
17 including the planned casinos in Ohio and Maryland and  
18 their impact on our casino revenues, taxes and so on.

19                   ATTORNEY QUAGLIA:

20                   And as compared to the other pending  
21 applications, how would Lady Luck Nemaquin affect the  
22 revenue of existing Pennsylvania casinos?

23                   DR. MUMPHREY:

24                   By projecting existing casino revenues  
25 before and after Lady Luck Casino and the other

1 Applicants open, we were able to conclude that  
2 Nemacolin had a very small impact on the existing  
3 casinos, less than .13 percent across the Commonwealth  
4 as a whole and about one-half of a percent on the  
5 southwestern Pennsylvania casinos.

6 ATTORNEY QUAGLIA:

7 And given your analysis, in your opinion,  
8 which Applicant attracts the greatest proportion of  
9 its revenue from the resort market?

10 DR. MUMPHREY:

11 Lady Luck Casino is projected to derive  
12 almost 33 percent of its revenue from the resort and  
13 tourism market while, by their own projections,  
14 Mechanicsburg, Fernwood and Gettysburg would derive  
15 about 4 percent, 30 percent and 14 percent  
16 respectively from the resort market. Moreover, 78  
17 percent of Lady Luck's gaming customers would come  
18 from the resort tourism market, different from the  
19 other Applicants.

20 ATTORNEY QUAGLIA:

21 And Dr. Mumphrey, turning from revenues,  
22 per se, to total economic impact, what was your  
23 projection of the economic impact associated with the  
24 Lady Luck Nemacolin project?

25 DR. MUMPHREY:

1           Let me first say that in making these  
2 projections we used the U.S. Department of Commerce's  
3 regional input/output modeling system, sometimes  
4 called RIMS, for the Commonwealth of Pennsylvania.  
5 And again, it is the standard system for making such  
6 projections. We found that over 2,000 permanent,  
7 full-time equivalent jobs would be created or  
8 maintained in Pennsylvania. The numbers shown on the  
9 current slide are different from Ms. McDowell's jobs  
10 numbers because the RIMS model is useful only in  
11 projecting full-time equivalent jobs. Also, the  
12 spending in the economy would amount to \$175 million.  
13 \$41 million in Commonwealth and local taxes would  
14 accrue from the casino and resort. And almost \$84  
15 million in household income would be generated for  
16 people in Pennsylvania by the operation of a resort  
17 and casino at Nemaquin, a substantial impact, to say  
18 the least, and the reason for the casino in the first  
19 place.

20                           ATTORNEY QUAGLIA:

21           Thank you. And turning now back to  
22 revenue. In your opinion, why is there variance  
23 between TMG's revenue projections and the projections  
24 that the Board is hearing from the other Applicants?

25                           DR. MUMPHREY:

1 I believe that the methods used by the  
2 other experts don't take into account the true resort  
3 nature of Nemacolin. One of these resorts limits us  
4 to a 60-minute drive time area. A resort casino draws  
5 from a much larger area than that. Earlier, Dr.  
6 Fenich testified to the same phenomenon for  
7 nationally-recognized resorts such as Nemacolin. It  
8 seems as though some of our competitors are treating  
9 us and themselves like a convenience casino, which is  
10 obviously not correct, given Nemacolin's amenities.  
11 We looked at a 200-mile area because of our experience  
12 in the gaming industry and our knowledge of player  
13 databases from across the country.

14 We've also been compared to the  
15 Greenbrier in West Virginia. The difference here is  
16 that only registered guests at the Greenbrier are  
17 allowed to play in their casino, seriously limiting  
18 its gaming revenue potential. This would not be the  
19 case for Nemacolin. Other resorts allocate a very low  
20 win-per-visit to Nemacolin and don't take into account  
21 the demographics and spending levels of visitors to  
22 Nemacolin. Nemacolin is and its casino will be an up  
23 market product and its players are expected to have  
24 higher income levels than those of other Applicants.  
25 Lady Luck Nemacolin Casino does have a very wide



1 amenity package not matched by the other Applicants  
2 that would serve to attract regional gamblers from at  
3 least the 200-mile region.

4 ATTORNEY QUAGLIA:

5 Thank you, Dr. Mumphrey. And in closing,  
6 how would you assess Lady Luck Nemaocolin with respect  
7 to the competing Applicants?

8 DR. MUMPHREY:

9 Generally, my conclusions are that Lady  
10 Luck Casino at Nemaocolin as a true resort casino, will  
11 be a superior location and generate more visitors,  
12 permanent jobs and taxes for the Commonwealth than the  
13 other Applicants. Thank you very much, gentlemen.

14 ATTORNEY QUAGLIA:

15 Thank you, Dr. Mumphrey. And our final  
16 witness this morning is Jeff Nobers, the vice  
17 president of Nemaocolin Woodlands Resort. Mr. Nobers  
18 joined Nemaocolin, as well as 84 Lumber, in the year  
19 2004 and had a former career as a reporter. Mr.  
20 Nobers is here today to summarize the overwhelming  
21 community and legislative support for this project.

22 MR. NOBERS:

23 Commissioners, good morning. Spelling of  
24 the last name is N-O-B-E-R-S. What I'd like to take  
25 you through briefly is the community support that has

1 always been offered not only in Fayette County but on  
2 a national basis by the Hardy family and the resort.  
3 It's our viewpoint that being a well-established  
4 resort or a well-established business of any type  
5 requires more than being located in a community for  
6 some certain period of time. Certainly over the 23  
7 years since Nemaocolin Woodlands Resort has been in  
8 operation by the Hardy family, millions of dollars  
9 have been donated to causes both in Fayette County and  
10 throughout southwestern Pennsylvania, most recently, a  
11 million-dollar contribution to the 2010 Uniontown  
12 Hospital Capital Campaign. This is a contribution  
13 that certainly not only helps the residents of Fayette  
14 County but any visitors to Fayette County that are  
15 there whether on pleasure or business.

16           Over a million dollars in general  
17 donations since 2004 in cash and in-kind donations  
18 have been made by the resort. And mind you, this at a  
19 time when were in one of the worst economies that  
20 we've seen in this country, if not ever, at least in  
21 the past several decades. Over the past five years, a  
22 quarter million dollars, \$50,000 a year to Fayette  
23 EMS. The EMS service, up on the mountain as the folks  
24 say there, relies on service fees and contributions to  
25 operate. And I think we are safe to say without these

1 contributions from the resort and the Hardy family, if  
2 they were in operation, it certainly would not be at  
3 the level they're able to operate today.

4           The East End Community Center in  
5 Uniontown, the Hardy family and the resort donated  
6 \$750,000 so that could be completed. This is a  
7 facility that's in a low-income area. It offers  
8 after-school programs for kids, with the intent to get  
9 them better educations, to keep them off the streets,  
10 to keep them out of trouble. So, again, throughout  
11 the years, this type of involvement in the greater  
12 community in Fayette County.

13           I should also note that Virginia  
14 mentioned earlier after Hurricane Katrina, Isle of  
15 Capri's commitment to the Gulf Coast area of the  
16 United States. During the time of Katrina and Rita,  
17 Maggie personally donated in excess of \$2.5 million to  
18 Habitat for Humanity. And we were able to work with  
19 them and construct 50 homes in Biloxi, Gulf Port and  
20 New Orleans, including ten in the Musicians' Village  
21 Project, which you may have seen get a lot of national  
22 attention. So, that concern and involvement ranges  
23 far beyond Fayette County on the part of the Hardy  
24 family and the resort.

25           In terms of our local support, we have

1 overwhelming local support for this project. We have  
2 gathered over 1,100 signatures of support. County  
3 Commissioner Zabitosky and Vicities have come out in  
4 favor of the project, as have the Wharton Township  
5 Supervisors and other local elected officials. We  
6 also have the support of prominent local  
7 organizations, such as the Visitors Bureau, the  
8 Chamber of Commerce and the Fay-Penn Economic  
9 Development Council.

10           We also enjoy the support of a majority  
11 of the Senators and House of Representatives of the  
12 Southwest Caucus. I'm certainly not going to read  
13 through all of those names. I think you know who  
14 those people are. And we also enjoy media support.  
15 The Herald-Standard is the primary source of media in  
16 Fayette County. And they have been out in support of  
17 this casino from the time the decision was made that  
18 we were going to seek to reapply for this Category 3  
19 License. I think that's important because in a county  
20 like Fayette County the newspaper, more than anybody,  
21 has the pulse of the community and they understand  
22 what's going on in the community. And by some of the  
23 called out comments that you can see there, they see  
24 and understand the positive impact that this casino  
25 would have not just in terms of jobs but in tax

1 revenues, and boosting of overall tourism in the  
2 county.

3           And just to summarize what we've heard  
4 here over the past roughly 90 minutes today, it is our  
5 viewpoint that we have tremendous synergy between the  
6 resort and the casino. It is truly a resort offering  
7 a casino amenity. And also, I think --- hope that you  
8 have seen that we've demonstrated as two companies how  
9 similar we are in terms of our philosophies and  
10 management styles.

11           The Lady Luck Casino at Nemacolin would  
12 generate more new revenue, that's the important thing,  
13 more new revenue than any of the other Applicants. We  
14 would have the greatest positive impact on tourism, as  
15 we discussed, the overwhelming community support, and  
16 we are one of the most well-established resorts in the  
17 country and certainly the most well-established and  
18 premier resort in the State of Pennsylvania.

19           You know, we've talked a lot today about  
20 awards and five stars and five diamonds and Gulf  
21 Digest and Condé Nast Traveler. And that's important  
22 to us. I mean, that's how you build your resort.  
23 That's how you become well established over the years,  
24 but --- we're proud of that. However, we also  
25 understand why we've been able to achieve that. And

1 we've been able to achieve that because of the special  
2 relationship between the resort and the Hardy family  
3 and the Fayette County community and certainly the  
4 dedication and hard work of our associates over these  
5 past 23 years. Thank you.

6 VIDEO PLAYED

7 ATTORNEY QUAGLIA:

8 And Mr. Chairman, that concludes our  
9 presentation.

10 CHAIRMAN:

11 Thank you very much. Any questions from  
12 the Board? Commissioner Ginty?

13 MR. GINTY:

14 For Mr. Mumphrey, who's --- you know,  
15 we've had a lot of numbers thrown at us in the past  
16 day-and-a-half, and I'm just trying to understand them  
17 and compare them. Now, as I understand it, what  
18 you're projecting in revenues, I guess, a couple,  
19 three years is approximately \$67 million?

20 DR. MUMPHREY:

21 Yes, sir.

22 MR. GINTY:

23 Now, you made much of the resort casino  
24 argument. I want to --- and it's clearly the intent  
25 of the legislature, I don't have a doubt about that.

1 But if I understand it, just so I can compare your  
2 resort revenues with the other Applicants, as I  
3 understand it, of that \$67 million, about 33 percent  
4 will be coming from overnight guests at the casino?

5 DR. MUMPHREY:

6 Overnight guests and other tourists,  
7 people who are not within the 200-mile radius. They  
8 would be overnight guests. They would be drive-by  
9 guests. They would be tourists who are here anyway  
10 and as well as people staying in the hotel.

11 MR. GINTY:

12 Do you have a number of revenues that  
13 would be generated from the resort overnight  
14 guests ---

15 DR. MUMPHREY:

16 Yes.

17 MR. GINTY:

18 --- by themselves? What would that be?

19 DR. MUMPHREY:

20 It would be roughly \$14 million.

21 MR. GINTY:

22 Which would be ---? Let's say 14 of  
23 67 ---. I'm not that ---.

24 DR. MUMPHREY:

25 Twenty-one (21) percent.

1                   MR. GINTY:

2                   Twenty-one (21) percent. Okay. You  
3 know, that number is actually fairly consistent with  
4 what we're hearing from the other Applicants. They  
5 all tend to be in the --- you know, the low 20 percent  
6 range for overnight guests.

7                   Now, the next --- I guess to take the ---  
8 78 percent of the revenue, is it going to be coming  
9 from resort and tourism?

10                  DR. MUMPHREY:

11                  And regional gamers.

12                  MR. GINTY:

13                  And to get that 78 percent, you go out  
14 200 miles?

15                  DR. MUMPHREY:

16                  Yes, sir.

17                  MR. GINTY:

18                  I mean, I want to understand. I mean, if  
19 you go out 200 miles, you're talking about a roundtrip  
20 of eight hours driving. So, these --- would these be  
21 --- would these include people that would come to the  
22 Woodlands for the day to play golf or ---?

23                  DR. MUMPHREY:

24                  They would come to the Woodlands and they  
25 might go home and they might not go home, but they



1 wouldn't stay at the Woodlands. Those are guests in  
2 addition to the hotel guests. You know, they might  
3 stay somewhere, going back to the --- you know, to the  
4 200-mile radius along the way, but they would be  
5 attracted by the experience at the Woodlands Resort.

6 MR. GINTY:

7 And then 22 percent --- you used the term  
8 gravity. Who are these people?

9 DR. MUMPHREY:

10 The other 78 percent?

11 MR. GINTY:

12 No, the 22 percent. On your chart I  
13 thought I ---.

14 DR. MUMPHREY:

15 Twenty-two (22) percent would be --- of  
16 the revenue would come from the guests at the resort.

17 MR. GINTY:

18 Oh, okay. That's the --- okay. All  
19 right. Okay. That clears that up. Thank you.

20 I have a question for Mr. Perry. In  
21 their testimony yesterday, the Mason-Dixon  
22 Applicants --- one of the witnesses suggested that  
23 there was an inconsistency between what Nemaocolin ---  
24 from my western friends I was criticized. Suggested  
25 there was an inconsistency with the projections that

1 we're getting from Woodlands and what the Isle of  
2 Capri is reporting in some public documents. Does  
3 that mean anything to you?

4 MR. PERRY:

5 Yes, it does. Mr. Commissioner, we have  
6 updated our --- Dr. Mumphrey's study and submitted it  
7 to the Board on August 31st, and we failed to update a  
8 document that we prepared for a --- that we filed on  
9 our website that I believe Mr. Fine was referring to.  
10 That was an error on our part, and we are going to  
11 update our public document appropriately.

12 MR. GINTY:

13 So, you are now on board with ---

14 MR. PERRY:

15 Yes.

16 MR. GINTY:

17 --- the same numbers? You know, I didn't  
18 bring with me the studies from yesterday, but you  
19 know, the Fernwood folks I think, if I remember  
20 correctly, are projecting \$107 million in revenue.  
21 Does that ---?

22 MR. PERRY:

23 I think that that's what I remember from  
24 seeing yesterday. I'd like to, you know, reiterate  
25 the point that I tried to make earlier. Everybody

1 uses the gravity model. That is the gold standard.  
2 That is the way that this has been done by individuals  
3 like Dr. Mumphrey and the other support people that  
4 have supported the other casino applications. But no  
5 one has had to deal with the issue of the \$10 amenity  
6 threshold. And that seems to me to be the threshold  
7 issue in this thing. And I'm not sure that, because  
8 it's never happened before in gaming, that we can  
9 essentially --- we're all kind of guessing as to how  
10 that threshold amenity will affect the gravity models  
11 and the performance of gaming revenue.

12 I would just say this, as it relates to  
13 the numbers. You need to be able to have the  
14 amenities in order to attract these non-hotel guests  
15 to the casino. One of the comments yesterday was that  
16 they were surprised that we decided to build our  
17 casino at the current location we're proposing rather  
18 than building it in the facility, the hotel facility.  
19 That ballroom space generates significant numbers of  
20 hotel nights. In order for us to make the occupancy  
21 --- and similar to Las Vegas, which has suffered  
22 primarily from a decline in convention business far  
23 more than it has in a decline of gaming customers. We  
24 need that meeting space in order to provide that  
25 amenity to generate the occupancy, to generate the

1 guests. And what our peers are being --- are  
2 recommending or what our fellow Applicants are doing  
3 is they're essentially taking away their meeting and  
4 convention space, their exhibit space, their other  
5 amenities, in order to put the casino in a facility to  
6 maintain a cost structure. We're all trying to get  
7 these things built at the most efficient cost  
8 possible.

9           The other thing I would say is that I've  
10 been in this business a little over 30 years and I do  
11 not remember a slot machine daily win per unit of over  
12 \$500 in my experience. Now, I'm not saying it didn't  
13 happen to resorts early on in 1978. It could  
14 conceivably have happened in Chicago, where there was  
15 one casino with 1,200 positions for the entire  
16 population of Chicago, but in mature markets. Now, my  
17 question and the question that I would want to ask is  
18 what kind of hold percentage do you have to have on a  
19 slot machine so that it makes \$500 a day, and what  
20 type of experience are you providing for your customer  
21 if you have to tighten that machine down so that with  
22 your \$100 you're going to get 15 minutes of  
23 entertainment value? There are just not a lot of  
24 casino slot machines that are generating those kinds  
25 of revenue numbers.

1                   MR. GINTY:

2                   That's a good point. I guess one final  
3 question. I forget who testified. You are projecting  
4 that you'll be able to increase occupancy from, I  
5 think, currently 68 percent to 80-something percent  
6 now?

7                   MR. PLUMMER:

8                   Correct. This year we're projecting to  
9 run 62 percent in our projections with the casino.  
10 The first year full of operation in 2012 is about 85  
11 percent, yes.

12                   MR. GINTY:

13                   And I don't know if it was Mr. Mumphrey  
14 or not, but you're also looking to increase the  
15 overnight --- the days that people would stay there?

16                   MR. PERRY:

17                   Yeah, that was my --- I made that  
18 projection that --- this has been the whole driver for  
19 me, is looking at this is what I call chairman's math.  
20 I respect Dr. Mumphrey, I respect all these analysts,  
21 but I get lost on about page three. And all I know is  
22 that in order to maximize the revenue potential --- I  
23 mean, the gravity model calculates what the revenue  
24 potential is. But in order to do that, I learned a  
25 long time ago in this business --- for instance, a

1 slot machine doesn't generate revenue by itself. You  
2 need a customer in front of that slot machine in order  
3 to generate revenue. And in order to get that  
4 customer to a resort casino, you need to have an  
5 amenity. And my belief is, is that we have to go from  
6 approximately 300 guests per day that aren't staying  
7 in the hotel to approximately about --- I'm sorry,  
8 about 700 guests per day. That's going to require a  
9 marketing effort on the part of the marketing team  
10 both from the Isle side and also from the resort side  
11 that is going to provide the type of increased access  
12 that will be increased demand, that will provide  
13 increased access to the spa, to the golf and all the  
14 other amenities it has to offer that will allow the  
15 customer to come in, spend --- make their de minimis  
16 \$10 expenditure in any of those facilities and then  
17 have time to spend in the casino in order for us to  
18 generate the revenue numbers that we're --- that Dr.  
19 Mumphrey's projections will tell us that we can do if  
20 we are given the opportunity to provide this casino.

21 MR. GINTY:

22 I have no further questions.

23 CHAIRMAN:

24 Thank you. Commissioner Angeli?

25 MR. ANGELI:

1 Do you currently have memberships at  
2 Nemacolin?

3 MR. PLUMMER:

4 Yes, we do.

5 MR. ANGELI:

6 Well, are they broken down by costs or  
7 how does that work?

8 MR. PLUMMER:

9 They do. There's various memberships for  
10 various activities, golf, spa, shooting, some ---  
11 there's a lot of different memberships that we  
12 currently do offer, yes, and there are different costs  
13 based on that activity.

14 MR. ANGELI:

15 Okay. Thank you. The Isle of Capri  
16 management structure, as it bumps up against the  
17 entire Nemacolin --- can you kind of explain that  
18 or how that works?

19 MR. PERRY:

20 Well, we --- we will be the operator of  
21 the casino. We will operate the food and beverage and  
22 the entertainment facilities at the casino building.  
23 Nemacolin will continue to operate all the other  
24 elements in the aspects of the resort.

25 One of the very first discussions that I

1 had in meeting Maggie and Mr. Hardy was to sit down  
2 and talk about the philosophy. What is the culture of  
3 our organizations? Do we have compatible  
4 philosophies? Because if we don't have compatible  
5 philosophies, any kind of written agreement isn't  
6 going to work. And what I found was is that they  
7 think about the same things that I think about. Now,  
8 I don't know if that's because we were both brought up  
9 in western Pennsylvania and there's a culture about  
10 that, but the reality of it is is that we think about  
11 our customers and their experiences. And what can we  
12 do to improve that experience is what drives us.

13                   We've talked a lot about both --- on the  
14 customers, how do we make sure that customers are  
15 comfortable at the resort? And one of the reasons  
16 that we have separated and are excited about the fact  
17 that the building is not within the hotel itself is  
18 that it helps us to maintain that. I heard a little  
19 comment yesterday. An individual said, not sure that  
20 our customer, the traditional Nemaquin Woodlands  
21 customer, is going to be comfortable with a Lady Luck  
22 Casino customer. And I will tell you after 30 years  
23 in this business the one place on earth where  
24 everybody is welcome at the crap table and they love  
25 each other is at a crap table. There is no



1 egalitarian problem in a casino floor. And anybody  
2 who's spent any time on the casino floor understands  
3 that.

4           So, I think that it was important that we  
5 understood from the get go about what kind of food and  
6 beverage we were going to need to offer in the casino  
7 to make it successful. We've had those discussions  
8 with the Hardys and with Chris and the team. I'm  
9 comfortable that we worked through those management  
10 issues. There's issues about employee compensation  
11 and things like that that we want to make sure we're  
12 very sensitive to, not to undermine each other. Those  
13 discussions have all taken place and I'm comfortable  
14 that we are, more importantly, on the same operating  
15 philosophy.

16           MR. ANGELI:

17           Along those lines, do you have a current  
18 marketing plan and does it incorporate both the casino  
19 and the entire resort, and who actually is in charge  
20 of all that?

21           MR. PLUMMER:

22           The resort. Obviously, yes, we do have  
23 an existing marketing plan that we execute. We have a  
24 Director of Marketing who's in charge and A Vice  
25 President of Sales and Marketing who's in charge of

1 executing that. If we are awarded this casino  
2 license, our marketing departments will obviously have  
3 to work together. We would be foolish not to from a  
4 purchasing power point of view, as well as from ---  
5 just to be on the same messaging point of view. So,  
6 yes, we will execute those together jointly.

7 MR. ANGELI:

8 And I assume that that has --- that  
9 200-mile radius is the target for that kind of a  
10 marketing plan or ---?

11 MR. PERRY:

12 I would say it goes beyond that. We  
13 would certainly be more than willing to put mailers  
14 and offer our customers --- our million customers  
15 throughout the Midwest primarily an opportunity to  
16 visit Nemaquin Woodlands and take advantage of offers  
17 that they want to offer. But we will work jointly on  
18 putting mailers about Nemaquin in our direct mail  
19 pieces and our communications with our customers. And  
20 I would suggest that Chris and his team are prepared  
21 to do the same for our customers --- for his  
22 customers.

23 MR. ANGELI:

24 Thank you. Dr. Mumphrey, when you said  
25 that the impact is the least of all of the Applicants

1 in a 200-mile radius, but when you draw that radius  
2 there are four current casinos in that radius. How  
3 did you come about that, that the impact is so little?

4 DR. MUMPHREY:

5 I'm not sure I understand the question.  
6 Could you restate it?

7 MR. ANGELI:

8 You've mentioned that the impact on the  
9 casinos in your 200-mile radius ---

10 DR. MUMPHREY:

11 Yeah.

12 MR. ANGELI:

13 --- is the least of any others that we  
14 have.

15 DR. MUMPHREY:

16 Revenue.

17 MR. ANGELI:

18 How did you come about that, ---

19 DR. MUMPHREY:

20 Cannibalized revenue we call that.

21 MR. ANGELI:

22 --- yeah, since there are four casinos in  
23 that radius that you drew?

24 DR. MUMPHREY:

25 What we did is we did our revenue

1 estimates before and after each of the casinos opened,  
2 and we looked at the revenue at, say, the Meadows  
3 before the casinos opened --- before the --- each one  
4 of the Applicants would open. We look at the revenue  
5 at, say, a casino like the Meadows before and then  
6 after. And the difference is the cannibalization.

7 MR. ANGELI:

8 Okay.

9 DR. MUMPHREY:

10 That's one of the handy things about the  
11 gravity model. You can do things like that.

12 MR. ANGELI:

13 All right. I want to move over to the  
14 diversity issue. You're looking at --- you wanted to  
15 exceed the local demographics of diversity of the 600  
16 possible employees. What is the regional diversity  
17 --- what are the demographics right now that you deal  
18 with and how do you plan on --- if you want to --- if  
19 80 percent of your workforce wants to come from local  
20 demographics, would the local demographics support a  
21 diversity model?

22 MR. PLUMMER:

23 Yeah, I believe they could. We have  
24 a --- our plan right now, we have a diversity written  
25 plan in our policy right now at Nemaquin that we

1 follow through our hiring standards, and yes,  
2 absolutely, we will continue to follow those  
3 procedures.

4 MR. ANGELI:

5 What is your current diversity structure  
6 right now? Anybody. I don't really care.

7 MR. PERRY:

8 Just to answer for Isle, in case that  
9 comes up as a question, too. I was just advised that  
10 our company --- currently 53 percent of our employees  
11 are female, and 40 ---

12 MS. MCDOWELL:

13 Forty (40) --- 39.6.

14 MR. PERRY:

15 --- 39.6 are minorities in the Isle  
16 workforce.

17 MS. MILLER:

18 Hello. My name is Stephanie Miller,  
19 M-I-L-L-E-R. I'm the Director of Human Resources.

20 CHAIRMAN:

21 Ms. Miller, were you sworn in earlier?

22 MS. MILLER:

23 No, sir, I was not.

24 CHAIRMAN:

25 Could you please stand and be sworn in?

1                   MS. MILLER:

2                   Sure.

3 -----

4 STEPHANIE MILLER, HAVING FIRST BEEN DULY SWORN,

5 TESTIFIED AS FOLLOWS:

6 -----

7                   MS. MILLER:

8                   As far as diversity goes, we have --- as  
9 Mr. Plummer mentioned, we've had our diversity policy  
10 since the year of 2005, in which we have started to  
11 not only, of course, hire for both associates who are  
12 disabled or veterans or females, but we also began to  
13 bring in J1, Work and Travel Visas, of students, and  
14 H2B associates as well.

15                   MR. ANGELI:

16                   I'm not sure I understand that.

17                   CHAIRMAN:

18                   I think --- let me --- if I could, I  
19 think the question is real simple. How many employees  
20 do you have at Nemaocolin Woodlands now, how many are  
21 women and how many are minorities, percentage?

22                   MR. PLUMMER:

23                   You know, I don't know those percentages  
24 right off the bat, Commissioner, but we could  
25 definitely get those to you. Absolutely.

1                   MR. ANGELI:

2                   Okay. Thank you. I'm done.

3                   CHAIRMAN:

4                   Commissioner Coy?

5                   MR. COY:

6                   Thank you, Mr. Chairman. I want to tell  
7 you without making any comment whatsoever on the  
8 supporting or not supporting a license that your  
9 presentation was very good and it was well done. And  
10 I also want to say to the Hardy family that you are  
11 truly examples of good Pennsylvania citizens, and your  
12 contributions and so on to the community and state  
13 need to be commended. And I will do that, certainly.  
14 I've also visited Nemaquin on a couple different  
15 occasions, and it's pretty evident that you do things  
16 the right way. And sometimes you just have to say  
17 some of these things because I think they're  
18 worthwhile noting for the record just as a person who  
19 has been there and has seen it, even before thoughts  
20 of gaming occurred to almost any of us.

21                   Now that I've said the nice things, let  
22 me --- one comment about --- because I know a little  
23 bit about this, one comment about the \$10 fee and a  
24 patron of the amenities. Whoever gets this license is  
25 going to have to live with it. I mean, that's all

1 there is to it. I will tell you that the Act would  
2 not have passed --- there's two other people in this  
3 room who served in the General Assembly in that period  
4 of time, that I will tell you as one of the three in  
5 the room, I think, that the Act would not have passed  
6 without that language in it. It was that simple and  
7 was required to gain the support to make it pass. So,  
8 struggle with it, figure it out, but understand you're  
9 going to have to live with it because it's the law,  
10 even though the fee has been reduced and a little more  
11 --- explained a little better.

12 I want to ask about the word in, in the  
13 hotel, and how do you --- how do we get around that  
14 with regard to your situation, that this facility  
15 would not be in the hotel? Or don't you think it  
16 applies or do you think it's loosely enough to be able  
17 to explain it. Counselor?

18 ATTORNEY QUAGLIA:

19 Yes, Commissioner Coy. First of all, we  
20 appreciate the compliments. And to the extent your  
21 question is really of a legal nature, I think I can  
22 try to tackle it, ---

23 MR. COY:

24 Go ahead.

25 ATTORNEY QUAGLIA:



1            --- which is to say that the Act defines  
2 hotel in subpart (2) as a building or buildings in  
3 which members of the public may, for consideration,  
4 obtain sleeping accommodations. Now, the nature of  
5 buildings in plural implies some diversion of area.  
6 And I will also say that the notion of the resort  
7 hotel having year-round recreational amenities  
8 certainly contemplates that these amenities, many of  
9 them by definition, will not be in the hotel, per se.

10            So, we would submit that read just in a  
11 common sense term and not overly legalistic, that the  
12 notion of being in a resort hotel, which itself  
13 comprises --- can comprise a series of buildings and a  
14 number of amenities not in the buildings, is certainly  
15 --- suggests that the casino itself need not be  
16 physically in the hotel. And in fact --- well, I'd  
17 say two other things. One is, of course, we're all  
18 very familiar with the Valley Forge Application that  
19 the Board granted last year. And if the Board will  
20 recall, there are two hotels at Valley Forge and then  
21 there is a convention center. And the casino facility  
22 being proposed by Valley Forge is in the convention  
23 center. It's not in either of the hotels. So,  
24 certainly there is Board precedent for not requiring  
25 that a casino be physically inside the sleeping

1 structure.

2           And finally, we just --- I would just  
3 note the general rule of construction, that we assume  
4 the legislature did not intend the result, which would  
5 be absurd in some sense. And I am not aware and I  
6 have not heard of any principal reason why this Board  
7 would say, we're only going to give you a casino if  
8 you physically put it inside a hotel in a 2,000-acre  
9 resort with multiple buildings and innumerable  
10 amenities not in the hotel.

11           MR. COY:

12           So, your judgment is that the legislature  
13 really didn't mean it?

14           ATTORNEY QUAGLIA:

15           Well, I wouldn't phrase it that way,  
16 Commissioner.

17           MR. COY:

18           Well, phrase it how you like.

19           ATTORNEY QUAGLIA:

20           In the resort hotel. The resort hotel,  
21 by definition, implies an area. Resort hotel is a  
22 series of buildings and associated amenities which, by  
23 definition, are not in the hotel. So, I'm looking at  
24 resort hotel as the property, the series of buildings  
25 and all the amenities. And certainly the casino is in

1 that area, that property.

2 ATTORNEY KING:

3 And Ray, if I could add one other item to  
4 this. Adrian King. I'm the attorney at Ballard Spahr  
5 on behalf of the Applicant. I would also encourage  
6 the Board to go back and look at the legislative  
7 history of the recent amendments that were passed  
8 earlier this year. The definitional section that Ray  
9 was referring to, it has specific definitions for both  
10 Cat 1s and 2s, and separately, the Cat 3. The Cat 1  
11 and 2 definition makes it clear that a hotel, for a  
12 Cat 1 and 2, would be --- that the casino would be in  
13 the hotel. Ray's already read to you the definition  
14 for the Cat 3. It very definitively says buildings.  
15 It does not say a single building. And I can tell  
16 you, because I kept very, very, very close track of  
17 that bill, that that issue went back and forth, and  
18 that if the legislature had intended that it had to be  
19 strictly in the hotel, we would not have ended up with  
20 the definitional section that we ended up with.

21 And I'm telling you my opinion at least  
22 is the legislature very definitively made it clear  
23 that the --- through the definitions that they  
24 ultimately ended up with, if you go back and you look  
25 at the history, that the casino does not have to be in

1 the building with the sleeping rooms.

2 MR. COY:

3 So, your opinion is that by inserting the  
4 definitional section in the most recent amendments to  
5 the bill, to the Act, that clarifies it in your mind?

6 ATTORNEY KING:

7 Yes, sir.

8 MR. GINTY:

9 Could I follow up on that?

10 MR. COY:

11 Go ahead.

12 MR. GINTY:

13 If you adopted the narrow interpretation,  
14 that would rule out three of the four Applicants, as I  
15 understand the various proposals.

16 ATTORNEY KING:

17 That is our position. You've heard us  
18 state that, that is true.

19 MR. COY:

20 A question about the year-round rooms.  
21 How many --- of all the rooms that are available, how  
22 many of them are available year round?

23 MR. PLUMMER:

24 All the rooms are available year round.  
25 The Falling Rock Hotel, which you're probably

1 referring to, does --- is only available for corporate  
2 buyout throughout the months of November through  
3 April. But generally, over the last two years we  
4 looked back at that and we ran in that hotel almost a  
5 20 percent occupancy when we were, quote, unquote,  
6 closed, based on corporate buyouts and whatnot.

7 MR. COY:

8 On the subject of diversity, and I know  
9 you approached this issue with Commissioner Angeli, I  
10 think the Board will continue to expect of its  
11 licensees a commitment to diversity. And certainly  
12 it's easier in more urban areas to attract diverse  
13 employees, I think. But those of you who may have a  
14 license that is not in an urban-type area or a more  
15 heavily-populated area will just have to work on  
16 diversity harder. And your commitment will have to be  
17 greater because I think the Board is going to continue  
18 to look at this as a very serious issue, and I hope  
19 you do, too, both Nemaquin and Isle of Capri.

20 MR. PERRY:

21 I will assure you that at Isle of Capri  
22 we do take it very seriously.

23 MR. PLUMMER:

24 And those standard operating procedures  
25 that we have in place that I will get to, get you all

1 that information on, are just a testament to, you  
2 know, our commitment to that as well.

3 MR. COY:

4 Thank you, Mr. Chairman.

5 CHAIRMAN:

6 Thank you. Commissioner Trujillo?

7 MR. TRUJILLO:

8 I'd like to start --- well, maybe the  
9 place to start giving the discussion of western  
10 Pennsylvania and all of this talk about cannibalism is  
11 --- there was, Mr. Chairman, a resident of Allegheny  
12 County by the name of Al Packer who wanted to go to my  
13 home state of Colorado and back in the 1800s got stuck  
14 in a blizzard, and he was ultimately convicted of  
15 cannibalism. When he was convicted of cannibalism,  
16 legend has it the judge said, Mr. Packer, there were  
17 only seven Democrats in Hinsdale County and you ate  
18 five of them. True story.

19 The discussion regarding cannibalism I  
20 think is one that we've had yesterday, and not literal  
21 cannibalism but the impact on other casinos, and so  
22 I'm not sure who the appropriate --- yes, Dr. Farley  
23 (sic) is the appropriate person to talk about this.  
24 And I also want to talk to you a little bit about some  
25 of your operating assumptions. And actually, even

1 before we get to the cannibalism part, as I understood  
2 the earlier testimony, there's approximately ---  
3 taking away the number of overnight guests, there's  
4 currently a little over 100,000 visitors per year to  
5 Nemacolin today; am I correct?

6 MR. PLUMMER:

7 No. We currently have visitors to  
8 Nemacolin is about 350,000 today.

9 MR. TRUJILLO:

10 All right. So the 100,000 number, that  
11 was room nights?

12 DR. MUMPHREY:

13 The 100,000 would be room nights. That  
14 would be the total room nights after the casino  
15 opened.

16 MR. TRUJILLO:

17 Okay.

18 DR. MUMPHREY:

19 I think it's around 69,000, 70,000 now.

20 MR. TRUJILLO:

21 I remember --- I heard that --- I guess  
22 it was Mr. Perry testify that there was 105,000 visits  
23 and that it was expected that if granted the license,  
24 you'd have an additional 130,000. So I'm just trying  
25 to understand what numbers we're talking about.

1                   MR. PERRY:

2                   Those are in my, what I call chairman's  
3 math. That was the math where I basically said that,  
4 traditionally, casino room nights will generate X  
5 number of dollars of casino revenue, which means that  
6 for a non-hotel guest, which there are currently  
7 approximately 110,000, in order to achieve the \$67  
8 million projected casino revenue, you would have to  
9 increase those customers who are not staying in the  
10 hotel from 110,000 to about --- 130 percent higher  
11 than that, about 240,000, in order to make the \$67  
12 million projection.

13                   MR. TRUJILLO:

14                   Okay. And I guess I'm just trying to get  
15 these numbers together because 110,000 non-hotel  
16 guests; right?

17                   MR. PERRY:

18                   That's correct.

19                   MR. TRUJILLO:

20                   And then --- but you currently have  
21 approximately 70,000 hotel guests?

22                   MR. PERRY:

23                   Hotel room nights.

24                   MR. TRUJILLO:

25                   Room nights. Oh, I see. Okay. That's



1 what I was trying to understand. So with the room  
2 nights is obviously you've got 1.6 or 1.7 guests per  
3 room night, and so that's --- okay. I'm just trying  
4 to understand that. Thank you.

5 In terms of your look at the --- I  
6 believe you said it was going to be approximately 22  
7 percent --- or 32 percent of the revenue would come  
8 from overnight guests, what I was trying to understand  
9 is was that a revenue figure or was that that the  
10 gaming would come from --- or was that the individuals  
11 would be --- it would be 32 percent of the gaming  
12 clients?

13 DR. MUMPHREY:

14 No, that's revenue.

15 MR. TRUJILLO:

16 And did you distinguish between non-hotel  
17 guests and hotel guests in terms of what the expected  
18 spend at the casino would be by each?

19 DR. MUMPHREY:

20 Let me make sure I'm going to get the  
21 correct numbers. Hotel guests per visit, we would  
22 expect --- I think the figure is \$300. Yeah, the  
23 regular hotel guests per visit would be \$300. And the  
24 IsleOne Players' guests we would expect a little  
25 higher per visit win from them.

1                   MR. TRUJILLO:

2                   From the non-hotel guests?

3                   DR. MUMPHREY:

4                   No. Both of those are hotel guests. It  
5 was two different categories.

6                   MR. TRUJILLO:

7                   I see. So hotel guests generally and  
8 then hotel guests that have the IsleOne participation  
9 right now?

10                  DR. MUMPHREY:

11                  Yeah. And that's per visit now.

12                  MR. TRUJILLO:

13                  And then what about those that are not  
14 hotel guests?

15                  DR. MUMPHREY:

16                  It would depend generally about --- are  
17 you talking about the win from them or are you talking  
18 about ---?

19                  MR. TRUJILLO:

20                  Yes.

21                  DR. MUMPHREY:

22                  Okay. The win from them is about \$238  
23 per machine or about --- win per visit is about \$98.  
24 I'm sorry.

25                  MR. TRUJILLO:

1 That's what I'm trying to understand ---

2 DR. MUMPHREY:

3 Yeah, \$98.

4 MR. TRUJILLO:

5 --- because I'm assuming somebody who's  
6 spending \$400 a night is going to spend more money  
7 than somebody who's driving in for a round of golf or  
8 whatever else they do.

9 DR. MUMPHREY:

10 Yes, it's \$98.

11 MR. TRUJILLO:

12 Thank you. Now, given that mix, which is  
13 substantial, and given the current status of the  
14 resort, which is clearly a top-shelf, top-tier resort,  
15 does --- it at least seems to me, and I'm no expert in  
16 this, but that you have to go substantially down  
17 market to a \$98 spender as opposed to a \$300 spender,  
18 and so your mix of players, mix of guests, to me kind  
19 of don't --- I mean, aren't you talking about two  
20 really very different markets?

21 MR. PERRY:

22 Yeah, that's really the thing we talk  
23 about, is that it's been a fact in gaming for a long  
24 time that a hotel guest will have a higher gaming  
25 budget than a daily visitor. I mean, they're there

1 longer, they have more chances to do it, and also  
2 they've made a decision to go to a casino, or a resort  
3 with a casino. They haven't made a decision to go to  
4 a pure golf resort. So you will get a higher gaming  
5 revenue from a hotel room guest than you will from a  
6 visitor who's using the other amenities.

7           The issue, this really gets into the  
8 issue of what I believe is kind of an egalitarian  
9 argument, that while a customer who's spending \$300  
10 for a hotel room isn't going to be comfortable playing  
11 slot machines next to an individual who only has a  
12 \$100 gaming budget. And I will tell you in my 30  
13 years of experience, nothing could be further from the  
14 truth. On a casino floor, it is a truly --- you know,  
15 everybody loves everybody as long as they're winning.  
16 And there is a real camaraderie. You will see in a  
17 slot pit among dollar slot players, they are  
18 exchanging pictures of their grandchildren talking  
19 about their next family reunion. And it doesn't  
20 matter --- as anybody who has a grandmother knows, it  
21 doesn't matter what the wealth is of that grandmother,  
22 she's going to show those pictures.

23           And so I would --- I'm almost offended  
24 frankly, by the assertion that was made yesterday that  
25 the customers --- the traditional customers of

1 Nemacolin Woodland are going to kind of, look down  
2 upon the customers that are coming to the casino. I  
3 don't see that happening. I think the casino will  
4 attract in terms of --- I'm sorry, the facility will  
5 continue to attract people who like to play golf.  
6 People who like to go to the spa, and those people are  
7 going to be the customers.

8           In order to address Commissioner Coy's  
9 argument that the \$10 --- that weighs on me, in terms  
10 of my view point of the potential of this facility,  
11 and really, the potential of all the resort  
12 facilities. This \$10 requirement, which I fully  
13 subscribe to and understand what the purpose of it is,  
14 was to really distinguish, to make sure that these  
15 were not convenience casinos. And in order to do  
16 that, I mean, it comes back to you have to have the  
17 amenities that are going to drive the \$20 spend. But  
18 it's going to be very different from the old Las Vegas  
19 model, or the old --- excuse me, the old Atlantic City  
20 model where you send people coin in the mail and give  
21 them a free buffet, and they expect to make it all up  
22 on the casino floor. That model isn't going to work  
23 under what Pennsylvania has approved. We need the  
24 people to go into their pocket, purchase something,  
25 and then go to the casino floor. They actually have

1 to purchase it before they go to the casino floor,  
2 which is why we have the qualifying space.

3           And I think it's very important that  
4 everybody understand that like Dr. Mumphrey and the  
5 other --- Mr. Tyson, and the rest that I heard  
6 yesterday. None of them have had to put this criteria  
7 in any of the models that they've used historically.  
8 And as talented as they are they've never had this  
9 before, this is unique.

10           And so from a business person who's going  
11 to invest \$50 million into making sure it's  
12 successful, I am committed to making sure that I  
13 understand what kind of commitment that we need to get  
14 from our customer base in order to make this work.  
15 And I will share with you when I see these numbers  
16 thrown around that, you know, we've got hotels that  
17 can't generate the number of room nights that need to  
18 be generated in order to provide those casino  
19 customers. That's going to drive more on the  
20 amenities. And then when I see them taking out the  
21 amenities they have in order to accommodate the  
22 casino, I just don't get how it works. And that comes  
23 from the benefit or the curse of 30 years of being in  
24 this business.

25                           MR. TRUJILLO:

1 Well, along those lines then the other,  
2 Doctor, the other part of that analysis that I'd like  
3 to talk --- I'm hearing about is, did you also look at  
4 the income levels in the surrounding area, both with  
5 respect to Nemaquin and then let's talk directly  
6 about Fernwood as well, given those two circles. And  
7 if so, can you describe what you found?

8 DR. MUMPHREY:

9 Yeah, one of the inputs of the model that  
10 we --- one of the pieces of data we considered when we  
11 looked at inputs for our model are household income,  
12 growth and household income, where they are located  
13 and so on and all that. As I said earlier, we broke  
14 that 200-mile radius into a number of submarkets. And  
15 each of them have a different socioeconomic profile,  
16 including household income, so that we have --- if we  
17 have 25 submarkets, we have 25 different household  
18 incomes that we used based on data and then projected  
19 increases in that household income, given that we're  
20 projecting all these numbers for 2013.

21 MR. TRUJILLO:

22 Is that analysis beyond what we have in  
23 the PowerPoint been provided to the Board, or will it  
24 be?

25 DR. MUMPHREY:

1           It is ---.

2           MR. PERRY:

3           It will be. I will assure you it will  
4 be.

5           DR. MUMPHREY:

6           It's in our study.

7           MR. TRUJILLO:

8           Thank you. While we're on numbers, I  
9 guess the concern that I have right now is looking at  
10 Nemacolin's operating income for the last five years.  
11 I understand that there are great amenities and it's a  
12 great resort. But as well as I see it, it hasn't  
13 managed to make any money for five years. And in  
14 fact, gross revenue goes down and so I have a concern  
15 just in terms of operationally, just how viable this  
16 model is. So, if you could address that issue, I'd  
17 appreciate it.

18           MR. PLUMMER:

19           Well, I can start with it, and if you go  
20 by five years, yes, the revenues have gone down. But  
21 I think if you look at --- and when you question the  
22 operation, I think what number you really need to look  
23 at is starting in 2008, that EBITDA turnaround that we  
24 saw at the resort when we were required to become, you  
25 know, self sufficient, not relying on any influx of



1 funds to get through slower, shorter season times  
2 where we could repay that money back. In the summer  
3 we have been able to do that 2008, 2009 and this year  
4 as well. Even with the dip in the revenue. And that  
5 dip in the revenue was --- 2007 was our peak year in  
6 revenue, 2006 and 2007. And then our industry came  
7 upon some pretty tough times. So all through those  
8 tough times where our revenues went down to \$52  
9 million down to \$44 million last year, we were able to  
10 generate more EBITDA in those years than we were in  
11 our peak years of 2006/2007 and become cash --- cash  
12 flow is fine, self sufficient, as well as not lose the  
13 service either as we've garnered a couple pretty  
14 impressive awards over that time period, too.

15 MR. TRUJILLO:

16 But from an operating profit standpoint,  
17 well, I understand it's changed your EBITDA, but the  
18 --- A, your total revenues are still on a downward  
19 spiral, as best I can tell.

20 MR. PLUMMER:

21 Last year was the bottom. This year  
22 we're projecting 49 --- right now our forecast for  
23 this year is \$49 million. So that will be close to a  
24 12, 13 percent increase over last year. And next  
25 year's projection, we're about \$51 million as far as

1 our forecast the following year --- or 2011. So we  
2 are coming out of this and coming out of it much  
3 faster than the competition that we mentioned earlier  
4 according to Smith Travel Research.

5 MR. TRUJILLO:

6 And as to Isle of Capri, I understand you  
7 have a 300 and whatever the amount of your credit  
8 facility is, but it also appears to me that almost  
9 half of it is currently drawn on. So, I guess I'd  
10 like to hear from you about what your plans are, not  
11 just with respect to if you get this license, but ---  
12 and as I was reviewing it, your financials, again, not  
13 that they --- they were not in the same situation that  
14 Nemacolin was, but obviously your operating profits  
15 have been very, very thin. So if you can talk to me a  
16 little bit about your viability and where the sources  
17 of funding --- what is it that you plan to do in terms  
18 of financing this project?

19 MR. PERRY:

20 As I mentioned in my opening comments,  
21 our company generates --- even though the past couple  
22 of years, which have been some of the toughest years  
23 in gaming, still generates about \$60 million of free  
24 cash flow after maintenance capital spending each  
25 year. That would give us the amount over a year's

1 period of time, to fund this \$50 million. We also  
2 have available under our credit line about in excess  
3 of \$100 million. So we have a \$60 million of cash  
4 flow that we generate and \$100 million of availability  
5 in our credit line, which is more than enough to build  
6 a \$50 million casino over the next nine months and be  
7 open by the end of September.

8           Additionally we have applied for a  
9 license in Cape Girardeau, Missouri. That  
10 expenditure would be about \$125 million. But given  
11 the time frame in Missouri versus the time frame in  
12 Pennsylvania where we're not dealing with an existing  
13 building, we will probably not be in serious  
14 construction until sometime in the early fall of next  
15 year. So therefore, we will be able to then start  
16 generating incremental EBITDA which expands our credit  
17 availability once the Nemaquin Casino opens, which  
18 will then free up more availability to build the Cape  
19 Girardeau Casino should we be granted that license.

20           MR. COY:

21           Can I follow up on a point you just  
22 brought up? Yesterday it was alleged that if you got  
23 --- that you're in for two licenses, one here, one in  
24 Missouri. And it was alleged that if you received one  
25 of those licenses, either one, you would be pulling

1 out of the other one. What do you say about that?

2 MR. PERRY:

3 I'd say that was made by an individual to  
4 my knowledge who doesn't have any financial background  
5 or doesn't understand the fiber of this company or the  
6 fiber of the people who work for this company. We  
7 have never, never, and we will never, renege on a  
8 commitment that we make to build a casino, once we've  
9 been granted a license. We haven't in the past.  
10 Whether we've been with Isle of Capri, or whether  
11 we've been with any of the other companies that I've  
12 been a part of over my 30 years in this industry. And  
13 we will not renege. If we are granted this license  
14 and granted the Cape Girardeau License, we will get  
15 them built, and they will be the facilities that we  
16 are promising. We won't short shrift what we are  
17 committing to do.

18 MR. COY:

19 Thank you.

20 MR. TRUJILLO:

21 As to Nemaocolin and --- Mr. King, I'm not  
22 sure whether it's going to be you ultimately that we  
23 need to look for, but I do need to understand, and not  
24 in complete detail, but we do need to understand in  
25 the event, you look at what happened to the markets

1 yesterday and what's going on with the euro and what's  
2 going on in Ireland, and other parts of the world, the  
3 possibility of a credit freeze, and liquidity issues  
4 exist. And so given the relationship between the  
5 companies here, 84 Lumber and Namacolin, we need to  
6 understand how the two companies do or do not  
7 interrelate. And what happens in the event of either  
8 liquidity issues for either company or some sort of  
9 default with either company?

10 ATTORNEY KING:

11 Yes.

12 MR. TRUJILLO:

13 And Mr. King, you can --- if you would do  
14 it in the form, again, of management discussion and  
15 analysis. It does not have to be an accountant's  
16 review. Thank you.

17 ATTORNEY KING:

18 Understood. Obviously, as you all know,  
19 the Hardy family is extremely connected. They are 84  
20 Lumber. We all know that. People have read in the  
21 newspaper that the construction industry generally,  
22 housing starts in particular have been very severely  
23 impacted across the country. That's no secret.  
24 People have seen the articles that Namacolin --- or  
25 I'm sorry, that 84 Lumber has suffered along with that

1 industry. So the question has been asked, given the  
2 relationship of 84 Lumber with Nemaocolin Woodlands  
3 through the Hardy family, what's the effect?

4           So let me address two things. First of  
5 all, 84 Lumber and Nemaocolin Woodlands Resort have a  
6 common owner. You know that through our applications.  
7 And that's the 2001 Trust. The Trust owns almost 52  
8 percent of 84 Lumber, it's 100 percent owner of  
9 Nemaocolin Woodlands Resort. The staff in its  
10 financial investigation has said to us, theoretically,  
11 what would happen if 84 Lumber would declare  
12 bankruptcy? There's a couple different ways to look  
13 at that.

14           First of all, I look at that as a lawyer,  
15 and I look at if you had a problem with 84 and had to  
16 go into bankruptcy, and we believe that is highly  
17 unlikely, how would that affect the resort? The  
18 answer to that is, it would not draw the resort into  
19 any bankruptcy proceedings whatsoever. And the reason  
20 for that is because all these companies are  
21 represented by very good counsel. Counsel is very  
22 careful about setting up separate and distinct legal  
23 corporate entities that have separate books and  
24 records, separate officers, separate finances, these  
25 are not all run together. They're very separate and

1 distinct entities. Basically, if 84 went into  
2 bankruptcy, it would be in bankruptcy. The Trust  
3 would not be in bankruptcy, Nemaocolin Woodlands would  
4 not be in bankruptcy. So that's the first question  
5 --- or my first answer to your question.

6           Would you like me to address the other  
7 issue with respect to First Commonwealth Bank?

8           MR. TRUJILLO:

9           Well, what I'd like to understand, and  
10 again, without going into a great deal of detail, what  
11 the relationship is between 84 Lumber and Nemaocolin.  
12 And so in the event of a downward issue with either  
13 one of the companies, and I understand completely  
14 that, you know, if one suffers a bankruptcy, it does  
15 not by operation of law impact the other one.  
16 However ---.

17           ATTORNEY KING:

18           Okay.

19           MR. TRUJILLO:

20           But let me finish. However, what  
21 relationships, contractual or otherwise, might then  
22 impact one or the other.

23           ATTORNEY KING:

24           Okay. As we've disclosed, there is a  
25 line of credit facility that exists with a bank. The

1 borrowers on that line of credit are the 2001 Trust,  
2 Margaret Hardy Magerko, individually, and Nemaocolin  
3 Woodlands. That's a \$23 million facility.  
4 Historically, that has never been drawn down in excess  
5 of \$10 million since it's been in existence. From  
6 time to time that facility has been used to give  
7 liquidity to various entities, including --- well, it  
8 has been available for the resort, has been used by  
9 the resort. It's been used by the Trust. And at  
10 times the Trust has loaned some money to 84,  
11 particularly during seasonal periods where there is a  
12 downturn in construction starts, so you get into the  
13 winter period. I think the important thing is that  
14 every single time that any money has been loaned to 84  
15 temporarily, 84 has paid it back. There's been no  
16 problems servicing that dept, et cetera.

17           As you may have seen in the newspaper,  
18 it's no secret that 84 is looking at various ways to  
19 restructure some of its debt. We anticipate that that  
20 transaction will be done prior to the close of this  
21 year. And when it is done, it will eliminate the need  
22 at all to use this line of credit facility, and to  
23 some degree will completely cut its ties to the resort  
24 or the Trust with respect to that loaning of money.  
25 So, that's important.



1                   Now, the staff has asked us, and I think  
2 this is where you're going, if you look at a complete  
3 and total doomsday scenario, okay, which again we  
4 would say is unlikely, but we appreciate the fact that  
5 the Board has to be thorough in its review and  
6 investigation and ask these questions. What would  
7 happen in the doomsday scenario? By that I mean,  
8 let's say the Trust has loaned money to 84. Let's say  
9 that 84 goes into bankruptcy. Doomsday scenario or is  
10 otherwise unable to repay the money back to the trust  
11 to take care of the line of credit. What happens?

12                   Well, first of all, we've submitted  
13 significant information --- well, information about  
14 significant assets held by the Trust, held by Ms.  
15 Magerko personally. We've talked about liquid cash in  
16 those accounts. What those entities, the Trust and  
17 Ms. Magerko have held, I'm not going to go into those  
18 particular numbers. But I believe that they make  
19 clear that they have the ability to service that debt  
20 and/or pay it off. And they would be the first line  
21 of defense.

22                   All right. Now, let's say for some  
23 reason they go away and they're not able to do it.  
24 Then it falls down to the resort. The resort,  
25 however, we believe particularly if it's granted a

1 license, has significant cash flow to service the  
2 debt.

3           And finally, there's the final firewall,  
4 which is, as you know, in our management agreement  
5 with Isle of Capri. If we got into this complete  
6 catastrophic problem, they have the ability to stand  
7 in the shoes of Nemaocolin Woodlands Resort and take  
8 care of that debt by servicing the interest or paying  
9 the principal. And that's there for their protection  
10 since they're going to be making a \$50 million  
11 investment in the property.

12           So that, in a nutshell, is sort of the  
13 relationship between 84 and Nemaocolin Woodlands. And  
14 my client wants me to make very clear that no money  
15 actually has ever come from the line credit to  
16 Nemaocolin Woodlands Resort. That has not been  
17 necessary. And I further want to emphasize that at  
18 present the amount drawn on that line of credit is  
19 zero. It is zero. So I hope I've been able to answer  
20 your question.

21           MR. TRUJILLO:

22           That's very helpful. Thank you. And  
23 that's all I have on that topic, so thank you, Mr.  
24 King. I did want to finally ask a couple questions on  
25 cannibalism because the percentage that I saw in the

1 presentation impact on other casinos as I saw it, I  
2 believe, was something in the magnitude of less than  
3 one percent cannibalism, which strikes me as very  
4 small. And so I'd like to understand your methodology  
5 for getting to that number.

6 DR. MUMPHREY:

7 Well, what we did is --- as I described  
8 the methodology earlier, we used the gravity model as  
9 --- we used it to do a market methodology looking at  
10 the regional gaming market, people who would drive in  
11 but not stay at the hotel, but who are coming to game.  
12 In addition, we would add to that the people staying  
13 in the hotel, what we call drive-by incidental gamers,  
14 people in the --- tourists in the area irrespective of  
15 the casino who happen to decide to go and game.

16 Then we would run these models after each  
17 casino individually was open. So, we ran the model  
18 one time with Nemaquin, one time with Gettysburg, one  
19 time with Mechanicsburg. And in these models we look  
20 at the impact of these operations on all the other  
21 competing casinos, because they're all drawing  
22 customers also. So once we know the projected revenue  
23 with each one of these casinos individually open, we  
24 compare that to the revenue that the existing casinos  
25 are generating, for instance The Rivers and Meadows.

1 We subtract the two --- we subtract one from the  
2 other, and that gives us the amount of  
3 cannibalization.

4 MR. TRUJILLO:

5 Now, as I understand it, it depends  
6 almost entirely on your market radius, does it not?

7 DR. MUMPHREY:

8 I wouldn't say it depends entirely on the  
9 radius because we have these other sources of revenue.

10 MR. TRUJILLO:

11 Let me ask it this way. If you ---.

12 DR. MUMPHREY:

13 But it is an impact.

14 MR. TRUJILLO:

15 Right. If your radius is not 20 miles,  
16 but 30 miles, or not 30 miles, but 40 miles, that  
17 changes the results of your cannibalization study,  
18 does it not?

19 DR. MUMPHREY:

20 I'd have to run the models with those  
21 radiuses to answer definitively. But proportionally,  
22 you know, I would doubt it. But you know, I can't say  
23 without running the models with a smaller radius.

24 MR. TRUJILLO:

25 Well, you know how far Meadows is from

1 Nemaocolin, do you not?

2 DR. MUMPHREY:

3 I do.

4 MR. TRUJILLO:

5 And how many miles is that?

6 DR. MUMPHREY:

7 About 57 or 58 miles, something like  
8 that.

9 MR. TRUJILLO:

10 And your study was based on what radius?

11 DR. MUMPHREY:

12 200 miles.

13 MR. TRUJILLO:

14 I'm sorry?

15 DR. MUMPHREY:

16 200 miles.

17 MR. TRUJILLO:

18 It was all inclusive of all the  
19 surrounding casinos?

20 DR. MUMPHREY:

21 Yeah.

22 MR. TRUJILLO:

23 Okay. That's all I have, Mr. Chairman.

24 CHAIRMAN:

25 Thank you. Commissioner Sojka?

1                   MR. SOJKA:

2                   Yes. And I would echo Commissioner Coy's  
3 comments about the quality of the presentation, and  
4 that's very good for all of us because I had 17  
5 multiple part questions. And you've answered many of  
6 them and my colleagues on the Board have asked a  
7 number of them as well. So thank God. Got it, not  
8 that quick. Let's talk a little bit about jobs,  
9 again. You talked about the 600, 200 that are going  
10 to be support people in the hotel, I won't concentrate  
11 on. Let's talk about the 400 that are really going to  
12 be for the gaming facility. And I want to tie into  
13 that the comments made the other day about the fact  
14 that the average family income surrounding Nemaquin  
15 is lower than some of the other areas. So, the  
16 quality of these jobs might be expected to have more  
17 impact. What typical compensation levels and what  
18 kind of benefit packages go with the casino jobs, with  
19 the Isle operations in a place like this?

20                   MR. PERRY:

21                   I'm going to walk carefully here, Mr.  
22 Commissioner. I want to make sure that I'm clear in  
23 answering your question. Because traditionally in  
24 casino jobs in places like Atlantic City, you might  
25 find where a dealer with tips would be in the

1 neighborhood of \$40,000, \$45,000 a year. Floor people  
2 have to get paid more than that because they don't get  
3 tips and all of a sudden you're into that \$50,000  
4 range, and then for a pit boss \$60,000.

5           In the Midwest it's very different. The  
6 Midwest, the dealers might make \$32,000, \$35,000 a  
7 year and can measure the people that supervise them  
8 --- it steps up from that. But dealers' jobs  
9 represent --- while they're an important factor, and  
10 tips are a very important factor in that, one of the  
11 things that we've done at Isle is to expand that  
12 because we have many employees who don't get tipped.  
13 Which is why we created the See, Say, Smile Program,  
14 which essentially becomes a company-sponsored bonus  
15 program, gratuity program to those individuals who do  
16 not receive a tip compensation, either by law or by  
17 practice.

18           I also want to be careful to make sure  
19 that we can't disrupt the already pay scale that is in  
20 place, in Nemaquin for employees. So I would share  
21 with you that I think that probably the food and  
22 beverage employees that will be employed by Isle of  
23 Capri will be consistent with what the current wage  
24 rates are with the Nemaquin Woodlands employees. I  
25 think that it's likely that the compensation for

1 casino employees will be more in line with that in  
2 other mid-western casinos more than it would be in  
3 Atlantic City or Las Vegas because the level of the  
4 gratuities would be lower for the dealers and those  
5 types of things. So I think we're ---.

6 MR. SOJKA:

7 That was where I was hoping that you  
8 would go, and that's sort of an industry piece of  
9 information that at a casino of this kind, even given  
10 the higher net worth of the overnight guests, the tips  
11 would likely be lower than they would be at these  
12 other places?

13 MR. PERRY:

14 Yes, they would.

15 MR. SOJKA:

16 Okay. That's important to know. Could I  
17 ask about benefits packages? Do they go to all  
18 employees whether they are full time or part time?

19 MR. PERRY:

20 They currently go to all full-time  
21 employees, but they do not go to part-time employees  
22 currently.

23 MR. SOJKA:

24 Then that raises the question about the  
25 400, is that FTE, or is that headcount?



1                   MS. MCDOWELL:

2                   Headcount.

3                   MR. SOJKA:

4                   Okay. So within that, not all of those  
5 people would receive benefits?

6                   MR. PERRY:

7                   275 is the number of full-time employees  
8 we're looking at. Of the 400, I would hazard a guess  
9 that about somewhere around 275 of those would be  
10 full-time employees. And then there would be ---  
11 well, 275 is the equivalent of the two employees. Of  
12 the mix, we'll probably see about 60 percent of total  
13 employees will be full-time employees and the rest  
14 will be part time. A lot of that depends, frankly,  
15 upon the --- there's an old saying in the gaming  
16 business, that 60 percent of your revenue comes from  
17 six o'clock on Friday night to six o'clock on Sunday  
18 night. And we got to be able to staff up to handle  
19 that.

20                   Now, in a resort casino, and that's a  
21 little bit of a different model because as you'll see  
22 in Las Vegas historically, there have been a lot more  
23 full-time employees because the number of customers  
24 that are generated in the hotel, the occupancies are  
25 much higher and they --- the spill over effect into

1 retail shops, restaurants and everything else is much  
2 higher. Different than the traditional convenience  
3 model casino, which is essentially a weekend place  
4 where people come on weekends and holidays.

5 MR. SOJKA:

6 Okay.

7 MR. PERRY:

8 So, I would tell you that about 60  
9 percent of our employees will be full time, is my  
10 guess.

11 MR. SOJKA:

12 That's a good number. We'll keep that  
13 one in mind. The issue of the lower household net  
14 worth in your area was addressed certainly very  
15 adequately by you folks when you talked about the  
16 camaraderie on the gaming floor. But Commissioner  
17 Angeli and I, as university presidents or past  
18 presidents, also are aware of a concept known as the  
19 town-gown interaction. In the past, Mr. Plummer, have  
20 you had any, any at all, incidents of friction between  
21 your guests and the surrounding community that might  
22 be written off to differences in lifestyle, or did  
23 Bentley's get bricks thrown at them or, you know ---?

24 MR. PLUMMER:

25 No, not that extreme. I couldn't sit

1 here in front of you and say that we've never, ever  
2 had an issue. We've had issues with ---.

3 MR. SOJKA:

4 Okay. Well, I mean, but you did have  
5 such things.

6 MR. PLUMMER:

7 We've had worse issues with the other  
8 echelon of the guests. I'll say to that is Nemaquin  
9 is open to the public. We operate currently many  
10 facilities, Wild Side, Hitching Post Saloon, the ski  
11 resort, where our target market is local and minimal,  
12 minimal, minimal problems when it comes to that.

13 MR. SOJKA:

14 Okay. I think we've touched that. We  
15 were told by one of the other Applicants the other day  
16 that gamers absolutely won't use shuttles. And you  
17 can't get people to your facility without shuttles.  
18 Do you just consider that a non-issue here?

19 MR. PLUMMER:

20 We have many successful amenities already  
21 at our resort that you have to use a shuttle for.  
22 Like I said in my testimony, when you come to  
23 Nemaquin, you want to park your car and you want to  
24 leave it there and you don't want to see it again.  
25 Our shuttle system is fantastic. And guests use it

1 regularly.

2 MR. SOJKA:

3 It's part of the culture there.

4 ATTORNEY KING:

5 And can I just add one other thing,  
6 Commissioner? That issue has been overblown. Many,  
7 at least one, if not two, of the other Applicants have  
8 completely exaggerated the distance. From Falling  
9 Rock, I mean, I've heard them say a mile, a mile and a  
10 half. It's just not true. It's about 3.8 miles  
11 between Falling Rock ---.

12 CHAIRMAN:

13 .38.

14 ATTORNEY KING:

15 I'm sorry, .38. That was good. I need  
16 to be clear, .38 between Falling Rock and the casino.  
17 And between The Château and that hotel property, it's  
18 .86. But as Chris said, look, if you have a 2,000-  
19 acre resort with a lot of amenities, that's what  
20 people are used to. Paul has one other comment.

21 MR. KELLER:

22 I would also point out that in Las Vegas  
23 people come, they park their car, they never see it  
24 again until they leave usually. And they'll go to 8  
25 or 10 or 15 casinos.

1                   MR. SOJKA:

2                   Okay. That's helpful. Do you have  
3 already existing special child programs? If people  
4 come with kids, can you put the kids in a program and  
5 they are ziplining and going to the zoo and  
6 everything, and you don't see them until dinnertime?

7                   MR. PLUMMER:

8                   Absolutely. Absolutely.

9                   MR. SOJKA:

10                  So you're telling me then that the  
11 problems we have in other places of things like kids  
12 in cars or kids being neglected by their parents isn't  
13 likely to happen here?

14                  MR. PLUMMER:

15                  We would love to take care of them with  
16 the Kid's Club Program.

17                  MR. SOJKA:

18                  Okay. How close are you to any of your  
19 residential neighbors? I'm curious about impact on  
20 churches, schools and so on.

21                  MR. PLUMMER:

22                  Sure.

23                  MR. SOJKA:

24                  Any nearby neighbors?

25                  MR. PLUMMER:

1           There is a church nearby. I hadn't heard  
2 any problems from them in the past. And I do know  
3 that they did submit a letter. There is minimal,  
4 minimal local housing. There's no real big  
5 developments. There's a couple of houses down the  
6 road. It's typical of Fayette County. It's sporadic  
7 housing all over the area.

8           MR. SOJKA:

9           So, you don't see yourself and your  
10 traffic and whatnot impacting a specific neighborhood?

11          MR. PLUMMER:

12          No.

13          MR. SOJKA:

14          Somewhat related to that question. Since  
15 you are not going to be a convenience casino but would  
16 be a destination casino, is it conceivable that you  
17 would deviate from the typical pattern of other  
18 Pennsylvania casinos and not be open 24/7?

19          MR. PERRY:

20          That's a great question for a guy that's  
21 been doing this for 30 years. And I would tell you  
22 that generally speaking the cost of opening and  
23 closing is greater than the cost of staying open.  
24 And so it has been my experience that you're probably  
25 better off staying open 24/7 than to open and close.

1 But clearly, there are --- you might limit the number  
2 of games available during the middle of January from  
3 four o'clock in the morning until eight o'clock in the  
4 morning because there's no demand. But generally  
5 speaking you're going to stay open, it's been the  
6 practice.

7 MR. SOJKA:

8 You could imagine where I'm going with  
9 that. I was thinking this might be one where it could  
10 impact our needs for staffing. But I suspect not.  
11 Okay. The issue of --- and this would be --- I'll let  
12 any of you folks try to answer this. You have  
13 projected revenues and you have projected tax revenues  
14 for the Commonwealth of Pennsylvania. Can I ask what  
15 percentages you used relative to slots income versus  
16 table income, to get that tax number? And I'll tell  
17 you in advance why I'm interested. And the reason I'm  
18 interested in this is I'm always interested in the  
19 Pennsylvania Horsemen. And the Horsemen have their  
20 name at the front of that Act, and they don't get  
21 money from the tables. They do from the slots.  
22 And so that number would be important to me.

23 MR. KELLER:

24 We do have that number, and it has been  
25 submitted with our reports. If you give us a moment,

1 Dr. Mumphrey will come up with them.

2 MR. SOJKA:

3 Okay.

4 ATTORNEY QUAGLIA:

5 I'm sorry, Commissioner, I was going to  
6 take this opportunity --- Ray Quaglia speaking. And  
7 I'm responding to a prior question. And I apologize,  
8 I forgot which Commissioner asked it, but we do have  
9 the diversity percentages for the employees.

10 MR. SOJKA:

11 Oh, good, thank you.

12 ATTORNEY QUAGLIA:

13 The employment consists of our ---  
14 employees can include 51.35 percent women, and 7.4  
15 percent minorities. And the minority percentage I  
16 will note is nearly twice the four percent minority  
17 population of Fayette County.

18 MR. SOJKA:

19 Do you think that that might improve with  
20 the opening of the casino, as you're going to be  
21 hiring people in the region, training your own people  
22 and whatnot? If you target that, could you get your  
23 numbers up?

24 MR. PERRY:

25 Let me address that issue. This has been



1 a practice in gaming for most of the time that I've  
2 been involved in gaming. The key to this success of  
3 this program is defining key leaders, female and  
4 minority leaders who will be in positions of  
5 responsibility that will change and improve the  
6 environment for all the employees within the facility.

7 I would suggest to you that in order for  
8 us to improve the statistic, we will need to identify  
9 some key minorities and key females who will be in  
10 positions of responsibility within the company, that  
11 will create an environment that will make it easier  
12 for us to attract minorities across the spectrum.  
13 And it's always been my experience that it's important  
14 that the minorities not only be the percentage, but  
15 they be in the percentage of leadership so that we can  
16 attract the employees to come up the funnel and give  
17 them the mentoring and support that they need to stick  
18 with the company because, frankly, in a 24/7 business  
19 that's service oriented, it can be brutal at times for  
20 that line employee. And very often if the individual  
21 doesn't have the support of somebody they see as a  
22 supervisor that can mentor them, they'll become a  
23 turnover statistic as opposed to a long-term employee.  
24 So the key statistic to improve this is going to be us  
25 identifying those levels of management to presume the

1 responsibility who are minorities who will help us to  
2 attract a greater base.

3 MR. SOJKA:

4 I would encourage you to continue to do  
5 that. And that's a good way to analyze things. If  
6 you're going to be marketing into the Midwest, or even  
7 out to the west coast, people are going to have to fly  
8 in. Do you have an established system to go get them  
9 with limos or do they have to rent cars? What do you  
10 do?

11 MR. PLUMMER:

12 We currently have a shuttle and car  
13 system fleet that is available for transport to and  
14 from the airport in Pittsburgh, or Morgantown, or  
15 Connellsville. And I'm sure Isle would --- as we get  
16 more and more, I'm sure ---.

17 MR. SOJKA:

18 And then your private plane people fly  
19 into your own air strip?

20 MR. PLUMMER:

21 Right.

22 MR. SOJKA:

23 Okay. But you would develop that limo  
24 and transportation thing?

25 MR. PLUMMER:

1           We currently have it now, but I'm sure  
2 there'll be an increased demand for that, and we will  
3 accommodate that.

4           MR. SOJKA:

5           Right. On problem gamers, you have an  
6 opportunity here because you're going to get a  
7 significant number of your people out of your own  
8 amenities in your own hotel. Would you routinely plan  
9 on screening names at point of sale or point of  
10 contact to make sure you're not picking up problem  
11 gamers?

12          MR. PERRY:

13          Well, we're clearly --- in most of the  
14 states in which we operate there is a problem gaming  
15 or disassociated persons where they will self declare  
16 or if they are --- have a problem gaming and then they  
17 --- we have a whole system within our marketing that  
18 will avoid us marketing to them. On occasion they  
19 slip through.

20          MR. SOJKA:

21          But again, most of our Licensees, when  
22 they do this, they do it through their Player's Club  
23 situation, which I'm sure that's what you're talking  
24 about. But you have another opportunity here. You're  
25 going to get a --- if you do this, you're going to get

1 an enhanced proportion of people, who are already  
2 contacting you and interacting with you through  
3 another amenity. If someone says I want to book a  
4 hotel room, would you think about running their names  
5 through our excluded list, or is that an invasion of  
6 privacy?

7 MR. PERRY:

8 Well, you know, I'm not a lawyer, so I'll  
9 stick away from what the invasion of privacy is. I  
10 will tell you that that question has not popped up to  
11 me, and I'm usually pretty good at anticipating  
12 questions. And I think it's a provocative thought,  
13 and we will talk about it.

14 MR. SOJKA:

15 Okay. That's a good enough answer. But  
16 I'm glad that you now are thinking about it. Because  
17 I think it gives you another opportunity. Boy, I'm  
18 getting very close to the end, so don't panic.  
19 This is not a facetious question. How close is your  
20 border to the border of the park for Fort Necessity,  
21 and does anyone consider that to be hallowed ground?

22 MR. PLUMMER:

23 It's just over a mile away, and I'm sure  
24 there are people that consider that. Okay. Four  
25 miles. I'm sorry.

1                   MR. SOJKA:

2                   Okay. Okay.

3                   MR. PLUMMER:

4                   And I'm sure there are people that  
5 consider that ---.

6                   MR. SOJKA:

7                   Have you heard any objections based on  
8 the proximity of the gaming facility to that?

9                   MR. PLUMMER:

10                  I have not, no.

11                  MR. SOJKA:

12                  Okay. For Commissioner Coy, you have a  
13 zoo, and you're calling it an academy. And you got  
14 animals all over the place. What about disposal? Do  
15 you --- are you in trouble with DEP? That's for Coy.

16                  MR. PLUMMER:

17                  We are fully sanctioned and we have the  
18 authority to run that zoo as a zoo. I mean, it is ---  
19 by the Department that is ---.

20                  MR. SOJKA:

21                  Do you dispose of the zebra and camel  
22 things on the property?

23                  MR. PLUMMER:

24                  Unfortunately, that is part of running  
25 the operation, yes.

1                   MR. SOJKA:

2                   Okay.

3                   MR. PLUMMER:

4                   From time to time.

5                   MR. SOJKA:

6                   All right. The liquor license, who's  
7 going to hold the liquor license for the liquor sold  
8 in the casino?

9                   MR. PERRY:

10                  Whoever the Pennsylvania Gaming Liquor  
11 Control Board tells us is going to hold the license.

12                  MR. SOJKA:

13                  Okay.

14                  MR. PERRY:

15                  We currently have a license for that  
16 facility. It's in the name of Nemaocolin. I get the  
17 initials confused but the Liquor Control Board, if  
18 they require us to get a license, then we'll get a  
19 license.

20                  MR. SOJKA:

21                  So there could be two separate ones on  
22 the property?

23                  MR. PERRY:

24                  Could conceivably, yes.

25                  MR. SOJKA:

1           Okay. And the final question. Why not  
2 2006? Why today? Was it just the table games or was  
3 it table games and the appearance of Isle of Capri, or  
4 are there reasons?

5           MS. MAGERKO:

6           Again, I mentioned that two of the table  
7 games and the partnership without --- but I did not  
8 put in there absolutely was the \$25 patronage fee. I  
9 mean, we just could not get our mind wrapped around on  
10 how to come up with the revenue numbers. Now, with  
11 Isle of Capri and again the amenities, even since  
12 2006, we've just exploded with amenities. And \$10 is  
13 so much different than \$25. So that truly, was the  
14 number one reason.

15           MR. SOJKA:

16           Okay. Next.

17           CHAIRMAN:

18           Let me just follow up on that. I guess  
19 I'm still perplexed. I mean, you did apply in 2006;  
20 correct?

21           MS. MAGERKO:

22           Yes.

23           CHAIRMAN:

24           And you knew the fee was \$25; correct?

25           MS. MAGERKO:

1 Yes.

2 CHAIRMAN:

3 Well, then, I guess my question is why  
4 did you apply --- I understand you go through a  
5 thought process and maybe thought you could get your  
6 mind around a \$25 and then subsequently thought that  
7 you could not. But again, that has been a puzzle with  
8 the Board.

9 MS. MAGERKO:

10 But like Mr. Perry was saying, you know,  
11 you could run numbers, and you run numbers and you do  
12 assumptions and you run numbers. And quite honestly,  
13 I thought when I really sat down and analyzed the  
14 numbers, many different numbers, I really, truly, deep  
15 down, did not believe that we were going to be able to  
16 hit the numbers.

17 Secondly, that is the time, at least in  
18 our business, and I hate to talk about 84, but the  
19 housing market started to really go off a cliff. And  
20 so I felt that that was not a good time to --- because  
21 then we'd have to invest all the money into the actual  
22 facility, which today we do not have to, Isle of Capri  
23 will.

24 MR. GINTY:

25 I have a question. Do you consider the



1 Greenbrier to be a competitor in the resort business?

2 MS. MAGERKO:

3 Very proud to say so.

4 MR. GINTY:

5 And would --- if you got a gaming  
6 license, would that kind of even things out right now?

7 Let me put it another way.

8 MS. MAGERKO:

9 Well, I'll be honest with you, I think  
10 we're above the Greenbrier, okay. And I mean that  
11 with all honesty. If you look at their occupancy, I  
12 mean, they suck right now. Their rate is at a \$59  
13 rate, they can't give rooms away. Again, and I agree  
14 with you in that their gaming facility is just doing  
15 terrible. So, yes, but to say that we have another  
16 amenity like the Greenbrier, or more than the  
17 Greenbrier, absolutely would give us a competitive  
18 edge.

19 MR. SOJKA:

20 Did you get the number on the slots,  
21 breakdown? Slots/table breakdown?

22 DR. MUMPHREY:

23 For table games we used --- for state  
24 taxes on table games we used 14 percent for the first  
25 five months of 2013, going to 12 percent for the rest

1 of the year. For slot machines for state, we used 51  
2 percent.

3 MR. SOJKA:

4 Right. But that's statutory. I want to  
5 know how much of your revenue is dependent on tables  
6 and how much of it is dependent on slots. That's the  
7 number I'm after. Those numbers are our numbers.

8 DR. MUMPHREY:

9 About one sixth is table and five sixths  
10 is slots.

11 MR. SOJKA:

12 Five sixths. Okay. Okay. So it is  
13 predominately a slots revenue operation with the  
14 normal percentage going to ---.

15 MR. GINTY:

16 Just to make sure I'm on the same page,  
17 for year three, whatever it is, you're saying your  
18 slot revenues are \$56.3 million? Is that the right  
19 number?

20 DR. MUMPHREY:

21 Yes, sir.

22 MR. GINTY:

23 And your tables are \$10.5 million?

24 DR. MUMPHREY:

25 Yes, sir.

1                   MR. GINTY:

2                   Is that the breakout you were looking  
3 for, Gary?

4                   MR. SOJKA:

5                   Yeah. I just want to make sure that it's  
6 not so heavily weighted toward tables that the --- on  
7 your projections at least that the Horsemen would be  
8 seriously disadvantaged.

9                   DR. MUMPHREY:

10                  No, the great proportion of money will  
11 --- of taxes will come from the slots, with the higher  
12 tax rate.

13                  MR. SOJKA:

14                  Thank you. That covers my concern and  
15 all my questions.

16                  CHAIRMAN:

17                  Commissioner McCabe?

18                  MR. MCCABE:

19                  I was wondering if he was going to ask  
20 that zoo question. Point of clarification, and maybe  
21 Commissioner Angeli or Coy can correct me if I'm  
22 wrong. But I think, in 2006 the \$25 limit was  
23 something that we as the Board just came up with as a  
24 number. I don't think it was statutory. And at that  
25 time we were talking about because of some of the

1 problems and issues surrounding \$25, we did talk about  
2 lowering that and making it \$10. And I think that's  
3 why the legislature finally did put it into the  
4 statute is because we were throwing then around the  
5 number \$10. So, it wasn't statutory back then, it had  
6 to be \$25. We just came up with it as a Board. We  
7 figured well, that's de minimis. If I can ask your  
8 PowerPoint person to put up the legislative intent  
9 slide. And while you're finding that, I just have a  
10 question, are you counting the Maggie Valley RV park  
11 in your room numbers?

12 MS. MAGERKO:

13 No.

14 MR. MCCABE:

15 Oh, okay. That's important for the next  
16 hearing. What I'm taking away from listening to your  
17 presentation is that you're proposing that you're  
18 going to do a resort casino. And what we heard  
19 yesterday were convenience casinos. I see here by  
20 this slide that the legislative intent is to further  
21 development of the tourism market throughout this  
22 Commonwealth, included but not limited to year-round  
23 recreational and tourism locations in the  
24 Commonwealth. But another part of the Act says the  
25 stated intentions of the Act is to generate a

1 significant source of new revenue, provide tax relief  
2 and create broad economic opportunities.

3           How is your --- if we give you the  
4 license, going to enhance the further development of  
5 the tourist market in Pennsylvania? And how does this  
6 philosophy differ from --- our concerns are, do we  
7 need to take into consideration that we have to  
8 generate --- find the Applicant that generates the  
9 most income, a significant source of new revenue for  
10 Pennsylvania? Or do we have to consider this?

11           ATTORNEY QUAGLIA:

12           Well, I would urge you, Commissioner  
13 McCabe --- and I'll refer you to the Board's language.  
14 All right. Well, I will ---. There it is, yes. In  
15 specific response to your question, Commissioner  
16 McCabe, I would note the Board's language at page 14  
17 of its reply brief in the Greenwood appeal to the  
18 Supreme Court. Which it dealt with the specific issue  
19 of how do you square the revenue on the one hand with  
20 the Cat 3 License on the other hand. And what the  
21 Board said there, was recognizing the general interest  
22 in generating revenue, the General Assembly's goals in  
23 creating the Category 3 Slot Machine License were not  
24 purely revenue driven. Rather the Act clearly  
25 indicates that Category 3 Licenses were created in an

1 effort to increase the flow of tourism into the  
2 Commonwealth.

3           And obviously as our presentation, which  
4 we tried to establish because we are a world-class  
5 tourist destination already, and will benefit greatly  
6 from the addition of the casino to our menu of  
7 amenities, we will by obviously generating more what  
8 I'll call true tourists to come to Nemaquin, to come  
9 to the Commonwealth, increase or serve the goals of  
10 the Act with respect to tourism.

11           ATTORNEY KING:

12           And can I just add one other thing?

13           ATTORNEY QUAGLIA:

14           He always has to clarify.

15           ATTORNEY KING:

16           I'm sorry. But the goals that we're  
17 looking at, increasing tourism and driving revenue,  
18 are not mutually exclusive. Because I think we've got  
19 to remember something here, by creating this new  
20 amenity at Nemaquin, we project a significant  
21 increase in patrons of our amenities, overnight  
22 guests, et cetera. Those tourists are going to come  
23 into the state. They're going to spend more money in  
24 the state. There's going to be more hotel room tax.  
25 There's going to be more sales tax. There's going to

1 be more income tax. So you are increasing revenue to  
2 the state. It may not be strictly because of the  
3 gaming tax, but overall you are increasing revenues.  
4 And you are also at the same time meeting this other  
5 goal of increasing tourism. That was the purpose of  
6 these two licenses.

7 MR. MCCABE:

8 One of the other things that I took away  
9 hearing testimony yesterday and today, is there are  
10 some people that alleged that the only way this type  
11 of license is going to be able to survive or profit is  
12 by the day travelers and bringing buses in. What are  
13 your thoughts about that? Because I did not see any  
14 bus parking in your parking lot for the casino, where  
15 yesterday it was everybody had bus parking. And that  
16 then goes also along with the line of cannibalization.  
17 We're being told that people will only drive 30  
18 minutes, 30, 60 minutes to go to a casino and not 200  
19 miles.

20 MR. PERRY:

21 A couple of comments there. There is  
22 some bus parking in our parking lot that is available  
23 next to the casino. Plus there are plenty of places  
24 for us to have buses parked should they --- at other  
25 locations on the Nemaquin grounds. I think that

1 you've identified this as kind of a fundamental issue  
2 that you're wrestling with, which is, yes, we are  
3 going to have to offer, I believe, in order to  
4 increase the number of day travelers to the resort to  
5 take advantage of a resort amenity, we're going to  
6 have to put packages together, for --- as I mentioned  
7 earlier, for the Elks Club from Johnstown, to come out  
8 and have a golf outing. Or for a group from a golf  
9 course in Baltimore, who are going to come up and go  
10 to the Nike School and take advantage of that. And  
11 we're going to give them some extra time to take  
12 advantage of the casino amenity. So clearly, we're  
13 going to have to market.

14                   My concern when I looked at this thing  
15 prior to our arrangement with Nemaocolin Woodlands, was  
16 as I looked across the spectrum of resorts in  
17 Pennsylvania, which resorts provided the most  
18 amenities to allow us to make that work. So, yes, we  
19 are going to have to identify groups. My point is, is  
20 that Las Vegas has proven over the years that people  
21 will travel more than 200 miles to go to a casino  
22 resort. They won't go over 200 miles, or more than  
23 likely, there is a casino in the eastern seaboard that  
24 was within 60 or 70 miles for a convenience gaming  
25 experience.



1           So, we've got to offer something more in  
2 conjunction with Nemaocolin Woodlands in order to  
3 comply with the intent of the Act, with the  
4 legislation and the goals of this Commission. And in  
5 order to be successful to comply with everything that  
6 you are mandating to us, you have to have a resort  
7 with a casino. It can't work the other way around.

8           MR. MCCABE:

9           So, you're going to have bus trips from  
10 D.C., from Baltimore, from surrounding areas coming  
11 in. How are you going to set up your membership? Are  
12 they going to be able to buy one membership? If I'm  
13 from northern Virginia and I want to come up to your  
14 place and gamble, am I going to only pay \$10 one time  
15 and then get a month membership, or are you going to  
16 have different levels?

17           MR. PERRY:

18           We've had discussions with staff about  
19 this. We have not come to any definitive agreement.  
20 And yesterday it was clear to me that this membership  
21 issue is at the discretion of the Commission. It's  
22 not something that we can unilaterally do.

23           MR. MCCABE:

24           That's where I was going to go with it.  
25 I think it's something we have to discuss too then.

1                   MR. PERRY:

2                   I believe that what we've heard, as part  
3 of this discussion, that they're looking for a  
4 commercially-reasonable rate for, quote, the pass.  
5 So, what I would argue is that you can't offer a \$10  
6 pass to use the paddleboats at a casino and then  
7 expect that that's going to get you three months, or  
8 90 days, or a year's worth of free entrance to the  
9 casino.

10                   But I do think that you can have passes  
11 to a health club, which has been a tradition. You can  
12 have passes to a golf course. You can have passes to  
13 a variety of other amenities, which will fit into what  
14 you determine is this commercially-reasonable rate,  
15 which we're going to have to work with the staff in  
16 order to be able to make it work. But it's not going  
17 to be a \$10 fee to get free access for a year.  
18 I mean, that is not what I believe the intent of the  
19 whole concept of the pass was.

20                   MR. MCCABE:

21                   I just have a couple more, I think. One,  
22 have you considered or talked about, are you going to  
23 allow the resort workers to gamble at the casino?

24                   MR. PERRY:

25                   General practice in our --- at Isle of

1 Capri is that employees of the company can't gamble at  
2 the casino that we operate.

3 MR. MCCABE:

4 Okay. But that's --- right. From  
5 everything I've read ---.

6 MR. PERRY:

7 We have not discussed that at that will  
8 be something we have to resolve.

9 MR. MCCABE:

10 Yeah, because the employees at the resort  
11 are employees of Nemaquin, and the people at the  
12 casino are Isle of Capri?

13 MR. PERRY:

14 Yeah, I would think that ---.

15 MR. MCCABE:

16 So that's just something I wanted to  
17 point out.

18 MR. PERRY:

19 Yeah, I would think that it's probably  
20 going to be our recommendation to Nemaquin that they  
21 not allow their employees to gamble at the casino.

22 MR. MCCABE:

23 And then probably finally, from my  
24 reading of a lot of this material, it appears to me  
25 that with the fear of 84 Lumber and Nemaquin, if both

1 of them --- I was going to say if something bad like  
2 --- but if they both went bankrupt, from what I'm  
3 reading, Lady Luck can keep on operating because  
4 you're putting in all the money for the casino, \$55  
5 million. You're going to have the lease to the  
6 property. You're going to be running the casino, so  
7 in essence they could fail and this casino could still  
8 be running?

9 MR. PERRY:

10 I think that I sat on my hands while the  
11 lawyers explained all the lawyerly stuff. I will tell  
12 you as a practical matter, whoever are the lien  
13 holders on, whether it's Nemaocolin Woodlands or  
14 whether it's the Lady Luck Casino at Nemaocolin, it  
15 will be in the interest of the lien holders to do  
16 everything they can to keep the facilities open and  
17 operating and as commercially viable as they possibly  
18 can while the lawyers and the accountants go sit in  
19 the room and figure out who owns what.

20 MR. MCCABE:

21 That's one of our concerns is to make  
22 sure that if we give a license to somebody that that  
23 license will be viable financially and suitability,  
24 and will keep running.

25 MR. PERRY:

1                   And I'm not an expert in the law. I  
2 don't know what the likelihood would be, but it would  
3 seem to me that Nemaocolin would have to continue to  
4 operate for the resort license to be operative.

5                   ATTORNEY KING:

6                   And I would just say, you know, we  
7 submitted very early on in this process a management  
8 agreement well over 200 pages long. That issue is  
9 addressed in there and the whole idea is to keep the  
10 facility operating no matter what.

11                  MR. MCCABE

12                  And I think that's about it. And I also  
13 would like to echo, and I think we all do up here,  
14 what Commissioner Coy said about the Hardys and  
15 Nemaocolin. Thank you.

16                  CHAIRMAN:

17                  I have two quick questions. You're 62  
18 percent occupancy rate that I think I heard you say  
19 that was an average of the last three years. Was that  
20 right or was that last year's?

21                  MR. PLUMMER:

22                  No, that's current where we're at right  
23 now.

24                  CHAIRMAN:

25                  All right. And what facilities are

1 encompassed in that 62 percent? Is that falling ---?

2 MR. PLUMMER:

3 Everything. The entire room count of the  
4 resort.

5 CHAIRMAN:

6 Then give me what that room count is.

7 MR. PLUMMER:

8 The Château, Falling Rock, the lodge, the  
9 townhomes, the luxury homes, and the RV park would be  
10 a small, small percentage of that on that.

11 CHAIRMAN:

12 I thought we said the RV park wasn't  
13 included in that?

14 ATTORNEY KING:

15 No. No. The RV park is not included at  
16 all.

17 CHAIRMAN:

18 Okay. And how many rooms in those four  
19 facilities that you just named, give me a rough  
20 estimate?

21 ATTORNEY KING:

22 There's 322 total. There's 44 in Falling  
23 Rock. There's --- give us one second. I apologize.

24 CHAIRMAN:

25 That's okay. Let me ask you my last

1 question then while we're getting that information.  
2 Is it your intent when you open the casino, if you get  
3 the license, open the casino next September, that you  
4 will open both the slots and table games at that time?

5 MR. PERRY:

6 Given the ability of the Board staff to  
7 support that, yes, absolutely.

8 CHAIRMAN:

9 Okay.

10 ATTORNEY KING:

11 All right. Let me come back.

12 CHAIRMAN:

13 Yep. Let's start with the total, Mr.  
14 King, and then just break down.

15 ATTORNEY KING:

16 You're total, and this is excluding 20 RV  
17 spaces, is 322. The rooms in the main building, and  
18 that's The Château, The Lodge, and I think someone ---  
19 we call it The Château and Lodge, is 221. In Falling  
20 Rock, there are 42. We then have townhouses and  
21 villas, and I want to make a point that we did not  
22 break these down by rooms. Arguably, we could have,  
23 but we treated them as almost a separate room. Even  
24 though they have separate bedrooms, we're at 54. And  
25 we also rent five luxury houses.

1           And again, those townhouses and villas  
2 and houses are for families and groups that literally  
3 want to live together while they're on the resort.  
4 And again, we didn't break those down into bedrooms,  
5 we treated them as a room. And then, so if you add  
6 all that up, 221, 42, 54 and 5. You get the 322.

7           CHAIRMAN:

8           Great.

9           MR. MCCABE:

10           Adrian, just a second. How many rooms  
11 did you say are the Château?

12           ATTORNEY KING:

13           The Château and that whole building that  
14 wraps around the back is 221.

15           MR. MCCABE:

16           Yeah, we have 124 --- 224. Well, The  
17 Lodge has 97.

18           ATTORNEY KING:

19           Right.

20           MR. MCCABE:

21           Okay. So you add those two up and that  
22 gets ---. Thank you.

23           CHAIRMAN:

24           Okay. All right. Thank you. Any other  
25 questions? We're going to take a ten-minute break and



1 we will call in at that time Washington Trotting  
2 Association for their contest.

3 SHORT BREAK TAKEN

4 CHAIRMAN:

5 Thank you. At this time I see that we  
6 have representatives from Washington Trotting  
7 Association, who is the contesteer and intervenor in  
8 these proceedings, present at the front table. And if  
9 everyone who is presenting evidence for Washington  
10 Trotting Association could please stand to be sworn  
11 in, appreciate that.

12 -----

13 WITNESSES SWORN EN MASSE

14 -----

15 CHAIRMAN:

16 Mr. Paulos, I'd ask that you first  
17 identify yourself for the record, spell your name and  
18 then you can begin your testimony. And we're giving  
19 intervenors 15 minutes to present their case. If you  
20 don't need 15 minutes, you get extra points.

21 MR. PAULOS:

22 I'm afraid I'm about 16.

23 CHAIRMAN:

24 All right. Go ahead. You get demerits  
25 then.

1                   MR. PAULOS:

2                   Bill Paulos, president of WTA, owner of  
3 Cannery Casino Resorts. P, as in Peter, A-U-L-O-S as  
4 in Sam. But I don't have any commercials, so we're  
5 good. Good morning, Mr. Chairman, Members of the  
6 Commission. Thank you for allowing me to participate  
7 in today's hearing.

8                   In the past few months there has been  
9 much discussion about the viability and value of  
10 granting a Category 3 License to Nemaocolin. I'm here  
11 today to provide factual and current market data.  
12 I also will provide statistical data that shows why  
13 this location will not provide the Commonwealth and  
14 its citizens with any significant or meaningful  
15 incremental income in growth in jobs to the state,  
16 producing incremental gaming taxes.

17                   Nemaocolin has based its proposal on very  
18 specific and aggressive financial projections for its  
19 proposed casino. We all know that financial  
20 projections are, at best, nothing more than an  
21 educated guess. They're always wrong by some measure,  
22 and often wrong by a long measure and particularly  
23 vulnerable in today's challenging economic and  
24 competitive environment. Gravity models are widely  
25 used to calculate these projections. These models are

1 always supported by a series of assumptions, but  
2 should not be relied upon in preference of actual  
3 data. The experience of gravity models in the past is  
4 that they have been inaccurate. Especially when  
5 talking about southwestern Pennsylvania.

6           For example, using the gravity model slot  
7 revenue at The Rivers Casino in Pittsburgh was  
8 projected to be \$362 million in its first year of  
9 operations. Yet, it only achieved \$223 million,  
10 barely 60 percent of that projection.

11           On the other hand, The Meadows Casino was  
12 projected to generate \$237 million in its first year  
13 of permanency. And it exceeded \$274 million, or 16  
14 percent higher than estimated.

15           However, the concerning fact to that is  
16 that the combined total results of The Rivers and  
17 Meadows Casinos were \$500 million compared to combined  
18 projected market of \$600 million are only 80 percent  
19 of that projection. An error that resulted in a  
20 significant shortfall.

21           These lower than expected revenues should  
22 be a concern as you examine how Nemacolin will fit  
23 into this increasingly competitive marketplace.  
24 Nemacolin projects gaming revenues in 2012, or first  
25 year, of \$68 million. Of that amount, \$22 million is

1 derived from guests at its accommodation facilities or  
2 at other hotel/motels in the surrounding areas. The  
3 remaining \$46 million is from day visitors, and has  
4 been calculated using that gravity model. A model  
5 that makes a number of key assumptions that are  
6 without the benefit of actual data or the performance  
7 of other area casinos real time and up-to-date.

8           They also seem to ignore critical facts,  
9 such as the ever increasing competition, and its  
10 impact on proposed operations, today's economic  
11 environment and the maturation and saturation of the  
12 local market in their projections. The key  
13 assumptions underlining Nemacolin's projections are  
14 that revenue earned from customers residing in tri-  
15 state and western Maryland areas by southwestern  
16 Pennsylvania casinos will grow \$17 million due to the  
17 opening of Nemacolin Casino.

18           Two, the dilution of The Meadows and  
19 Rivers will be approximately one percent of their  
20 gross revenues, or only about \$6 million. An  
21 aggressive \$24 million or 51 percent of their day  
22 visitor revenue will be generated from guests  
23 traveling an average of seven hours or more roundtrip.

24           Let me take just a few minutes to break  
25 each assumption down. A key assumption is that

1 Southwestern Pennsylvania market had significant  
2 potential to grow beyond what is today the addition of  
3 a new casino. In the year ended June 30th, 2010, the  
4 southwest Pennsylvania market defined as Meadows,  
5 Rivers, Wheeling Island and Mountaineer generated \$758  
6 million in slot revenue compared to \$620 million in  
7 2009. An increase of 22 percent. This is a modest  
8 increase when we consider the factors. Number one,  
9 the opening of Rivers in August of '09 and the first  
10 full year of Meadows' permanent complex compared to  
11 only two and a half months in '09. And those casinos  
12 were established with over a billion dollars of  
13 investment with an increase in slot product of 4,500  
14 units were 70 percent greater than the prior year. In  
15 addition, the year on year dilution to The Meadows  
16 slot revenue followed by the opening of The Rivers was  
17 more than 20 percent. Since June of '07, Wheeling is  
18 down 36 percent, and Mountaineer is down 30 percent,  
19 resulting in limited real growth.

20 By analyzing the actual performance of  
21 the marketplace, it is clear that the reported \$50  
22 million total investment at the proposed facility will  
23 not generate any measurable, incremental revenue in  
24 the marketplace. Nemaquin seems to agree with this  
25 analysis. Mr. Nobers, a spokesperson for the

1 Nemacolin Resort, in Adams County the other day is  
2 quoted as saying, quote, we are saturated, but so is  
3 Gettysburg. Mr. Plummer, general manager of the  
4 Nemacolin Resort stated, we don't envision our guests,  
5 if we get a license, coming here to gamble. With our  
6 competitors they're proposing a destination casino.  
7 We're different because we are already established.  
8 We're not making an effort to attract gamblers, end  
9 quote.

10                   This being said, one of the  
11 qualifications of the research firm of TMG, hired to  
12 do the gravity models for Nemacolin, they put this  
13 caveat on the report. The numbers might be attained  
14 if Nemacolin Casino is of the quality comparable to  
15 The Meadows, with a marketing plan of superior quality  
16 and scope. A daunting requirement, within a \$50  
17 million investment at a point when we are talking  
18 about just the casino amenity, not the entire resort.  
19 Last year, The Meadows spent over \$22 million in  
20 marketing. That doesn't count an additional \$56.5  
21 million in free play for its guests, to attract  
22 players.

23                   Let's turn to Nemacolin's second  
24 assumption underlying the financial models projections  
25 and assume a one percent decrease in Meadows gross

1 revenue. For the year ended September 30th, 2010, The  
2 Meadows gaming revenues totaled \$257 million.  
3 Consequently, Nemaocolin is suggesting that only \$2.6  
4 million of its gaming revenues will be generated from  
5 existing Meadows customers. I refer to the maps that  
6 you have in front of you and on the board. They  
7 highlight that in the past year, and this is current  
8 real time information, The Meadows generated more than  
9 \$58 million annually in gaming revenues from customers  
10 who live in zip codes wholly or partially within a 60-  
11 minute drive from Nemaocolin. Of that, \$22 million  
12 comes from Fayette County zip codes alone.

13               Well, I'm not going to speculate on what  
14 level of dilution for The Meadows would actually be.  
15 Common sense and rational thought clearly leads one to  
16 seriously doubt it would be only one percent. Among  
17 one of the many ramifications in loss of revenues at  
18 The Meadows is significant to the Commonwealth and its  
19 residents. As we all know from the events of the past  
20 few years, the loss of revenue to The Meadows has,  
21 without option, but to translate to the reduction in  
22 the total number of employees.

23               The Meadows is well known for paying  
24 attractive wages and benefits to its employees. As an  
25 example, we were told by the senior recruiting manager

1 at Nemaocolin that the current starting pay for a food  
2 server is \$2.83 per hour net, plus tips, while The  
3 Meadows entry-level pay for a food server is \$7.58 net  
4 plus tips. The Meadows does not pay below the \$7.25  
5 per minimum hour wage for any position at its casino.  
6 When looking at these net affective job losses at The  
7 Meadows, consideration should be given to the quality  
8 of the jobs lost. Our dealers, because of the higher  
9 than average pay that we give hourly, are right now  
10 making between \$43,000 and \$46,000 per year.

11                   Loss of revenue at The Meadows also  
12 directly impacts the contribution made to the  
13 Horsemen. Intended beneficiaries of legislation  
14 introducing casinos in PA. The casinos have been  
15 carrying the water when it comes to that portion of  
16 the law. The law has a provision where all casinos  
17 share in those taxes. However, if there is less money  
18 made at the racinos, that means there is less money to  
19 be sent on the track and the back side. More gross  
20 accretive revenues means more benefits for the  
21 Horsemen. We're certainly on the Commonwealth's side  
22 when it comes to choosing the Applicant who provides  
23 the highest incremental income.

24                   Let's look at Nemaocolin's third  
25 assumption, perhaps the area of greatest concern and



1 flaw in logic in their proposal. Nemaocolin's 2012  
2 projections rely on achieving \$24 million or 51  
3 percent of their total drive-in revenue projections  
4 from day visitors traveling from areas that require at  
5 least seven hours roundtrip, outer day trip market.

6           Let's break that down, this is someone  
7 willing to drive a minimum of three and a half hours  
8 to partake in one of the amenities at Nemaocolin, one  
9 of the many amenities at Nemaocolin, play in their  
10 facility and then drive back a minimum of three and a  
11 half hours. Now, otherwise they stop at a motel along  
12 the way, but that doesn't normally happen. That's all  
13 with passing other full service gaming facilities  
14 along the way.

15           But basing your financial model and,  
16 indeed, your financial success on more than one half  
17 of your non-registered hotel guests' gaming revenue on  
18 folks traveling a minimum of seven hours to come to  
19 you, when they have multiple options of comparable  
20 casinos much closer to home, is unrealistic at best.  
21 To put Nemaocolin's estimate in perspective with real  
22 time data, The Meadows generates \$7.3 million or less  
23 than a third of that amount estimated by Nemaocolin  
24 from these outer markets. Only 2.9 percent of our  
25 gaming revenues are derived from customers with seven

1 hours or more in drive time. And the majority of this  
2 amount is coming from Ohio, soon to host its own  
3 casinos.

4           The Rivers reported to us, again, real  
5 time data, that only ten percent of their machine  
6 revenue comes from visitors living six hours or longer  
7 roundtrip. That including visitors staying in  
8 Pittsburgh area hotels that visits the casinos. So,  
9 that's approximately \$22 million including all casino  
10 hotel guests in the Pittsburgh area, or less than one  
11 half the outer market drive-in and overnight guest  
12 gaming revenues proposed for Nemacolin, which is \$45.6  
13 million.

14           Based on our years of experience at The  
15 Meadows and in other markets --- I'm a little older  
16 than the Chairman of the prior company. I've been  
17 doing this for 43 years. In addition to The Rivers,  
18 the likelihood of Nemacolin actually attracting the  
19 projected \$24 million from revenue of day visitors,  
20 seven hour trips, is remote in the extreme. An  
21 argument was made by Nemacolin that we should have  
22 expected competition because of past Category 3  
23 License applications and can now not claim harm. I'd  
24 like to quickly respond to this argument, because it  
25 is very relevant to the proposal before the

1 Commission.

2 I believe in competition. It's the  
3 nature of the business. We're in the highest, most  
4 highly contested market in the country and the locals  
5 market in Las Vegas. We do very well. However, I do  
6 not believe in competition at the expense of local  
7 government, local economy and local citizens.

8 When we were in the process of acquiring  
9 The Meadows, we absolutely accessed the Category 3 law  
10 and realized that in its form it posed no serious  
11 economic threat. That was a time when many also  
12 thought that western Pennsylvania's market was \$1  
13 billion prior to the unfortunate economic downturn  
14 that has affected all Americans.

15 Subsequent changes to the Category 3  
16 Licenses saw a reduction of minimum spend requirements  
17 for day visitors to be considered patrons of the  
18 resort. And now, we're considering memberships.  
19 Increased gaming machines from 500 to 600, and the  
20 introduction of table games necessitating the  
21 marketing to locals, instead of the original intent of  
22 the law, which was to increase tourism business.

23 In an article in the Pittsburgh Tribune  
24 Review on November 29th, '06, Doug Harbach, spokesman  
25 for the Control Board at the time, was quoted as

1 saying, the Board is very clear on what the intention  
2 of the legislature was. That was to provide a  
3 recreational facility that was an additional amenity  
4 at the resort, not a freestanding facility off a  
5 highway. On February 9th, 2006, the Post Gazette  
6 described the former Route 40 outdoor store as an  
7 Adirondack-style building passed the entrance to  
8 Nemaquin and away from the heart of the resort. The  
9 closest overnight lodge is the upscale Falling Rock  
10 that's closed four months of the year and has 42  
11 rooms.

12                   To be quite frank, the law was designed  
13 for the Category 3 resorts to operate differently than  
14 the tracks or the standalone casinos. Unfortunately,  
15 the line between them is being erased. I do not  
16 question the right of the legislatures to make changes  
17 they deem appropriate. However, the fact is that  
18 today's reality is quite different than five years  
19 ago. And clearly these changes have found favor with  
20 Nemaquin.

21                   Contrary to all economic and market  
22 indicators, it has reapplied for a license with a much  
23 higher gaming revenue projection than it had in its  
24 original application four years ago. Nemaquin slot  
25 projections in 2006 were just \$34.5 million during one

1 of the most robust economic periods in our history.  
2 Presently Nemaocolin is projecting \$58 million in slot  
3 revenues, a 65 percent increase during one of the  
4 worst economic periods in our history, during the most  
5 challenging time in history for the gaming industry  
6 and during the ever intense vying competition for the  
7 casino dollars with two neighboring states recently  
8 legalizing casino gaming.

9           Very simply put the only hope Nemaocolin  
10 has to even come into the ballpark of its revenue  
11 projections is to actively market to the existing  
12 customers of The Meadows and Rivers Casino. Their own  
13 study suggests that. Again, I do not argue against  
14 competition, however, in this case, it is abundantly  
15 clear from looking at the actual real time data that  
16 awarding the remaining Category 3 License to Nemaocolin  
17 is not in the best interest of the Commonwealth  
18 because it would not generate the largest incremental  
19 increase of revenue for the Commonwealth.  
20 And that's what we're talking about, incremental  
21 increase. It will not bring in significant new  
22 dollars, rather it will take gaming dollars already in  
23 the area. Let me close by thanking you for letting me  
24 be here.

25                           CHAIRMAN:

1 Thank you, Mr. Paulos. Questions from  
2 the Board? Commissioner Sojka?

3 MR. SOJKA:

4 I'll just go back to my usual horseracing  
5 question. Again, I just want to make sure I'm  
6 understanding the situation. I understand why you  
7 made your argument the way you did, because you're  
8 making the argument that there would be no incremental  
9 increase due to opening Nemaquin. But if there is  
10 incremental increase in slots play, the Horsemen  
11 benefit regardless of whether that's at a racino, a  
12 Category 2 or a Category 3; right?

13 MR. PAULOS:

14 Absolutely. And that's why --- sir?

15 MR. SOJKA:

16 I just want to make sure we're  
17 understanding you.

18 MR. PAULOS:

19 And that's why I said I'm 100 percent  
20 behind your decision to choose the company that  
21 provides the highest incremental income ---

22 MR. SOJKA:

23 Right.

24 MR. PAULOS:

25 --- to the state, because it benefits us

1 all. There's absolutely no question.

2 MR. SOJKA:

3 From that perspective, incremental income  
4 is all that really --- incremental income on slots is  
5 all that matters, not what kind of a facility it is.

6 MR. PAULOS:

7 That's right.

8 MR. SOJKA:

9 Yeah.

10 CHAIRMAN:

11 Commissioner Ginty.

12 MR. GINTY:

13 Your position is that the legislation  
14 requires us to look at the Applicant that's going to  
15 provide the most incremental income to the  
16 Commonwealth?

17 MR. PAULOS:

18 That's what I would think we would be  
19 doing here, yes. Is what is absolutely best for the  
20 Commonwealth and who provides the most incremental  
21 income for the state.

22 MR. GINTY:

23 What happens to tourism and the other  
24 parts of that language?

25 MR. PAULOS:

1           That's a very good question. And tourism  
2 is great, and Nemaocolin, listen, is a fine resort.  
3 I've stayed there. It's a terrific place. However,  
4 if you look at the numbers, they're running a 65  
5 percent occupancy. Now, I didn't know how many rooms  
6 they had until today. But if you just do it in your  
7 head, okay, they're saying they're going to increase  
8 their occupancy by 20 percent. If they do, that's 60  
9 rooms per night. That is not a windfall to the state  
10 in tourism, sir. I'm sorry. I mean, it is what it  
11 is. And when we look at that, it really is a drop in  
12 the bucket.

13           MR. MCCABE:

14           I'd like to follow-up.

15           MR. PAULOS:

16           And when you're talking about there's  
17 a --- and I didn't study the other guys that presented  
18 yesterday. All I know is one has a 900-room hotel.  
19 Okay. Now, I have no idea if it's a resort, I've  
20 never been there, so I make no judgment. But when  
21 you're talking about numbers and you're talking about  
22 tourism, okay, the larger the facility, that's where  
23 your tourism --- and your tourism is based upon truly  
24 an overnight stay.

25           MR. MCCABE:



1 Can I ask you this, sir?

2 MR. PAULOS:

3 Yes, sir.

4 MR. MCCABE:

5 You were using facts, numbers, figures.

6 Before The Meadows opened up down in Washington

7 County, ---

8 MR. PAULOS:

9 Yes, sir.

10 MR. MCCABE:

11 --- how many hotels were there?

12 MR. PAULOS:

13 I'm better at how many rooms, if you  
14 don't mind.

15 MR. MCCABE:

16 Okay. How many rooms?

17 MR. PAULOS:

18 Okay. We had ---.

19 MR. MCCABE:

20 This is before you opened.

21 MR. PAULOS:

22 Before we opened there were about 200  
23 rooms. No, I'll take that back. There were 300  
24 rooms.

25 MR. MCCABE:

1 Now how many?

2 MR. PAULOS:

3 We've got 700.

4 MR. MCCABE:

5 Okay. So do we equate that --- that  
6 means that tourism has increased because of your  
7 presence down there? Where they've built more hotels,  
8 more hotel rooms?

9 MR. PAULOS:

10 How could you not? No, the truth of the  
11 matter is yes. But it's combined, quite frankly,  
12 okay, with everything else that's happened in  
13 Washington County. Okay. It's not just us. Listen,  
14 the hotel rooms right now, and to be completely  
15 honest, are full because of the Marcellus Shale.  
16 Okay. That's where they are. They're full there.  
17 Now, we're in the process of trying to acquire a  
18 facility there. So, yeah, there is no question about  
19 it, more people are coming into the state. But you've  
20 got to increase the base.

21 CHAIRMAN:

22 Okay. Commissioner Ginty.

23 MR. GINTY:

24 How were your revenues impacted with the  
25 opening of The Rivers?

1                   MR. PAULOS:

2                   We have --- since The Rivers opened, we  
3 have been impacted 20 percent to the negative, sir.  
4 And then the other two facilities in that southwestern  
5 marketplace, Mountaineer is down 32 percent and  
6 Wheeling is down 38 percent.

7                   CHAIRMAN:

8                   Other questions? Commissioner Trujillo.

9                   MR. TRUJILLO:

10                  If in fact our only goal was to increase  
11 incremental revenue, who would you pick?

12                  MR. PAULOS:

13                  I didn't study the other Applicants  
14 because it's not my --- quite frankly, none of my  
15 business. You know, you have a very difficult chore  
16 ahead of you and a difficult decision. And you know,  
17 listen, we're your partners. I paid \$66-and-a-half  
18 million to be your partner, sir, and invested over a  
19 half a billion dollars to be your partner. So, I'm  
20 going to trust that you're going to make the right  
21 decision and I'll back you up 100 percent.

22                  CHAIRMAN:

23                  Mr. Sojka, do you have a question?

24                  MR. SOJKA:

25                  No.

1                   CHAIRMAN:

2                   No. Any other questions? Thank you very  
3 much, Mr. Paulos.

4                   MR. PAULOS:

5                   Thank you.

6                   CHAIRMAN:

7                   If I could have Woodlands Fayette to come  
8 up and you'll get 15 minutes to respond to Washington  
9 Trotting. And just for purposes of how this is going  
10 to roll out, we will then have our Enforcement Counsel  
11 folks come up and do their presentation. Then  
12 Nemaocolin will get a final chance to respond to them  
13 and make a closing statement. Hold on, he'll get you  
14 --- pick a microphone and he'll get you squared away.

15                   ATTORNEY QUAGLIA:

16                   Thank you, Mr. Chairman. We're going to  
17 call one witness on rebuttal and that would be Mr.  
18 Perry.

19                   MR. PERRY:

20                   Mr. Chairman, Members of the Commission  
21 and members of the staff, really, I agree with Mr.  
22 Paulos about one thing, and that is you have a very  
23 difficult decision to make. And I trust that you'll  
24 make a decision that's in the best interest of the  
25 citizens of Pennsylvania.

1           Just as a matter of fact, we have put a  
2 schedule up on here which talks about the distance and  
3 driving time between The Meadows Casino and Nemaquin,  
4 between the Eisenhower Inn in Gettysburg, between the  
5 Holiday Inn in Mechanicsburg and Hollywood Casino, and  
6 between Fernwood and Mount Airy. Clearly, you know,  
7 we are one hour and 11 minutes from The Meadows  
8 driving distance travel time. I think these numbers  
9 come from Google Maps. I have never made it in that  
10 time, but I always get lost. The Eisenhower Inn is  
11 interstate, I think, pretty much all the way between  
12 Gettysburg and the Holiday (sic) Casino, as well as  
13 the Holiday Inn in Mechanicsburg.

14           This whole issue of cannibalization, I  
15 think Mr. Paulos is acting as he should, in his  
16 company's best interest, to be his advocate for why he  
17 would oppose the granting of a resort license to  
18 Nemaquin Woodlands. He made a comment about the  
19 projections, and I emphasize to you today that I think  
20 that all the projections people are dealing in a time  
21 here of very difficult because nobody really knows the  
22 impact. And I acknowledge that.

23           I will say that Mr. Mumphrey did put up a  
24 slide earlier where he --- or Dr. Mumphrey, excuse me,  
25 put up a slide earlier where he was pretty accurate on

1 what was going to happen at Parx and also another  
2 casino in Philadelphia. There's no doubt that the  
3 testimony that Mr. Paulos made really reemphasizes  
4 this point, that we have to deal with this issue of  
5 resort license versus a convenience license. And  
6 that's a point that's near and dear to my heart. He  
7 questions on one hand our ability to generate the  
8 revenue, and then he on the other hand questions our  
9 ability to take all of his business. I don't think he  
10 can have it both ways. We are committing \$50 million  
11 to an investment because we believe in Nemacolin  
12 Woodlands, and we believe in this project.

13 ATTORNEY QUAGLIA:

14 Thank you, Mr. Perry. And we just have  
15 one other point to make from a legal perspective, Mr.  
16 Chairman. And that --- well, two points, I guess.  
17 One is obviously that TMG consulting to Commissioner  
18 Trujillo's point, does, in fact, project that  
19 Nemacolin would make the most --- bring the most  
20 incremental new tax revenue to the state. But even if  
21 that were not the case, the argument Mr. Paulos has  
22 made is virtually identical to the argument that  
23 Gettysburg made against the Valley Forge Casino. With  
24 the distinction that Gettysburg had a much stronger  
25 case than The Meadows because they were probably half

1 the distance. And when the Board addressed  
2 Gettysburg's argument on appeal to the Supreme Court,  
3 they said to the Chief Counsel, it cannot be denied  
4 that Category 3 Slot Machine Licenses were designed to  
5 increase the flow of tourism at well-established  
6 resort hotels in the Commonwealth, and in turn boost  
7 said businesses and related ancillary services. As a  
8 result, any argument attacking their financial impact  
9 on nearby casinos is unpersuasive.

10 MR. MCCABE:

11 By reading that then ---.

12 ATTORNEY QUAGLIA:

13 I'm sorry. I'm sorry, Commissioner, I  
14 have been misspeaking. I've said Gettysburg when I  
15 meant Greenwood.

16 MR. MCCABE:

17 Okay. But still reading that makes me  
18 now --- do we have to consider which Applicant will  
19 increase their number of visitors? The flow of  
20 tourism at well-established resort hotels. The way  
21 I'm reading that is that that's the purpose, is to  
22 increase tourism at that resort hotel; am I ---?

23 ATTORNEY QUAGLIA:

24 I agree with your sediment, Commissioner  
25 McCabe. I don't know that it's as black and white as

1 that.

2 MR. MCCABE:

3 Okay.

4 CHAIRMAN:

5 Other questions? Mr. Ginty?

6 MR. GINTY:

7 Would this --- in our consideration of  
8 all the Applicants, would this statement, in your  
9 opinion, apply to our consideration of Fernwood's  
10 Application as well?

11 ATTORNEY QUAGLIA:

12 I'm not familiar with the specific  
13 details of the challenges to Fernwood, Commissioner  
14 Ginty. I submit that at some level the detrimental  
15 impact would be such that the Board would be remiss  
16 not to consider it. But as a general matter and  
17 particularly where we're dealing here with a facility  
18 that is well over an hour away by car. That the  
19 principle being that you're not trying to parse impact  
20 at that distance consistent with what the statute  
21 requires.

22 MR. GINTY:

23 One final question for Mr. Perry. Do you  
24 agree with the statement that approximately \$22  
25 million of the, what was it, 63 you're projecting,



1 will come from players that are going to have to drive  
2 seven hours roundtrip?

3 MR. PERRY:

4 Well, I think that that's an --- do I  
5 think that it would be within six hours? Yes. Do I  
6 think it is six hours? No. I do believe that what  
7 Mr. Paulos alluded to, and what we've alluded to, is  
8 that there are people who visit Ohio Pyle. There are  
9 people who visit other areas of the Laurel Highlands.  
10 There are people that will visit other areas in  
11 western Pennsylvania that will be driving through that  
12 will not be Nemaquin guests, that could be overnight  
13 quests in the area who live in areas such as  
14 Washington, D.C., Baltimore, on their way home. So I  
15 think that there is clearly a lot of people who will  
16 make the stop in Nemaquin who we will not see as  
17 hotel quests, who are actually residents of --- that  
18 have stayed in another hotel either to or from another  
19 location. So I think that that's really a big factor  
20 in that number.

21 MR. GINTY:

22 I was just trying to figure out how I  
23 could squeeze in a round of golf and still have time  
24 to partake of the gaming coming from Philadelphia.

25 MR. PERRY:

1                   Let me give you an example. My sister at  
2 one time lived in Gaithersburg, Maryland, and I lived  
3 in New Castle. And I would go down to visit my  
4 sister. It was a five-hour drive. And I would love  
5 to stop at Nemaocolin and play 18 holes of golf on my  
6 down to see my sister. That would not make me a  
7 resident --- would not make me an overnight guest at  
8 Nemaocolin Woodlands, but it would make me appear to be  
9 somebody who --- and if she did it the other way,  
10 somebody who came from Washington, D.C. that traveled  
11 back. And I think that that --- I'm going to make  
12 this ---. If somebody came to me in 1985 and I had  
13 been in the hotel business prior to the casino  
14 business and said somebody could build a 322 resort  
15 emulating the Ritz Hotel in Paris in Farmington,  
16 Pennsylvania and be able to generate 62 percent  
17 occupancy in one of the world's worst recessionary  
18 periods, I would have told them they were absolutely  
19 nuts.

20                   The reality of it is, is that this resort  
21 has become bigger than anything anybody ever expected  
22 because of the dedication and the commitment of the  
23 family to not only its physical attractiveness, but  
24 also its employees. And it just doesn't make a lot of  
25 economic sense as to why it happened. But the fact of

1 the matter is, it did happen. And we are --- I  
2 recognize that. I mean, I've had, you know, friends  
3 and associates in my hometown who have been coming  
4 down here since the mid '80s. I brought my mother  
5 here for her --- I think, it was her 80th birthday, in  
6 1982. It has been a long established resort. And it  
7 has an appeal far beyond any analysis that's in 14  
8 columns and 37 pages of papers and everything else.  
9 And we intend to capitalize on that in order to be  
10 successful.

11 CHAIRMAN:

12 Any other questions? Seeing none, thank  
13 you very much.

14 ATTORNEY QUAGLIA:

15 Thank you.

16 CHAIRMAN:

17 Don't go away, though. I mean, you can  
18 leave, but don't leave the room. We'll now have the  
19 OEC come up and make their presentation.

20 Good afternoon. Please, feel free to  
21 begin when you're ready. Again, just making sure that  
22 everybody introduces themselves. Mr. Federico will  
23 have to stand to be sworn in. Mr. O'Neil --- any non-  
24 lawyers, please stand to be sworn in.

25 -----

1 WITNESSES SWORN EN MASSE

2 -----

3 CHAIRMAN:

4 Counsel, you may begin.

5 ATTORNEY POWERS:

6 Thank you. Good afternoon, Chairman  
7 Fajt, Members of the Board. My name is Melissa  
8 Powers. P-O-W-E-R-S, for the OEC. OEC does not have  
9 any additional questions for the Applicant or the  
10 intervenor. We would just like to present the  
11 testimony of one witness, and the statements of two  
12 employees of the Board. First we will call Al  
13 Federico.

14 ATTORNEY POWERS:

15 Please state your name and spell your  
16 last name for the record.

17 MR. FEDERICO:

18 Albert Federico, F-E-D-E ---.

19 CHAIRMAN:

20 Could you move the microphone over there?

21 MR. FEDERICO:

22 Yeah.

23 ATTORNEY POWERS:

24 Oh, I'm sorry.

25 CHAIRMAN:

1 Thank you.

2 MR. FEDERICO:

3 Albert Federico, F-E-D-E-R-I-C-O.

4 ATTORNEY POWERS:

5 And how are you employed?

6 MR. FEDERICO:

7 I'm senior project manager with McCormick  
8 Taylor Engineer and Planners.

9 ATTORNEY POWERS:

10 And did you or your office review a  
11 traffic impact study regarding the Nemaquin Woodlands  
12 Resort?

13 MR. FEDERICO:

14 Yes.

15 ATTORNEY POWERS:

16 Would you please describe your findings  
17 for the Board?

18 MR. FEDERICO:

19 We reviewed the traffic studies submitted  
20 as part of the impact assessment report for  
21 conformance with applicable standards and technical  
22 accuracy. The documents we reviewed included a March  
23 2010 update of a 2006 study that had been prepared by  
24 McMillen Engineering. We issued a preliminary review  
25 in September and a detailed review in October of this

1 year.

2                   The 2006 study evaluated five external  
3 intersections along Route 40 from 381 to Dinner Bell  
4 Road and two existing accesses. It looked at Friday  
5 evening peak and Saturday midday peak periods.  
6 The traffic generation was based on information they  
7 had obtained by the local PennDOT district, District  
8 12. I would note that there was a reduction in the  
9 anticipated traffic that they claimed for the removal  
10 of --- or the discontinuance of the outdoor --- the  
11 facility. I'm sorry, the existing facility, outdoors  
12 facility where they intend to locate the gaming  
13 facility. So there was not a significant assumed  
14 increase in traffic associated with the project.

15                   CHAIRMAN:

16                   I'm sorry. I don't understand that.  
17 What are you saying?

18                   MR. FEDERICO:

19                   They are locating the gaming hall in the  
20 existing --- it's the entertainment center now. When  
21 the 2006 study was done, it was assumed to be the ---  
22 I'm sorry, not like a Bass Pro Shop, but the  
23 outdoorsman facility. That was in the same building  
24 that is now the entertainment facility that they  
25 described as having bowling and other events. So,

1 when they did their traffic projections, they said  
2 there would be traffic associated with the new gaming,  
3 but then they reduced it by the amount of traffic they  
4 were estimating was currently going to that facility.  
5 So, the result was not a very large increase.

6           The 2010 update only looked at the main  
7 access, and that was at the request of, I believe,  
8 PennDOT because the 2006 study had used earlier data.  
9 They did not collect any new traffic data, simply  
10 applied growth rates to simulate a 2010 base year. I  
11 would also add that this Applicant has already been in  
12 contact with PennDOT in our coordination with the  
13 local PennDOT district and as testified to earlier  
14 today. They have, back in 2006, obtained a permit for  
15 the improvements to their site access. And based on  
16 our field visit, other than the installation of the  
17 traffic signal and pavement markings, have completed  
18 some of this work. At the time of our review, PennDOT  
19 had recently received revised plans to amend their  
20 existing permit for their driveway, or proposed  
21 driveway improvements.

22           In conclusion, the study, while approved  
23 by PennDOT, the 2010 update was generally consistent  
24 with current practices. However, the earlier studies  
25 which had not --- a great portion of it hadn't been

1 updated administratively as I mentioned yesterday,  
2 PennDOT issued new traffic study guidelines in 2009.  
3 So the earlier work was not consistent with that.  
4 Their traffic projections were based on count data  
5 that was from 2005, which we would typically consider  
6 to be too old for when we do an evaluation. But  
7 considering the nature of this area, we would not  
8 expect that this development would create an excessive  
9 amount of congestion just because the volumes out  
10 there are not that great.

11 CHAIRMAN:

12 Any questions? Commissioner Trujillo.

13 MR. TRUJILLO:

14 Given the data that was used going back  
15 to '06 and the fact that they are not using the '09  
16 approach, does that affect in your --- and if in fact  
17 there really is not any significant change in the  
18 makeup of the traffic patterns and the population on  
19 the lake, does that in your mind, or in your opinion  
20 negatively affect the reliability of the report?

21 MR. FEDERICO:

22 Yes, but not significantly.

23 MR. TRUJILLO:

24 And that's what I'm trying to understand.  
25 And as I understand, it is not to the standard that



1 you would like to see. But does it give you enough  
2 discomfort that we should not rely on it?

3 MR. FEDERICO:

4 No.

5 MR. TRUJILLO:

6 That's all I have, Mr. Chairman.

7 CHAIRMAN:

8 Any other questions? Thank you very  
9 much. Next?

10 ATTORNEY POWERS:

11 Next the OEC would like to introduce two  
12 employees of the Board. First, Susan Hensel, the  
13 Director of the Bureau of Licensing, has a statement  
14 to make.

15 MS. HENSEL:

16 And Members of the Board, that's Hensel,  
17 H-E-N-S-E-L. At this point in time, based on the  
18 materials and information in the application and the  
19 cooperation received from the Applicant, the Bureau of  
20 Licensing is not aware of any suitability issues that  
21 would preclude licensure of Woodlands Fayette, LLC as  
22 a Category 3 Slot Machine Operator.

23 CHAIRMAN:

24 Thank you.

25 ATTORNEY POWERS:

1           Next the OEC would like to introduce Rich  
2 O'Neil. He is the supervisor of the Financial  
3 Investigations Unit.

4           MR. O'NEIL:

5           That's O-N-E-I-L. Chairman Fajt, Members  
6 of the Board. In preparing the FIU report, all  
7 information provided by the Applicant, its  
8 intermediaries, subsidiaries, holding companies and  
9 management company were fully reviewed. This included  
10 any organizational documents, operating debt and  
11 management agreements, financial statements and any  
12 other contracts or agreements. In this case,  
13 Woodlands Fayette, LLC and its related entities  
14 provided all the authorizations, contracts and  
15 agreements necessary to conduct the investigation. It  
16 also provided clear and convincing evidence to enable  
17 FIU to make the determination of its financial  
18 suitability, integrity and responsibility. And also  
19 that the Applicant is likely to maintain operational  
20 viability and maintain a steady level of growth.

21           At this time, based on the information  
22 contained in the applications and other related  
23 documents and the financial suitability analysis  
24 performed, the Financial Investigations Unit did not  
25 find anything material with would preclude Woodlands

1 Fayette, LLC from obtaining a Category 3 License.

2 CHAIRMAN:

3 Thank you. Any other questions from the  
4 Board? Commissioner Trujillo.

5 MR. TRUJILLO:

6 Mr. O'Neil, did you analyze the  
7 relationship between 84 Lumbar and the Applicant in  
8 reaching your conclusion?

9 MR. O'NEIL:

10 Yes. I had numerous conversations and  
11 e-mails with the attorneys and staff of Nemaocolin.

12 MR. TRUJILLO:

13 Did you analyze Lumber 84's financials in  
14 doing this analysis?

15 MR. O'NEIL:

16 I reviewed their financial statements,  
17 yes.

18 MR. TRUJILLO:

19 And that does not impact your conclusion?

20 MR. O'NEIL:

21 Based on their presentation, what they've  
22 told me and my analysis of it, no.

23 MR. TRUJILLO:

24 Thank you, Mr. Chairman. That's all I  
25 have.

1                   CHAIRMAN:

2                   Any other questions? Thank you very  
3 much. We'll now have --- I'm sorry, Melissa?

4                   ATTORNEY POWERS:

5                   Yes. One more thing to say.

6                   CHAIRMAN:

7                   Okay.

8                   ATTORNEY POWERS:

9                   OEC would just like to indicate that we  
10 have reviewed all the documents submitted by the  
11 Applicant, including information pertaining to its  
12 management company, its principals and affiliates, as  
13 well as reports prepared by the BIE, and the letter of  
14 certification pertaining to the million dollar bond  
15 requirement satisfying Section 1316 of the Act. All  
16 of the information presented today by the Applicant is  
17 consistent with that reviewed by the BIE and the OEC.  
18 Therefore OEC finds no reason to preclude suitability  
19 in this matter.

20                   CHAIRMAN:

21                   Thank you very much. And lastly, if  
22 Woodlands Fayette has a closing statement.

23                   ATTORNEY QUAGLIA:

24                   Thank you, Mr. Chairman. The Board has  
25 been very patient and we will be brief. We conclude

1 where we began today, which is with the issue of  
2 legislative intent. As the Board sagely observed to  
3 the Pennsylvania Supreme Court last year in the Valley  
4 Forge Appeal in related context requiring the  
5 Applicant to be the owner of a resort hotel is to  
6 ensure that the facilities awarded such licenses are  
7 first and foremost concerned with running the resort.

8           And the casino amenity should not become  
9 the tail wagging the dog. The Board needn't have no  
10 such concern with this application because, as we have  
11 seen today, in the world of Pennsylvania resorts,  
12 Nemacolin is a very big dog. It is a singularly well-  
13 established, world-class resort with the greatest  
14 number and variety of amenities of any of the  
15 Applicants before you that will keep visitors coming  
16 back to provide the drive for the revenue to meet the  
17 projections and serve the Commonwealth.

18           The introduction of the Lady Luck  
19 Nemacolin Casino would create a premier destination  
20 resort in Pennsylvania with few rivals anywhere else  
21 in the nation. No other Applicant before this Board  
22 can make that claim.

23           We're going to close with a quote from  
24 Senator Richard Kasunic who succinctly captured the  
25 critical distinction between Nemacolin and the other

1 Applicants at our September 8th public input hearing  
2 where he testified that unlike the other Applicants,  
3 Nemaocolin Woodlands Resort is a world-class resort,  
4 which would add a resort-style casino as an additional  
5 amenity, not a casino around which a resort would be  
6 built. Mr. Chairman, Members of the Board, if we have  
7 not made this explicit today, this Category 3 License  
8 was literally made for Nemaocolin. And we respectfully  
9 ask the Board to award it to them.

10 Thank you.

11 CHAIRMAN:

12 Thank you very much, Counselor. I  
13 believe that concludes the hearing. Woodlands  
14 Fayette, LLC has until November 29th to file a post  
15 hearing-memoranda of law or a brief with the OHA.  
16 We're going to break until 3:30. May I have a motion  
17 to adjourn?

18 MR. MCCABE:

19 So moved.

20 CHAIRMAN:

21 Second?

22 MR. GINTY:

23 Second.

24 CHAIRMAN:

25 Thank you. This hearing is adjourned.

\* \* \* \* \*

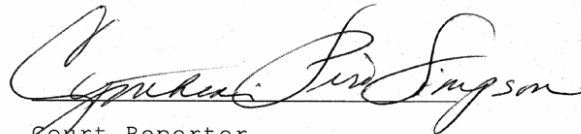
HEARING CONCLUDED AT 2:42 P.M.

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CERTIFICATE

I hereby certify that the foregoing proceedings, public input hearing held before the Pennsylvania Gaming Control Board, was reported by me on 11/17/2010 and that I Cynthia Piro Simpson read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.

  
Court Reporter