

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

\* \* \* \* \*

IN RE: VALLEY FORGE CONVENTION CENTER PARTNERS, LP  
PETITION FOR APPROVAL OF REVISED PLAN  
FOR CONTROLLING ACCESS TO GAMING FLOOR

\* \* \* \* \*

BEFORE: WILLIAM H. RYAN, JR., CHAIRMAN  
Gregory C. Fajt, James B. Ginty,  
Keith R. McCall, Anthony C. Moscato,  
Gary A. Sojka, Kenneth I. Trujillo; Members  
Robert Coyne, Representing Daniel P.  
Meuser, Secretary of Revenue  
Christopher Craig, Representing Robert  
McCord, State Treasurer

HEARING: September 14, 2011, 10:00 a.m.

LOCATION: PUC Keystone Building  
Hearing Room #1  
Harrisburg, PA

WITNESS: Eric Siegel

Reporter: Kenneth Dominic O'Hearn

Any reproduction of this transcript is prohibited  
without authorization by the certifying agency.

## A P P E A R A N C E S

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

OFFICE OF ENFORCEMENT COUNSEL

CYRUS PITRE, ESQUIRE

Chief Enforcement Counsel

DALE MILLER, ESQUIRE

Deputy Chief Enforcement Counsel

PA Gaming Control Board

P.O. Box 69060

Harrisburg, PA 17106-9060

Counsel for Pennsylvania Gaming Control Board

ADRIAN R. KING, JR., ESQUIRE

Ballard Spahr, LLP

1735 Market Street, 51st Floor

Philadelphia, PA 19103-7599

Counsel for Valley Forge Convention Center

Partners, LP

KEVIN C. HAYES, ESQUIRE

Doherty Hayes, LLC

321 Spruce Street

Scranton, PA 18503

Co-Counsel for Valley Forge Convention Center

Partners, LP

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

A P P E A R A N C E S (cont.)

ALAN C. KOHLER, ESQUIRE

MARK S. STEWART, ESQUIRE

Eckert Seamans

213 Market Street

8th Floor

Harrisburg, PA 17101

Counsel for Greenwood Gaming & Entertainment

## I N D E X

1		
2		
3	OPENING REMARKS	
4	By Chairman	7 - 9
5	PRESENTATION	
6	By Attorney King	9 - 20
7	By Mr. Scheri	21 - 28
8	By Attorney Hayes	28 - 34
9	By Mr. Scheri	34 - 36
10	By Attorney Hayes	36 - 37
11	By Mr. Scheri	37 - 40
12	By Attorney Hayes	40 - 41
13	By Mr. Scheri	41 - 43
14	By Attorney Quaglia	43 - 44
15	<u>WITNESS:</u> ERIC SIEGEL	
16	DIRECT EXAMINATION	
17	By Attorney Quaglia	45 - 50
18	PRESENTATION	
19	By Mr. Scheri	50 - 54
20	By Attorney Hayes	54 - 55
21	By Mr. Scheri	55 - 58
22	By Attorney King	58 - 60
23	QUESTIONS	
24	By Attorney Miller	60 - 71
25	By Attorney Stewart	72 - 113

I N D E X (cont.)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

PRESENTATION

By Attorney Kohler 114 - 124

By Mr. Durham 124 - 138

QUESTIONS

By Attorney Quaglia 138 - 167

QUESTIONS BY BOARD 167 - 202

CLOSING REMARKS

By Chairman 202

E X H I B I T S

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

<u>Number</u>	<u>Description</u>	<u>Page Offered</u>	<u>Page Admitted</u>
<u>Valley Forge Casino Resort:</u>			
1	Eric Siegel's Expert Report	59	59*
2	9/6/01 Letter from Edward McBride	59	59
3	Valley Forge Casino Resort's Proposed Gaming Floor Plan with Surveillance Camera Overlay	59	59*
4	Valley Forge Casino Resort's Proposed Security Department Gaming Floor Access Control Procedures	59	59*

\*Confidential exhibit

EXHIBITS NOT ATTACHED

## P R O C E E D I N G S

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

-----  
CHAIRMAN:

Our next hearing this morning is Valley Forge Convention Center Partners, LP's Petition for Approval of a Revised Plan for Controlling Access to its Gaming Floor. I note for the record that Greenwood Gaming has been granted intervention in this matter. Additionally, although the Board's regulations typically allow intervenors to participate through documentary submissions, Greenwood has requested that it be allowed to participate in today's proceedings. In fact, Greenwood takes the position that it has a right to fully participate and not be limited to only documentary submission, which, in effect, is an allegation by Greenwood that the Board's regulation is flawed. At this point, however, I don't believe we need to address Greenwood's position as to the validity of the Board's intervention regulation because the Board, through an exercise of its discretion, would like to hear from Greenwood today, in any event.

I also note for the record that Woodlands Fayette, LLC, filed a petition to participate in these proceedings. However, Woodlands, which was awarded

1 the second Pennsylvania Category 3 License, seeks only  
 2 to make a documentary submission into the record,  
 3 outlining its request that the Board be cognizant of  
 4 the fact that a second Category 3 operator is out  
 5 there, namely Woodlands, which will be submitting its  
 6 own access plan in the future. As there were no  
 7 objections filed as to Woodlands' participation in  
 8 this matter, the Director of the Office of Hearings  
 9 and Appeals issued an Order granting Woodlands'  
 10 request, and their submission is part of the record in  
 11 these proceedings.

12                   With all that housekeeping taken care of,  
 13 may I have whatever representatives of Valley Forge,  
 14 OEC, BIE and Greenwood who will be participating  
 15 today, please come forward. You all seem to be  
 16 forward. All non-attorney witnesses please stand to  
 17 be sworn in.

18 -----

19 WITNESSES SWORN EN MASSE

20 -----

21                   CHAIRMAN:

22                   Also, as I previously mentioned, I would  
 23 ask everyone who is going to speak to please spell  
 24 your name for the benefit of the court reporter.

25                   The way we are going to handle this is to



1 allow each of the three parties, Valley Forge, OEC,  
2 and Greenwood to make a presentation and ask questions  
3 of the other parties presenting. After that, we will  
4 open it up to Board questions. I will tell all the  
5 parties up front that the Board is not scheduled to  
6 decide this matter today. Rather, we will defer a  
7 vote until the Board's October 13th meeting.  
8 Additionally, should any of the parties wish to file a  
9 post-hearing brief, we will give you that opportunity.  
10 All parties must file their briefs by the close of  
11 business on September 28th. That would be two weeks  
12 from today. So, Valley Forge, you may begin.

13 ATTORNEY KING:

14 Thank you. Mr. Chairman, members of the  
15 Board, good morning. My name is Adrian King, that's  
16 A-D-R-I-A-N, King, K-I-N-G. I'm a partner in the  
17 Ballard Spahr Law Firm. I'm pleased to be here today  
18 on behalf of Valley Forge Convention Center Partners  
19 for the presentation of its access plan.

20 Let me, at the outset, just set  
21 expectations. I acknowledge that this is a new issue  
22 before the Board. This is a matter of first  
23 impression, so to speak. The Commissioner has been  
24 fully vetted, I think as we can see, with the  
25 intervenor, and it will take some time. We are going

1 to be as efficient as we can, but the topic is, to  
2 some degree, a lot of statutory interpretation. We'll  
3 be going through the Act, and we'll be reviewing the  
4 technology, and I just ask that you bear with us as we  
5 go through this. It's a very important issue, and we  
6 want to make sure that we examine it closely.

7           With me here today as Co-Counsel and as  
8 witnesses to offer testimony and/or answer your  
9 questions --- you'll be happy to know we're not going  
10 to present every single person that was sworn in, are  
11 the following persons: my Co-Counsel, Kevin Hayes  
12 from the Doherty Hayes Law Firm; my partner at Ballard  
13 Spahr, Ray Quaglia; Mr. Sal Scheri, who is the  
14 president and chief-executive officer at Valley Forge  
15 Casino & Resort; Mr. Alex Figueras, Vice President of  
16 Finance at Valley Forge; Mr. Michael Gardner, Vice  
17 President of Information Technology at Valley Forge;  
18 Mr. Eric Siegel of Siegel Management Company, who's  
19 our expert witness on membership pricing issues; and  
20 Mr. Joseph Benyola, President and CEO of UTI  
21 Solutions, which is our access system and technology  
22 provider.

23           Before I get into the main points of our  
24 presentation, I wanted to provide the Board,  
25 particularly the newer members, with some context

1 about the history of this project and the significant  
2 patience and diligence that my clients have shown to  
3 date.

4           This project was commenced by the filing  
5 of the application of June 2007, over four years ago.  
6 After delays caused by the 2008 global economic crisis  
7 in April of 2009, this Board determined that Valley  
8 Forge qualified as a well-established resort, hotel  
9 under the Gaming Act and made the decision to award a  
10 license to Valley Forge. In June 2009, Greenwood,  
11 Parx, appealed the license awarded to the Supreme  
12 Court. Twenty (20) months later, March of this year,  
13 the Supreme Court upheld the Board's decision to award  
14 a license to Valley Forge. After several hearings  
15 this spring and summer, this past spring and summer,  
16 regarding financing issues, we are here today with our  
17 Access Plan Petition. And assuming no further delays,  
18 Valley Forge intends to open its doors in April 2012,  
19 almost five years after its application was filed.

20           Now, again, setting the stage, I think  
21 it's important to revisit why a park with a Category 3  
22 License is created. And if we look at the authorized  
23 language of the Gaming Act it states that the  
24 authorization of limited gain is intended to advance  
25 the further development of the tourism market

1 throughout this Commonwealth, including but not  
2 limited to year-round recreational and tourism  
3 locations in this Commonwealth. Again, Valley Forge  
4 is a significant convention center location with many  
5 amenities. It's also near attractions, which is  
6 Valley Forge, King of Prussia Mall, places that  
7 already attract tourists, and we hope we're able to  
8 bring more tourists through having this additional  
9 amenity of gaming.

10           Valley Forge has approached the access  
11 requirements existing under Section 1305 of the Gaming  
12 Act with deadly seriousness and the intention, as you  
13 would expect, to carefully comply with the law and the  
14 Board's regulations on the subject. The primary and  
15 relevant section --- portion of Section 1305 that we  
16 will discuss in detail today states as follows. And  
17 I'm paraphrasing for the sake of brevity. Section  
18 1305(a)(1), a Category 3 License may only be granted  
19 on the express condition that an individual may not  
20 enter the gaming area of a licensed facility if the  
21 individual is not any of the following; one, a  
22 registered overnight guest of the well-established  
23 resort hotel. In this case, you'll recall we have two  
24 hotels, the Radisson and the Scanticon, that are on  
25 either side of the convention center. Two, a patron

1 of one or more of the amenities provided by the well-  
2 established resort hotel. As we get into the  
3 presentation, that will be further divided into  
4 subsets, which are attendees of conventions and  
5 events, weddings, business meetings, et cetera. And  
6 participants in the amenities can pay the \$10 non-de  
7 minimus consideration. Section three addresses  
8 employees of the Board, police, people who are there  
9 for official business. We're not going to address  
10 that today. That will be addressed in our internal  
11 controls. And lastly, an individual holding a valid  
12 membership approved by the Board or a guest of such  
13 individual. We know that the Section 1305 access  
14 requirements, nothing more or less, --- let me state,  
15 stress, of not understanding the importance of the  
16 issue. We're just saying it's nothing more, nothing  
17 less, can create a third category of persons who must  
18 be excluded from the gaming floor. Two additional  
19 categories of excluded persons are underage persons  
20 who improperly attempt at casino access; and second,  
21 persons whose names have been placed on the excluded  
22 list. As you know, that includes not only  
23 self-excluded persons but persons who are excluded  
24 because they're bad actors, they're cheats, or they  
25 engage in other conduct, which is detrimental to the

1 integrity of gaming in the Commonwealth.

2           In considering the access plan we will  
3 present to you today, we ask that you treat us in a  
4 manner that is consistent with how you have dealt with  
5 the issue of access restrictions in the past,  
6 specifically recognition by the Board that, while  
7 rigorous enforcement of the access description must be  
8 in place, it is also necessary for casinos, for the  
9 gaming industry in Pennsylvania as a whole, to offer  
10 patrons the type of welcoming and positive customer  
11 experience that is necessary to operate a viable  
12 casino operation, regardless of whether it's Category  
13 1, 2 or 3. There needs to be a balance.

14           Within the last several months, we have  
15 given Section 1305 access requirements significant  
16 thought and careful analysis to develop what we  
17 believe is a workable and effective access control  
18 system. Importantly, we'll commit to today to invest  
19 significant resources to address this issue. When all  
20 is said and done, we anticipate that the costs  
21 incurred in order to develop the access control system  
22 will be well in excess of half a million dollars.

23           We are confident that you will be  
24 impressed by our access plan as a whole and  
25 specifically by the technology that we'll present

1 today and the detailed operational procedures that we  
2 intend to deploy to control access. More importantly,  
3 we will establish the following with respect to our  
4 plan, first, that we not only meet but exceed what is  
5 required under Section 1305 of the Gaming Act; two,  
6 that our access plan is not only consistent with but  
7 substantially more stringent than what the Board  
8 currently requires Category 1 and 2 casinos relative  
9 to existing categories of excluded persons, those who  
10 are underage and individuals on the excluded list.

11           Now, we suspect that there will be  
12 arguments made here today which will say that Section  
13 1305 requires only an absolutely fail-proof system  
14 that will never allow access violations to occur, and  
15 it's simply our intention for violations not to occur.

16 But if we go to that length, the problem with that  
17 approach is our resort casino will begin to look and  
18 feel like an East German border crossing about 1985.  
19 And that's just --- it's not practical. As I stated  
20 earlier, the access control system must also take into  
21 account the creation of a positive customer  
22 experience. More importantly, setting such a standard  
23 for Category 3 Slots Licensees wouldn't be consistent  
24 with Board precedent. Since gaming commenced in the  
25 Commonwealth nearly five years ago, the Board has

1 never required airport style, border crossing style  
2 security with respect to already-existing categories  
3 of excluded persons. If that were the standard,  
4 violations for underage and excluded persons would not  
5 exist. And we know that such violations do exist.  
6 For example, last month the casino was fined \$30,000  
7 for excluded persons violations. And overall, this  
8 Board has fined Pennsylvania casinos at least 25 times  
9 for underage and excluded person violations since  
10 2007. The Board has essentially balanced access  
11 control requirements and created enjoyable casino  
12 facilities that attract millions of patrons annually.  
13 That's why we are successful. We are creating a good  
14 product for people to enjoy, regardless of whether  
15 it's a casino, Category 2 or, in this case, a Category  
16 3. And we know that can be achieved again with  
17 respect to a Category 3 License.

18                   With that, I would like to introduce Mr.  
19 Sal Scheri, who's the president and chief executive  
20 officer of Valley Forge Casino Resort. Mr. Scheri has  
21 over 27 years of experience in the gaming industry.  
22 Prior to being hired by Valley Forge, Mr. Scheri  
23 served as Managing Director of WhiteSand Gaming, where  
24 he was responsible for leading consulting engagements  
25 for many of the worlds premier gaming companies. At



1 WhiteSand Gaming, Mr. Scheri was involved in preparing  
2 feasibility studies, market demand studies, financial  
3 projections, technology solutions, marketing  
4 strategies and operational improvement plans. Mr.  
5 Scheri and WhiteSand were retained by Mohegan Sun at  
6 Pocono Downs to assist that Pennsylvania Licensee with  
7 their November of 2006 opening. Mr. Scheri previously  
8 served as the Director of the Gaming Consulting  
9 Practice for PricewaterhouseCoopers and the National  
10 Director of the Gaming practice for KPMG Consulting.  
11 In addition, Mr. Scheri has held executive positions  
12 in Morongo Casino Resort, Aztar Resorts, Trump Taj  
13 Mahal, Deloitte & Touche, Showboat Atlantic City and  
14 Golden Nugget Atlantic City. Lastly, he is the author  
15 of a book, The Casino's Most Valuable Chip: How  
16 Technology Transformed the Gaming Industry. Mr.  
17 Scheri has brought his breadth of experience in both  
18 the hospitality and gaming industries to spearhead the  
19 design and development of the access plan, which is  
20 before you today. And I will now turn it over to him  
21 to walk the Board through Valley Forge's proposed  
22 casino access control system.

23 ATTORNEY KOHLER:

24 Chairman Ryan?

25 CHAIRMAN:

1 Yes.

2 ATTORNEY KOHLER:

3 Alan Kohler, K-O-H-L-E-R, with Eckert  
4 Seamans, representing Greenwood Gaming &  
5 Entertainment. As I came into these proceedings this  
6 morning, I was determined not to be disruptive in any  
7 way and to allow the hearing go forward, but I do need  
8 to state an objection at this point. We had, about a  
9 week ago, filed a motion to conduct discovery in this  
10 proceeding. It is somewhat lacking as a proceeding.  
11 There was very little information in Valley Forge's  
12 petition. We knew a lot was coming that we hadn't  
13 seen at that point.

14 And that motion went before Director  
15 Lloyd, and Director Lloyd issued an Order on September  
16 6th directing --- largely denying the motion but  
17 directing that certain things be disclosed in relation  
18 to the proceeding. One was identification of  
19 witnesses. One was a summary of the testimony of the  
20 witnesses, and the third thing was any documents or  
21 other exhibits that Valley Forge intends to introduce  
22 at the September 14th, 2011 Board hearing. We did  
23 receive some exhibits in response to that Order.  
24 Those were very helpful. However, we did not receive  
25 this PowerPoint. I received it seconds before the

1 hearing started.

2           By the way, we were also ordered to  
3 disclose similarly to Valley Forge. We did provide  
4 the PowerPoint of our expert witness and albeit a  
5 little bit late because of the flooding conditions in  
6 Harrisburg late last week, but it was provided more  
7 than 24 hours in advance. In fact, worked out a  
8 dispute related to that PowerPoint before the hearing.  
9 I'm not sure why this document wasn't disclosed to us  
10 previously, but I object on the basis of noncompliance  
11 with Director Lloyd's Order.

12           ATTORNEY KING:

13           Mr. Chairman, if I can ---.

14           CHAIRMAN:

15           Yes.

16           ATTORNEY KING:

17           Thank you, Mr. Chairman. There's one  
18 important portion of Director Lloyd's Order that was  
19 not mentioned, and it states, all documents or other  
20 material in the possession of a controlled party which  
21 it reasonably expects will be introduced into evidence  
22 with a continuing duty to update this information.  
23 The PowerPoint is a visual aid with respect to the  
24 evidence that we'll be presenting through testimony.  
25 It is not evidence in and of itself. And quite

1 frankly, with respect to contested application for  
2 licenses over the last several years, these  
3 PowerPoints have never been exchanged between the  
4 parties because they are not evidence. Anything that  
5 we are introducing into evidence today has been  
6 exchanged. And I would note that we have been more  
7 than, I think, accommodating with respect to the  
8 flood. We got the PowerPoint yesterday morning at  
9 about 8:00. We don't have an expert report from their  
10 expert. All we have is the PowerPoint. We have  
11 produced an expert report. But the bottom line is the  
12 PowerPoint is not being introduced into evidence.  
13 It's not evidence. It's a visual aid. And the  
14 evidence that's being introduced is the oral  
15 testimony.

16 ATTORNEY KOHLER:

17 Chairman Ryan?

18 CHAIRMAN:

19 Yes.

20 ATTORNEY KOHLER:

21 There's an awfully fine line in the  
22 procedures of this Board, in fact, I think since the  
23 Board was established. And I know, in particular, as  
24 Chairman Fajt administered hearings over the years,  
25 PowerPoints have always been --- and you can make Mr.

1 King's technical arguments, but that's never been the  
2 procedure followed by the Board. The Board has also  
3 always viewed PowerPoints as essentially evidence and  
4 relied on PowerPoints. And they almost, without  
5 exception, as I think back over the --- it seems like  
6 hundreds of hearings I've attended over the years,  
7 been introduced and at the close of the hearing  
8 admitted into evidence specifically by the Chairman of  
9 the Board at that time. You can make a technical  
10 argument about whether they are evidence. No one's,  
11 prior to today, that I know of, ever made that  
12 technical argument. They have always been viewed as  
13 evidence. They are documents. They have always been  
14 introduced and they have always been admitted, and  
15 they should have been disclosed.

16 CHAIRMAN:

17 Counselor, the way I see it, you're not  
18 being harmed by this. I've been to a hearing before,  
19 but I'm going to overrule your objection and we're  
20 going to continue.

21 MR. SCHERI:

22 Saverio Scheri, S-A-V-E-R-I-O,  
23 S-C-H-E-R-I. Mr. Chairman, members of the Board, I  
24 thank you for the opportunity to appear before you  
25 today to describe Valley Forge Casino Resort's access

1 control system. I'm extremely proud of the access  
2 control system which our management team has designed  
3 in order to fulfill the specific restrictions for  
4 Category 3 Licensees, as set forth in the Gaming Act,  
5 while also creating an atmosphere that will be  
6 inviting to guests of our resort. Our management team  
7 has spent literally hundreds of hours developing this  
8 system, which will be unique to both the gaming and  
9 hospitality industries. In addition, upon approval of  
10 the petition before you today, Valley Forge is  
11 prepared to spend over half a million dollars to  
12 implement this system in order to ensure compliance  
13 with the Gaming Act and the needs of this Board.

14           As our Counsel stated earlier, our  
15 primary objective was to fulfill the requirements of  
16 the Gaming Act and the Board's regulations while still  
17 delivering an outstanding guest experience to our  
18 patrons. While a Category 3 casino does have  
19 additional regulatory restrictions regarding who may  
20 enter its gaming floor, we do not believe that our  
21 guests' experience should in any way be less enjoyable  
22 or more burdensome than what they would experience at  
23 existing casinos in Pennsylvania or the Mid-Atlantic  
24 region. I've spent the last 27 years advising some of  
25 the world's premier resorts and gaming companies on

1 how to improve their guests' experience. In a  
2 competitive gaming market, like the mid-Atlantic, the  
3 quality of the guests' experience will be the critical  
4 factor in determining whether a patron will come back  
5 to the Valley Forge Casino Resort or choose to go to  
6 hotel casinos in Atlantic City, Delaware or Maryland.  
7 As such, from the outset, our management team set out  
8 to develop a system which effectively complied with  
9 the law but also provides an enjoyable and welcoming  
10 guest experience.

11           Our casino access system centers around  
12 the controlled distribution of two types of cards to  
13 eligible patrons of our resort. All eligible patrons  
14 of our resort, including registered overnight guests,  
15 patrons of one of our amenities and members of one of  
16 our resort clubs will be required to present either a  
17 Casino Access Card or a Resort Membership Card at one  
18 of Valley Forge's three casino entrances in order to  
19 obtain access to the gaming floor. Overnight hotel  
20 guests and patrons of our non-gaming amenities will be  
21 given a Casino Access Card to enter into Valley  
22 Forge's gaming floor. Holders of one of Valley  
23 Forge's membership offerings will be given a Resort  
24 Membership Card. The Resort Membership Cards will be  
25 a different color than the Access Cards and will have

1 the membership holders name embossed on it. To  
2 confirm their identity and their understanding of the  
3 restrictions regarding use of these cards, registered  
4 hotel guests, patrons of our non-gaming amenities and  
5 membership holders will all be required to sign the  
6 back of their Access Cards in the presence of a Valley  
7 Forge employee, acknowledging the following statement:  
8 this card is the property of Valley Forge Casino  
9 Resort. The cardholder agrees to surrender it on  
10 demand and be bound by the terms of its use under  
11 Pennsylvania law. The cardholder understands and  
12 agrees that transfer of this card to a person other  
13 than the undersigned is strictly prohibited. Improper  
14 use may result in criminal penalties, including  
15 criminal trespass under 18 Pennsylvania Consolidated  
16 Statute, Section 3503, and revocation of any future  
17 gaming privileges and rights to enter Pennsylvania  
18 casino facilities. All restrictions related to the  
19 use of this card are available at [vfcasino.com](http://vfcasino.com).

20                   The specific rules and restrictions  
21 related to the use of the Casino Access Card and  
22 Resort Membership Card will be posted at all entrances  
23 to the gaming floor and other conspicuous locations  
24 throughout the resort. Through the use of handheld  
25 computer devices, Valley Forge employees will have the



1 ability to verify the authenticity of any Casino  
2 Access Card or Resort Membership Card issued to a  
3 patron on the gaming floor. Specifically, we will  
4 have the ability to stop the patron on the gaming  
5 floor, ask to see his or her card, swipe it on a  
6 handheld device to confirm the following information  
7 from the Casino Access Card; one, that it is a valid,  
8 unexpired card issued by Valley Forge; two, the date,  
9 time and location that the card was activated; three,  
10 the name of the Valley Forge employee who issued the  
11 card; and four, if the card was issued in connection  
12 with a credit or debit card transaction, the name of  
13 the person who made payment. For the Resort  
14 Membership Cards, we will also be able to confirm the  
15 name, address and all other relevant personal  
16 identification information provided by the person who  
17 was assigned the Membership Card.

18           Valley Forge will take all necessary  
19 steps to prevent the transfer and unauthorized use of  
20 its Access Cards. Personal responsibility and  
21 accountability will be placed on the patron, who will  
22 be subject to civil and/or criminal penalties for the  
23 misuse of an Access Card, much like Gaming regs for  
24 underage and excluded persons. Valley Forge  
25 anticipates that its Security Department will

1 collaborate with the Gaming Board's Bureau of Casino  
2 Compliance and the Pennsylvania State Police's Gaming  
3 Enforcement Office to ensure that only eligible  
4 persons are allowed to enter the gaming floor and that  
5 the rules relating to the activation and distribution  
6 of Casino Access and Resort Membership Cards are not  
7 violated through the unauthorized transfer of these  
8 cards to ineligible persons. Now that we've seen the  
9 cards, I would like to discuss the sophisticated and  
10 innovative technology which controls and records the  
11 activation of these cards at each applicable point-of-  
12 sale transaction throughout our resort.

13           Once a sales transaction is finalized,  
14 the unique identifier embedded on the magnetic strip  
15 of the Casino Access Card or Resort Membership Card  
16 will be populated into the casino access database,  
17 making it an active card. The casino access database  
18 will link the identifier on the Casino Access Card or  
19 Resort Membership Card with the valid entry time  
20 period, along with the place where the card was issued  
21 and the name of the employee who activated the Access  
22 Card. For registered overnight guests in one of our  
23 two hotels, the Casino Access Cards will be activated  
24 by a Valley Forge front desk attendant at the time of  
25 check-in on the hotel's point-of-sale terminal. The

1 information contained within the hotel's management  
2 system regarding the guest will be populated into the  
3 casino access system.

4           As our counsel will explain later, the  
5 patrons of amenities will be separated into two  
6 distinct groups. The first group is comprised of  
7 registered attendees and participants of conventions,  
8 meetings or banquet events at Valley Forge. These  
9 patrons will be able to obtain a Casino Access Card  
10 from a Valley Forge customer service representative,  
11 who, after confirming that a patron is a registered  
12 attendee or participant of an event taking place at  
13 Valley Forge, will swipe the Casino Access Card in  
14 order to activate it.

15           The second group of patrons of the  
16 amenities are those individuals who become eligible to  
17 access the gaming floor by spending at least \$10 at  
18 one of our non-gaming amenities, including our  
19 restaurants, retail outlets and spa. For these  
20 patrons, a Valley Forge employee will activate a  
21 Casino Access Card at the point-of-sale terminal.  
22 Lastly, individuals who purchase one of Valley Forge's  
23 resort memberships will have his or her personal  
24 information populated into the casino access database.  
25 The casino access database will store all information

1 relating to the time that the card was activated, the  
2 underlying transaction which allowed for the  
3 activation, and the time when the card will be  
4 deactivated.

5           Valley Forge will have optical turnstiles  
6 placed at all three casino floor entrances in order to  
7 ensure that each person --- each patron swipes a valid  
8 Casino Access Card or Resort Membership Card prior to  
9 entering. At any time Security Department personnel  
10 and the Board's Casino Compliance officers will have  
11 the ability to request that a patron produce his or  
12 her Access Card and identification to compare the  
13 signature and confirm their identity. In addition,  
14 through the use of handheld computer devices, Valley  
15 Forge will have the ability to verify that any Casino  
16 Access Card or Resort Membership Card issued to a  
17 patron on the gaming floor is still valid.

18           I just provided you with a general  
19 overview of Valley Forge's casino access system and  
20 the technology which will be utilized supporting the  
21 system. We would now like to describe the process  
22 whereby each category of patrons may obtain access to  
23 the gaming floor. To begin this discussion, I would  
24 like to introduce our counsel, Kevin Hayes.

25                           ATTORNEY HAYES:

1                   Thank you, Sal. My name is Kevin Hayes,  
2 H-A-Y-E-S. Mr. Chairman, members of the Board, I  
3 appreciate the opportunity to appear before you on  
4 behalf of my client, Valley Forge Convention Center  
5 Partners.

6                   As you know, the first group who the  
7 Gaming Act identifies as qualifying for casino floor  
8 access are registered overnight guests of the  
9 well-established hotel. When a registered guest at  
10 one of Valley Forge's two hotels arrives at the  
11 property, he will proceed to the front desk of the  
12 hotel to check in. If the guest has additional  
13 occupants staying with him in his room, those  
14 individuals would be required to register at the front  
15 desk as guests of the hotel. Upon check-in, the  
16 registration holder and other approved hotel guests  
17 will be asked if they'd like to make use of the casino  
18 amenities. If those individuals indicate that they  
19 are interested in going to Valley Forge's casino, the  
20 front desk attendant will ask to see each individual's  
21 photo identification to confirm that all guests are  
22 over the age of 21. The front desk attendant will  
23 then activate a Casino Access Card by swiping it into  
24 the casino access system and ask the guest to read and  
25 sign the back of the card in their presence. The

1 front desk attendant will explain that the card is  
2 good for the length of their stay and for one 24-hour  
3 period within 72 hours from the time the guest checks  
4 out from the hotel. Lastly, the front desk attendant  
5 will explain to the hotel guest that the Casino Access  
6 Card must be swiped at a card reader at the casino  
7 entrance in order to gain admission and instruct the  
8 guest to maintain their Casino Access Card and photo  
9 ID on them at all times.

10                   Now, as you know, the Gaming Act is  
11 silent on the amount of time which a registered  
12 overnight guest or patron of the amenity may use the  
13 casino after they have stayed at the hotel's resort or  
14 made use of one of the resort's memberships. The  
15 Board has asked that the regulation which allows  
16 patrons of the amenities to access the gaming floor  
17 for one 24-hour period within 72 hours after the use  
18 of that amenity. We believe that that same duration  
19 of time to access the casino floor should be applied  
20 to hotel guests who have made a significantly greater  
21 monetary contribution to the resort hotel than the  
22 minimum \$10 payment made by a patron of the amenities.  
23 To illustrate why this is important to us, we would  
24 take the example of a guest who registers at our hotel  
25 or checks in at our hotel at approximately 11 o'clock

1 at night, he goes to bed and the next morning he's  
2 going to be required to check out. That guest would  
3 never have the opportunity to access the casino floor  
4 during his stay. So, that's why this is important to  
5 us and I think all Category 3 Licensees.

6           Now, pursuant to Section 1305(a) of the  
7 Gaming Act, the second category of persons who are  
8 eligible to obtain access to the casino floor are  
9 patrons of one or more of the amenities provided by  
10 the well-established resort. The Gaming Act's  
11 definition of patron of the amenities provides two  
12 separate and distinct groups within this category.  
13 The Gaming Act defines patrons of the amenities, and I  
14 quote, any individual who is a registered attendee of  
15 a convention, meeting or banquet event or a  
16 participant in a sport or recreational event or any  
17 other social, cultural or business event held at the  
18 resort hotel or who participates in one or more of the  
19 amenities provided to registered guests of the  
20 well-established resort hotel, end quote. As you can  
21 see, the General Assembly utilized a pronoun to create  
22 two separate subcategories which are separated by the  
23 conjunction or.

24           The first subcategory of those  
25 individuals who are registered attendees of

1 conventions, meetings, banquets, sports and  
2 recreational and other social, cultural or business  
3 events held at the resort, that is the first category.  
4 As you can see, the statute does not require these  
5 guests to make non de minimis consideration, nor to  
6 obtain access to the gaming floor. The non de minimis  
7 monetary requirement is established in the Gaming  
8 Act's definition of amenities and does not apply to  
9 this first category. We believe this interpretation  
10 is supported by a plain reading of the definition, as  
11 well as the testimony offered by --- offered to this  
12 Board by legislative staffers who were intimately  
13 involved in the drafting of the Gaming Act in 2004 and  
14 who would have a clear understanding as to the  
15 legislative intent of this definition.

16                   On March 27th, 2007, Attorney George  
17 Bedwick, then legislative counsel to the House  
18 Majority Whip, and Audrey Powell, then policy director  
19 to the House Majority Leader, appeared before this  
20 Board to provide insight on the legislative intent of  
21 those provisions of the Gaming Act related to Category  
22 3 Licenses. Attorney Bedwick acknowledged that  
23 several issues had arisen surrounding the definition  
24 of patron of the amenities. Attorney Bedwick stated  
25 the following on behalf of himself and Ms. Powell, and



1 I quote, we do further believe that it was not the  
2 intent of the General Assembly to apply a non de  
3 minimis monetary requirement to persons who are  
4 attending conferences, banquets, weddings and similar  
5 functions at the facility. This interpretation is  
6 consistent with the overall legislative intent of a  
7 Category 3 License, which was to bolster the  
8 non-gaming amenities and existing tourism at the  
9 resort --- the resort hotel, rather. This  
10 interpretation of the Gaming Act is supported by plain  
11 common sense, as it is completely implausible that it  
12 was the General Assembly's intent to expect guests of  
13 a wedding reception or other social or business events  
14 to make individual payments to Valley Forge in order  
15 to attend that event and to make use of the casino  
16 amenity.

17                   Further, payment for use of Valley  
18 Forge's ballroom, convention and conference space is  
19 being made by the host of that event. As such, we  
20 believe that this non de minimis requirement does not  
21 apply to this first group of eligible persons  
22 identified in the definition of patron of the  
23 amenities. I will return to the second subcategory of  
24 patron of the amenities later on in this presentation;  
25 however, at this time we'd like to focus on how these

1 registered attendees and participants of events gain  
2 access to Valley Forge's gaming floor. To explain  
3 this process I will turn it over to Sal Scheri again.

4 MR. SCHERI:

5 Thank you, Kevin. Registered attendees  
6 and participants of the events listed on this slide  
7 will be eligible to gain access to our casino floor.  
8 Registered attendees and participants of those events  
9 at Valley Forge who are interested in obtaining access  
10 to our gaming floor will be required to go to a  
11 designated registration area for that event which is  
12 staffed by a Valley Forge customer service  
13 representative. The Valley Forge customer service  
14 representative will have a list of regular attendees  
15 for the event and will review the list to confirm each  
16 patron's name. Prior to receiving a Casino Access  
17 Card, the registered attendee of the event will be  
18 required to show ID confirming his or her identity and  
19 that they are at least 21 years of age. An attendee  
20 of a public convention will be required to produce  
21 their identification and register their information  
22 with the Valley Forge customer service representative  
23 prior to receiving a Casino Access Card.

24 The Valley Forge customer service  
25 representative will activate a Casino Access Card by

1 swiping it through the casino access system. The  
2 patron will be required to read and sign the back of  
3 the Casino Access Card in the presence of the Valley  
4 Forge customer service representative. The Casino  
5 Access Card will be valid for the duration of the  
6 event and for one 24-hour period within 72 hours after  
7 the end of the event. The Valley Forge customer  
8 service rep will advise the patron of this time  
9 restriction and instruct him or her to maintain the  
10 Casino Access Card and proper identification on their  
11 person at all times while on the gaming floor in the  
12 event they are asked to verify their identification.

13           By way of example, a registered guest  
14 attending a wedding reception taking place in our  
15 Waterford Ballroom may approach the Valley Forge  
16 representative situated at a station located inside or  
17 immediately outside the ballroom to inquire about  
18 visiting the casino. That customer service rep will  
19 ask for the wedding reception guest's identification  
20 to confirm that he or she is at least 21 years of age  
21 and is on the list of registered guests. After  
22 verifying this information, the Valley Forge customer  
23 service representative will issue and activate a  
24 Casino Access Card to the registered guest of the  
25 wedding and ask them to read and sign the back of the

1 card. The casino access database links the unique  
2 identification number on the Casino Access Card with  
3 the valid entry time period along with the place of  
4 issuance and the issuing employee. The registered  
5 wedding reception guest will then be able to access  
6 the casino floor while the wedding reception is taking  
7 place and for one 24-hour period within 72 hours after  
8 the end of the wedding reception. The Casino Access  
9 Card will deactivate 24 hours after the patron enters  
10 the gaming floor or 72 hours after the conclusion of  
11 the wedding reception, whichever occurs first. I will  
12 now ask our counsel, Kevin Hayes, to describe the  
13 second subcategory of persons who fall within the  
14 Gaming Act's definitions of patron of the amenities.

15 ATTORNEY HAYES:

16 Thank you, Sal. The second subcategory  
17 of persons within the Gaming Act's definition of  
18 patron of the amenities are those individuals, and I  
19 quote, who participate in one or more of the amenities  
20 provided to registered guests of the well-established  
21 resort hotel, end quote.

22 The Gaming Act defines amenities as  
23 follows, quote, any ancillary activities or facilities  
24 in which a registered guest or the transient public,  
25 in return for non de minimis consideration, as defined

1 by Board regulation, may participate at a  
2 well-established resort hotel. The amenities of  
3 Valley Forge which fall within this category are its  
4 restaurants, its food court, nightclub and retail  
5 outlets, all of which will be owned and operated by  
6 Valley Forge upon opening of the licensed facility.

7           As you know, the Board has defined non de  
8 minimis consideration to be the payment of fair market  
9 value of at least \$10 per patron paid to the resort  
10 hotel for use of one or more of the amenities. Sal  
11 Scheri will now describe the non-gaming amenities at  
12 Valley Forge and the process which would allow a  
13 patron to access the casino floor after spending at  
14 least \$10 at one of those amenities.

15           MR. SCHERI:

16           Thank you, Kevin. Individuals who have  
17 spent at least \$10 at one of the Valley Forge  
18 amenities listed on this slide would be eligible to  
19 obtain a Casino Access Card. The number of Casino  
20 Access Cards issued by Valley Forge will be based on  
21 the total expenditures of each guest or group of  
22 guests. One Casino Access Card will be issued for  
23 every \$10 spent by a group of individuals  
24 participating in that amenity, with the maximum amount  
25 of cards issued to not exceed the total number of

1 individuals who participated in the amenity. To  
2 illustrate this process, I will use the example of a  
3 person who comes to Chumley's Steak House to watch a  
4 Phillies game and have something to eat. The person  
5 orders a cheeseburger, French fries and a few drinks.  
6 Their total bill is \$20. The wait staff at Chumley's  
7 will then ask the individual if he is interested in  
8 obtaining a Casino Access Card. If the individual  
9 indicates that they would like a Casino Access Card,  
10 the wait staff will ask to see their identification if  
11 they appear to be under the age of 30. Prior to  
12 closing the check, the wait staff will initiate the  
13 casino access system through an interface at the  
14 point-of-sale terminal and request the issuance of one  
15 Casino Access Card. The employee will then activate  
16 the Casino Access Card by swiping it into the casino  
17 access system. The wait staff will ask the individual  
18 to read and sign the back of the card. The wait staff  
19 will further explain that the card is good for one 24-  
20 hour period within 72 hours. Lastly, the wait staff  
21 will explain to the patron that the card is non-  
22 transferrable and that he or she must maintain the  
23 Casino Access Card and proper identification on their  
24 person at all times while on the gaming floor.

25 By way of further example, a group of

1 five individuals who are dining at the Blue Grotto  
2 collectively spend \$200. At the conclusion of their  
3 meal, the diners may indicate to the wait staff that  
4 they would like to go to the casino. The wait staff  
5 will perform an identification check for any patron  
6 who appears under the age of 30. Prior to closing the  
7 check, the wait staff will indicate on the  
8 point-of-sale terminal that they are going to issue  
9 Casino Access Cards. They will utilize the interface  
10 at the point-of-sale terminal and request the issuance  
11 of five Casino Access Cards. No more than five cards  
12 will be issued. Each of the five patrons will then be  
13 asked to read and sign the back of their Access Card.  
14 The wait staff will advise the five diners that they  
15 may access the casino floor for one 24-hour period  
16 within the next 72 hours. It is important to note  
17 that, although a total of \$200 was spent during this  
18 transaction at the Blue Grotto, the patrons are not  
19 entitled to a total of 20 Access Cards. As stated  
20 earlier, the number of Access Cards distributed is  
21 limited to the number of guests who actually  
22 participated in the amenity and are over 21 years of  
23 age. Valley Forge's casino access system will not  
24 permit the authorization of multiple cards to an  
25 individual patron. For both of these examples, the

1 Casino Access Card will deactivate 24 hours after the  
2 patron enters the gaming floor for the first time or  
3 72 hours after the card was initially activated by the  
4 wait staff, whichever comes first.

5           The last category of persons who are  
6 eligible to access Valley Forge's gaming floor are  
7 holders of one of Valley Forge's resort memberships.  
8 Kevin Hayes will now review the Gaming Act's language  
9 pertaining to resort memberships, and later on I will  
10 describe the components of our proposed memberships.

11           ATTORNEY HAYES:

12           Thank you, Sal. As part of Act 1 of  
13 2010, the General Assembly amended the Gaming Act to  
14 establish a fourth category of persons who are  
15 authorized to access the gaming floors of Category 3  
16 licensed facilities, namely holders of Board-approved  
17 resort memberships and their guests. The Gaming Act  
18 provides the following related to resort memberships.  
19 The Board may approve seasonal or year-round  
20 memberships to allow an individual to use one or more  
21 of the amenities provided by a well-established resort  
22 hotel holding a Category 3 Slot Machine License. The  
23 membership shall allow the member and one guest to  
24 enter the gaming floor at any time as long as the  
25 guest is accompanied by the individual owning or



1 holding the membership. The Board shall base its  
2 approval of the membership on the following: one, the  
3 duration of the membership; two, the amenity covered  
4 by the membership; and three, whether the fee charged  
5 for the membership represents the fair market value  
6 for the use of the amenity. As part of this petition,  
7 Valley Forge is seeking the Board's approval of three  
8 annual memberships and three seasonal memberships.  
9 Once again, I will turn it over to Sal Scheri, who  
10 will provide an overview of these memberships which  
11 Valley Forge would like to offer at its facility.

12 MR. SCHERI:

13 Thank you, Kevin. We will offer three  
14 annual memberships for dining, entertainment and  
15 health and fitness. The dining club membership  
16 provides one free meal at any of our restaurants, a  
17 ten percent discount on all meals at our restaurants  
18 and an invitation to exclusive food and beverage  
19 events. The cost of this annual membership is \$59.  
20 Our entertainment club membership provides free  
21 admission to one headline entertainment show at Valley  
22 Forge, no cover charge to enter our nightclub and a  
23 ten-percent discount on all headline entertainment  
24 shows at Valley Force. The cost of this membership is  
25 \$69. Our annual health and fitness club provides one

1 free treatment at our spa, a ten-percent discount on  
2 all treatments at Valley Forge's spa, unlimited access  
3 to our fitness center and unlimited access for the  
4 membership holder and a guest to our pool. The cost  
5 for this annual membership is \$64. We will also offer  
6 three seasonal memberships in the same category. The  
7 seasonal dining club membership will provide a  
8 ten-percent discount on all meals at any of our  
9 restaurants and invitations to some exclusive food and  
10 beverage events. The cost of this seasonal membership  
11 is \$22. Our seasonal entertainment club membership  
12 will provide no cover charge to enter our nightclub  
13 and a ten-percent discount on all shows at Valley  
14 Forge. The cost of this seasonal membership is \$30.  
15 Finally, our seasonal health and fitness club  
16 membership will provide a ten-percent discount on all  
17 treatments at our spa, unlimited access to the fitness  
18 center and unlimited access to the pool for the  
19 membership holder and a guest. The cost of this  
20 seasonal membership is \$25.

21           Our management team, including our CFO,  
22 Alex Figueras, who is here with us today, determined  
23 the appropriate prices for each membership by  
24 calculating the expected cost for providing the goods  
25 and services for each of the three memberships and

1 using a reasonable gross profit percentage. Our  
2 calculation is then compared to similar prices in the  
3 market for similar goods and services in order to  
4 determine whether our proposed pricing was competitive  
5 and representative of fair market value. Without  
6 divulging the details of internal market analysis, I  
7 can tell the Board that we anticipate making a net  
8 profit for each of these memberships. Based on my 27  
9 years of experience of working in the hospitality and  
10 gaming industries, I believe that the prices of these  
11 memberships is reasonable and represents fair market  
12 value. However, we believe that we have an  
13 affirmative duty to determine whether Valley Forge has  
14 met the Gaming Act's requirement relating to the fair  
15 market pricing of the resort memberships. To fulfill  
16 this duty, we identify Mr. Eric Siegel as someone who  
17 is uniquely qualified to evaluate our memberships and  
18 their prices. At this time, I would like to introduce  
19 another member of our legal team, Ray Quaglia, who  
20 will be presenting Mr. Siegel.

21 ATTORNEY QUAGLIA:

22 Thank you, Mr. Scheri. Good morning, Mr.  
23 Chairman, and congratulations. Good morning, members  
24 of the Board. As Mr. Scheri indicated, I am Ray  
25 Quaglia, Q-U-A-G-L-I-A, with the Ballard Spahr Law

1 Firm. And with me, to my right, is Eric Siegel, the  
2 head of Siegel Management Company.

3           Mr. Siegel formed Siegel Management  
4 Company in 1983. He has also formed a related  
5 company, Juno Management Partners, in 2010. He has  
6 been a consultant to a number of companies, including  
7 Caesars Entertainment, formerly Harrah's  
8 Entertainment, in developing business plans and  
9 revenue streams that complement their core business.  
10 And of most significance for today is Mr. Siegel has  
11 served as an expert witness on numerous occasions and  
12 specifically been accepted by courts as an expert on  
13 the fair market value of various businesses and  
14 companies. And for purposes of this hearing today, we  
15 are proffering Mr. Siegel as an expert witness to the  
16 Board with respect to the fair market value of the  
17 memberships being offered by Valley Forge for the  
18 purpose of advising and informing the Board with  
19 respect to the criterion, the statutory criterion of  
20 whether the fee charged to the membership represents  
21 the fair market value for the use of the amenity.

22           CHAIRMAN:

23           How many times has he testified? Can I  
24 ask that question? How many times?

25           MR. SIEGEL:

1 As an expert?

2 CHAIRMAN:

3 Yes.

4 MR. SIEGEL:

5 I've been retained as an expert  
6 approximately 15 or 18 times. I've testified in court  
7 twice, in front of a federal agency once, and  
8 testified in deposition many other times. I don't  
9 know the exact number.

10 CHAIRMAN:

11 All right. We'll accept the testimony.

12 -----

13 ERIC SIEGEL, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED  
14 AS FOLLOWS:

15 -----

16 ATTORNEY QUAGLIA:

17 Thank you, Mr. Chairman. And Mr. Siegel,  
18 if we could, your --- you did do an expert report for  
19 this engagement that is in the record. It has been  
20 marked as confidential because of certain detailed  
21 information in there that would be proprietary in  
22 nature. But for purposes of our presentation today,  
23 we're not going to get into our case in chief, into  
24 the confidential portion. We'll just ask you for the  
25 benefit of the Board, Mr. Siegel, to describe the

1 scope of your engagement for Valley Forge Casino  
2 Resort.

3 MR. SIEGEL:

4 My scope is actually very focused. It's  
5 involving looking at the plans, the pricing balances  
6 and so forth for these memberships.

7 CHAIRMAN:

8 Sir, could you speak into the microphone?

9 MR. SIEGEL:

10 Sorry. Examining the like that will be  
11 created and then offer an opinion as to whether the  
12 proposed pricing schedule would be considered fair  
13 market value.

14 ATTORNEY QUAGLIA:

15 And just briefly, what was your opinion  
16 with respect to the membership prices representing a  
17 fair market value to the memberships being offered?

18 MR. SIEGEL:

19 In each of the three membership cases,  
20 it's my opinion that the value was fair market value.

21 ATTORNEY QUAGLIA:

22 And could you please explain to the  
23 Board, again, a summary, the methodology that you  
24 applied in reaching those conclusions?

25 MR. SIEGEL:

1           The first step was to determine exactly  
2 what fair market value meant. There are well-accepted  
3 definitions for fair market value certainly, and it's  
4 like the valuation of a company. I wasn't aware of  
5 specific definitions of fair market value for club  
6 memberships, so I did look to alternate definitions,  
7 definitions offered by the Revenue Service, by the  
8 American Institute for Certified Public Accountants  
9 and by a dictionary of business terms published by  
10 Barron's Educational Series. And in each case the  
11 definition was relatively similar, and that is the  
12 price at which a good or a service would change hands  
13 between a willing buyer and a willing seller, both  
14 being adequately informed and neither under any kind  
15 of pressure or compulsion to either buy or sell. So  
16 that was the first step. And as I said, those two  
17 definitions were very consistent with one another.

18           The second step was to do a quantitative  
19 analysis that looked back at profitability, going back  
20 to that definition of buyer and seller, to look at the  
21 accepted financial gain, another way to say it, from  
22 both the perspective from the casino and from the  
23 perspective of the patron of the casino. From the  
24 casino's perspective, we looked at likely incremental  
25 revenue that would be generated from the sales of

1 memberships. We looked at the likely cost that would  
2 be created through the provision of the goods and  
3 services associated with those memberships. That took  
4 us down to profitability for each of the three clubs,  
5 both quarterly and the annual memberships.

6 We then did a similar analysis from the  
7 perspective of the patron, essentially comparing the  
8 cost of the purchasing membership with the value that  
9 we recognized as a consequence of the benefits of the  
10 membership. So that was what I would call the heart  
11 of the analysis. As a check we did look at market  
12 stocks, market comparable pricing for other  
13 memberships that are sold for restaurants and  
14 entertainment of customers, health and fitness  
15 facilities. We gave that only secondary consideration  
16 in that we found not --- that there was not very good  
17 data to review in that regard with respect to some  
18 valuation exercises, for example valuing company ---  
19 there are authoritative databases, there are metrics.  
20 You can slice and dice information and you can get  
21 pretty reliable direction as to the value of the  
22 company.

23 In this case we couldn't find any  
24 authoritative database or metrics, so what we ended up  
25 doing is we did do some research. If I can



1 characterize it this way as sort of stand and check to  
2 make sure that it seemed to be lining up well. Our  
3 concern was that kind of research --- scatter shock  
4 results. An example I use when discussing this with  
5 Valley Forge executives was it's a little like asking  
6 what's the value of a car. And if you don't know what  
7 you're looking at when you're comparing a Mercedes to  
8 a Hyundai, if you really don't know what you're  
9 looking at maybe a Mercedes will be a factor. So we  
10 do give that some consideration. It's very easy to  
11 look for but only secondarily is a way of supporting  
12 or verifying what the fact of the quantitative  
13 analysis.

14 ATTORNEY QUAGLIA:

15 Thank you, Mr. Siegel. And as part of  
16 your engagement, did you visit the Valley Forge  
17 facilities?

18 MR. SIEGEL;

19 Yes. I visited the facilities  
20 personally, also interviewed Alex Figueras, he's the  
21 VP of finance there, and then did related research of  
22 the kind I just described.

23 ATTORNEY QUAGLIA:

24 And again, to close the loop, based on  
25 the applications, the methodology that was required,

1 was it your conclusion that the membership pricing  
2 established by the Valley Forge Casino Resort  
3 represented fair market value for the memberships  
4 being offered.

5 MR. SIEGEL:

6 Yes, in two cases.

7 ATTORNEY QUAGLIA:

8 Thank you, Mr. Siegel. We have nothing  
9 further from you. If the Board is, as is typically  
10 the case, holding its questions to the end, I would  
11 refer back to Mr. Scheri to describe the Valley Forge  
12 Casino Resort's process for issuing these memberships  
13 at the set price.

14 MR. SCHERI:

15 Thank you. There are two methods for  
16 purchasing one of Valley Forge's resort memberships.  
17 The first method is to approach the customer service  
18 counter located in the lobby of the --- outside the  
19 gaming floor. A customer service representative of  
20 Valley Forge will answer any questions which the  
21 patron may have regarding various resort memberships  
22 and will explain the registration process. After a  
23 patron has selected the membership he or she would  
24 like to purchase, the customer service representative  
25 will ask for the patron's Driver's License in order to

1 confirm that the patron is at least 21 years of age.  
2 The patron will also be given a disclaimer to read and  
3 acknowledgement, which provides the rules and  
4 restrictions relating to the use of the resort  
5 membership card and authorizes Valley Forge to use the  
6 patron's Driver's License information. The patron's  
7 Driver's License will then be swiped, which will allow  
8 for the capture of relevant personal information.

9           If a patron does not have a Driver's  
10 License, another valid form of identification will be  
11 required and the patron's personal information will be  
12 manually inputted by the Valley Forge customer service  
13 representative. A cross-reference with the Excluded  
14 and Self-Excluded List will be performed to ensure  
15 that the patron's name does not appear on those lists.  
16 If the patron is not identified on the Excluded or  
17 Self-Excluded List, then the casino access system will  
18 take the information from the patron's Driver's  
19 License or the personal information manually entered  
20 and will direct an embossing machine to print the  
21 Resort Membership Cards with the patron's name. A  
22 patron who is documented as a self-excluded or  
23 excluded person will be able to join one of our  
24 memberships, but his or her membership card will not  
25 grant them access to the casino floor.

1                   The Valley Forge customer service  
2 representative will then ask the patron to sign the  
3 Resort Membership Card. The customer service  
4 representative will explain to the patron that the  
5 Casino Access Card is only valid for the life of the  
6 membership and that he or she is eligible to bring a  
7 guest to the casino floor with them as long as the  
8 guest enters the casino at the same time as the  
9 membership holder. The customer service  
10 representative will further explain that the Resort  
11 Access Card must be swiped at a terminal at the casino  
12 entrance in order to gain admission. Lastly, the  
13 customer service representative will advise the  
14 membership holder that the Resort Membership Card is  
15 to be maintained on his or her person while on the  
16 gaming floor and that he or she must also have a  
17 formal identification with them in the event they are  
18 asked to verify their identity.

19                   The other method for obtaining a resort  
20 membership card is through the use of Self-Service  
21 Centers located throughout the facility. The  
22 touch-screen Self-Service Centers will have a  
23 membership screen where the patron can select the  
24 annual or seasonal membership which they desire.  
25 Next, an electronic disclaimer will be displayed,

1 which the patron must read and acknowledge in order to  
2 continue with the process. The disclaimer will  
3 confirm that the patron has read the applicable rules  
4 and restrictions related to the use of this card and  
5 will also authorize Valley Forge to use the patron's  
6 Driver's License information. The patron will then be  
7 required to swipe their Driver's License and a method  
8 of payment. The search explained earlier relating to  
9 the Excluded and Self-Excluded Lists will be  
10 conducted. If the patron's name does not appear on  
11 the Excluded or Self-Excluded list, then the system  
12 will emboss the Resort Membership Card with the  
13 patron's name. The Self-Service Center will instruct  
14 the member to read and sign the back of his or her  
15 card and maintain the card on their person at all  
16 times while on the gaming floor. Of course, if they  
17 are on the Excluded List, they will not be granted  
18 access to the casino floor.

19                   The holder of a Board-approved membership  
20 will be granted unlimited access to the gaming floor  
21 during the term of their membership. In addition,  
22 membership holders are permitted to have one guest  
23 accompanying them onto the gaming floor. In order for  
24 a guest of a membership holder to obtain access to the  
25 gaming floor, he or she must be present with the

1 membership holder when the two individuals enter the  
2 gaming floor. Once on the gaming floor, the guest is  
3 free to move about without the membership holder.  
4 However, once the guest leaves the gaming floor, he or  
5 she will not be able to regain access to the gaming  
6 floor without the membership holder accompanying him  
7 or her.

8 I will be happy to field any questions  
9 relating to our memberships at the conclusion of this  
10 presentation. At this time, Kevin Hayes is going to  
11 begin our discussion on the specific measures which  
12 Valley Forge will implement at the casino floor  
13 entrances in order to prevent unauthorized persons  
14 from entering the floor.

15 ATTORNEY HAYES:

16 Thank you, Sal. As part of this  
17 petition, Valley Forge has submitted to the Board its  
18 proposed Security Department gaming floor access  
19 control procedures which describe in detail its  
20 specific plans for ensuring that only eligible persons  
21 are allowed to enter its gaming floor. It should be  
22 noted that these procedures are limited to our control  
23 of the floor itself and are not representative of the  
24 entire Security Department policies and procedures,  
25 which would be submitted as part of our internal

1 controls and our protocols prior to our opening. In  
2 addition, Valley Forge has submitted to the Board its  
3 proposed gaming floor plan with a surveillance camera  
4 overlay which shows the location and type of each  
5 surveillance camera to be installed above the gaming  
6 floor, including those cameras which will be  
7 designated for monitoring the entrances of the casino  
8 floor. For obvious reasons, these materials have been  
9 submitted as confidential exhibits to the Board. And  
10 I would ask that any specific questions relating to  
11 these submissions be addressed in a closed hearing.  
12 Again, further details regarding all of our security  
13 and surveillance procedures will be submitted as part  
14 of our internal controls.

15                   Once again, I'd like to introduce our  
16 CEO, Sal Scheri, who's going to describe the actual  
17 hardware that will be placed at the gaming floor  
18 entrances to control access and validate all Casino  
19 Access and Resort Membership Cards, as well as to  
20 describe the important role which the security and  
21 surveillance departments will play in monitoring the  
22 ingress onto the gaming floor.

23                   MR. SCHERI:

24                   Thank you, Kevin. Once a patron has  
25 obtained a valid Access Card in the manner in which we

1 described earlier, it will then become the  
2 responsibility of Valley Forge's Security and  
3 Surveillance Departments to monitor the ingress to the  
4 gaming floor to ensure that only authorized persons  
5 gain entry. This slide provides a rendering of Valley  
6 Forge's casino floor. As you can see, there will be  
7 three entrances to the casino floor. First, the main  
8 casino lobby entrance, where we anticipate the vast  
9 majority of our patrons will enter the gaming floor.  
10 Second, the entrance for guests of the Radisson Hotel.  
11 And lastly, the nightclub entrance, which will be  
12 utilized on a very limited basis for patrons who are  
13 escorted by security from our nightclub. All three  
14 public entrances to the gaming floor will contain  
15 optical turnstiles with integrated hardware, which  
16 will be connected to the casino access system. In  
17 addition, we will have security officers permanently  
18 assigned to each point of entry to monitor ingress  
19 onto the gaming floor. These slides show examples of  
20 the type of optical turnstiles that Valley Forge will  
21 be installing at the entrances to its casino floor.

22                   In order to gain entrance to the gaming  
23 floor, a patron will have to swipe his or her Casino  
24 Access Card or Resort Membership Card through the  
25 slide reader located on top of the optical turnstile.



1 If the card is valid, a green light positioned at the  
2 top of the gate will illuminate. If it is not valid,  
3 a red light will illuminate. The security personnel  
4 at the entrances will ensure that all persons who  
5 enter the floor have received a green light,  
6 confirming the validity of the access. If a red light  
7 illuminates, the security officers will stop the  
8 patron from entering the casino floor, and a security  
9 officer will direct the patron to a marketing  
10 representative stationed at the entrance to explain  
11 the process that must be followed in order to gain  
12 access to the casino floor. In a location away from  
13 the optical turnstile will be a remote optical  
14 turnstile link controller which will display live  
15 activity through the optical turnstiles. These remote  
16 lane controllers will be utilized by our Security  
17 Department, the PGCB and other authorized personnel to  
18 monitor activity at our entrances.

19                   In addition, surveillance cameras will be  
20 positioned to clandestinely monitor ingress onto the  
21 gaming floor and to ensure that all patrons use a  
22 valid Access Card prior to entering the floor.  
23 Security personnel will monitor the entrances to  
24 ensure that no minor or persons identified on the  
25 Excluded and Self-Excluded List attempt to enter the

1 gaming floor. The security officers assigned to the  
2 gaming floor entrances may stop any patron who appears  
3 to be under the age of 30 or is recognized as someone  
4 appearing on the Excluded or Self-Excluded Persons  
5 List. If a security officer has reason to suspect  
6 that a patron has had a Casino Access Card or a Resort  
7 Membership Card illegally transferred to him or her by  
8 another patron or an employee of Valley Forge, the  
9 security officer may stop the patron and request that  
10 he produce the Access Card and his photo ID to compare  
11 signatures and confirm the patron's identity. To  
12 further investigate the situation, the security  
13 officer will make use of a handheld computer device  
14 which was described earlier.

15                   This concludes our presentation. I thank  
16 you again for the opportunity to appear before you  
17 today and for your time and attention. I'll now turn  
18 it over to Adrian King for some concluding remarks.

19                   ATTORNEY KING:

20                   Thank you, Sal. Just a couple of  
21 housekeeping matters. At this point, that concludes  
22 the presentation of our case in chief, and I'd like to  
23 move to admit the following as evidence. The first  
24 would be Mr. Siegel's expert report, entitled Club  
25 Pricing: Fair Market Value Analysis at Valley Forge

1 Casino Resort. That's been designated as a  
2 confidential exhibit. That would also include his  
3 qualifications, which were also listed in the report.  
4 Secondly, there's a letter that we had previously  
5 produced to Mr. Kohler, and that's a September 6th,  
6 2001 letter from Edward McBride, Chairman of the Upper  
7 Merion Township Board of Supervisors, regarding their  
8 support for the Valley Forge Casino Resort. Third  
9 would be the Valley Forge Casino Resort's proposed  
10 gaming floor plan with surveillance camera overlay.  
11 That is also designated a confidential exhibit. And  
12 finally, I think this would be number four, Valley  
13 Forge Casino Resort's proposed Security Department  
14 gaming floor access control procedures, again, also  
15 designated as a confidential exhibit. So I'd ask to  
16 move those in.

17 ATTORNEY MILLER:

18 We have no objections.

19 CHAIRMAN:

20 They'll be admitted.

21 (Valley Forge Casino Resort's Exhibits  
22 One through Four marked for  
23 identification.)

24 ATTORNEY KING:

25 And finally, since we have the burden of

1 proof, this is a little bit of a unique hearing, but  
2 we would ask to reserve a brief limited amount of time  
3 for a closing statement at the conclusion.

4 ATTORNEY MILLER:

5 No objection.

6 CHAIRMAN:

7 All right. Thank you. Does the Office  
8 of Enforcement Counsel (OEC) have any questions of  
9 Valley Forge?

10 ATTORNEY MILLER:

11 Thank you, Mr. Chairman. I'm Dale  
12 Miller, M-I-L-L-E-R, the Deputy Chief Enforcement  
13 Counsel for the Eastern Region. Mr. Chairman, we have  
14 no witnesses to present. In this case, we rely on the  
15 pleadings that we filed in this matter, but we do have  
16 a few questions for the Valley Forge people. And I  
17 will ask my questions in the generic fashion, and  
18 Valley Forge, I would hope, can determine which person  
19 would be the best one to answer that question. If I  
20 may?

21 CHAIRMAN:

22 Let's give it a try.

23 ATTORNEY MILLER:

24 Thank you, sir. I understand on the  
25 initial ID cards that everyone's name who is entitled

1 to that card will have to present identification when  
2 they enter the casino; is that correct?

3 ATTORNEY KING:

4 Yes.

5 ATTORNEY MILLER:

6 Let me say this. You stated when we were  
7 discussing membership cards that persons who have a  
8 membership card --- or who have obtained a membership  
9 card will be instructed to bring identification with  
10 you when you come to the casino.

11 ATTORNEY KING:

12 Yeah. Let me try to answer this. I'll  
13 ask my colleagues to join me, if necessary. You have  
14 to remember, there are two types of cards. There's a  
15 Membership Card and there's a Casino Access Card. On  
16 a Membership Card the person's name will be embossed  
17 on the card. The person's name would not be embossed  
18 on a regular Casino Access Card. When a person is  
19 issued a regular Casino Access Card say through non de  
20 minimis consideration to spend, you've gone to the  
21 bar, you've had some drinks, you do not have to  
22 present your ID to your server, but the server will  
23 say, obviously, you've spent at least \$10. Do you  
24 want to go to the casino; yes or no? Yes, I would  
25 like to go to the casino. You'll be presented with an

1 Access Card. You'll be asked to read and sign the  
2 card. And then what you're being instructed to do  
3 when you go into the casino floor and use this card,  
4 you're being told you should bring your Access Card  
5 with you, that you need it to go through the optical  
6 turnstile, and your ID. You need to have ID.

7           The reason for having the ID is, if, at  
8 any point, it's determined that you shouldn't be on  
9 the floor, there's a suspicion that you should not be  
10 on the floor, then you will be asked by the security  
11 guard or another representative, I need to see your  
12 Access Card and I need to see your Driver's License.  
13 The reason for that and the reason for the signature  
14 line on a card is to confirm the signatures. Do they  
15 match on your valid form of government-issued ID and  
16 on your Access Card. And I would just note that  
17 signatures are, you know, used throughout Commerce for  
18 verification of identification. They're used on  
19 credit cards. They're used on checks. There's  
20 signature cards on banks. Related transactions are on  
21 the Amtrak Train, you sign your ticket. And that is  
22 the purpose of having ID with you. That's the purpose  
23 of signing the card. Again, let's all remember this  
24 card is good for 24 hours. It's not good forever.

25           ATTORNEY MILLER:

1           So I take it the answer to my question,  
2 which was will you check identification for each  
3 person who has an Access Card and whose name is on  
4 that Access Card, will you check identification when  
5 they enter the casino, and your answer, I believe, is  
6 no; correct?

7           ATTORNEY KING:

8           We're not going to check a person's ---  
9 well, let me go back.

10          ATTORNEY MILLER:

11          You only check if you have a  
12 suspicion ---?

13          ATTORNEY KING:

14          If we have a suspicion. Now, but hold  
15 on, because it's important, if the person who's done a  
16 transaction on a patron of the amenities transaction  
17 non de minimis consideration appears to be under the  
18 age of 30, yes, we will check their ID at that time.  
19 If the person clearly appears to be over the age of 30  
20 and we don't have an underage issue, no, we do not  
21 check the person's ID at that point in time.

22          ATTORNEY MILLER:

23          But are you telling us that you don't  
24 check the person's ID when they purchase that \$10  
25 amenity and you ask do you want a Casino Card, don't

1 you check their ID at that point to determine if  
2 they're over 21 before they get the card?

3 ATTORNEY HAYES:

4 Bill, if I may. At every point of sale  
5 or other method where someone would obtain a Casino  
6 Access Card, whether that be a hotel guest purchasing  
7 at one of our restaurants or a registered attendee at  
8 one of our events, they will be asked --- if they  
9 appear to be under the age of 30, they will be asked  
10 to show their ID to confirm that they are over the age  
11 of 21.

12 ATTORNEY MILLER:

13 Now, each person, each server or each  
14 employee who distributes or authorizes or provides  
15 these Access Cards, do you anticipate that person will  
16 have to be licensed by the Gaming Board? The person  
17 that works in the gift shop, all those people?

18 ATTORNEY HAYES:

19 That's an excellent question. Obviously,  
20 this is unchartered territory. We are willing to work  
21 with Susan Hensel and the Bureau of Licensing to  
22 determine the level of licensure for each of those  
23 persons, whatever that may be. I know it was  
24 confronted the first time when the hotel was attached  
25 to a casino and that was unchartered territory. In



1 short, we will license --- they will be licensed at  
2 whatever level the Bureau of Licensing determines is  
3 appropriate.

4 ATTORNEY MILLER:

5 Now, with regard to the Membership Card,  
6 your position is that the person who has a membership  
7 in one of your amenities here is entitled to bring one  
8 guest into the casino; correct?

9 ATTORNEY KING:

10 That's correct.

11 ATTORNEY MILLER:

12 Now, what is to stop the person holding  
13 that card, the member, from taking a guest into the  
14 casino and then leaving the casino and going and  
15 bringing in another guest and doing it a half a dozen  
16 times if there's no requirement for the guest to  
17 remain with the person holding the Membership Card?  
18 Do you have a plan to prevent that from happening and,  
19 therefore, having a dozen unauthorized persons on that  
20 floor within ten minutes?

21 ATTORNEY KING:

22 Let me take a first stab at answering  
23 that. First of all, let's talk about how the  
24 technology is going to be used. So I have a  
25 Membership Card. That Membership Card is going to be

1 programmed in the database as follows. And first,  
2 let's back up for a second, talk about optical  
3 turnstiles. What do they do? The optical turnstile  
4 has electric eyes, just like you'd see in a garage  
5 door, at the beginning and at the end, and in the  
6 middle is the swiping device. Now, if I'm just a  
7 regular patron of the amenities, I'm not entitled to  
8 bring a guest, I walk through the first electric eye,  
9 I have to swipe my card, and it must be a valid card  
10 before I break the second electric eye. If I don't, I  
11 get a red light. Now, on a membership, the way ---  
12 the system can be programmed. The way the system can  
13 be programmed is that that will allow two breaks of  
14 both electric eyes within a very set limited time,  
15 five seconds. So my guest has to come in right behind  
16 me and that's how they get in and how we don't have  
17 false slips. Now, that's how they get in. Now,  
18 you're asking the question, what's to stop somebody  
19 from repeatedly bringing people in. First of all, the  
20 technology can, again, be programmed. If we have  
21 people repeatedly coming in, we can get a signal that  
22 will tell us to look at that.

23           The other thing is --- and this goes to  
24 transferability generally. And I can get into that  
25 because I know there will be questions. But look, I

1 have to say --- and again, I don't want to make light  
2 of it, but we're all jumping the gun here and assuming  
3 that everybody who's going to come to a Category 3  
4 casino is going to be trying to gain the system  
5 constantly. And quite frankly, it doesn't make sense.  
6 And let me tell you why it doesn't make sense. We  
7 have three other casinos in the immediate area, Parx,  
8 SugarHouse, Harrah's, where you don't have to pay \$10,  
9 you don't have to stay at the hotel, and you can have  
10 a casino experience if you want. And so the idea that  
11 we're jumping the gun, thinking everyone's trying to  
12 gain the system I think is a little overstated. And  
13 let me say this to you as well. Obviously, security  
14 is going to be very trained in looking for that type  
15 of scenario. Do people appear to be trading cards?  
16 Do they appear --- do you see the member coming in  
17 repeatedly, over and over, with somebody different?  
18 But let me also say this, it's --- and you'll hear me  
19 repeat this over and over. This is an enforcement  
20 issue like any other enforcement issue, and part of it  
21 is about education. I mean, you heard us in  
22 painstaking detail, everybody who gets these cards is  
23 going to be told, here are the rules. These are  
24 non-transferrable. Follow the rules.

25                   The second part, not only education ---

1 and also education includes the signage, is  
2 enforcement and punishment. And what I mean by that  
3 is this. And I'm going to raise an issue, and I'm not  
4 raising it to be inflammatory. We had a problem with  
5 people leaving children in cars. That's a pretty  
6 serious problem. There are 29 people at present, at  
7 least according to the Board's website, not including  
8 self-excluded, 29 people on the Excluded List.  
9 They've been put on there involuntarily because  
10 they've been cheats or otherwise engaged in bad  
11 conduct. Eleven (11) of those people are people who  
12 have left their kids in cars. There's been eight at  
13 Parx, I believe two at Mohegan Sun and one at The  
14 Rivers. They can't go into any casino across  
15 Pennsylvania because they engaged in conduct which is  
16 detrimental to gaming in Pennsylvania. And we're  
17 asking you --- we need a partnership with the Board.  
18 If we find --- as I've said, I don't think we're going  
19 to find, but if transferring cards is a problem or if  
20 somebody buys a membership and tries to bring eight  
21 people in a day, if they do that, we want them on the  
22 Excluded List. They've broken the law that the  
23 General Assembly created. And quite frankly, again,  
24 why risk that if you can go to Parx, Harrah's or  
25 SugarHouse? So I'm just going to say it outright. I

1 mean, we need to see how these systems work, but I  
2 don't think that we can reasonably sit here and  
3 automatically assume, for the reasons I've just said,  
4 that people are going to try to break the system.

5 ATTORNEY MILLER:

6 Thank you. Just a few more questions, if  
7 I may. With regard to persons who attend banquets,  
8 weddings, conventions, so on and so forth, is it your  
9 position that those persons, number one, do not have  
10 to pay a \$10 fee, and number two, are those persons  
11 entitled to an additional 24-hour period of gaming at  
12 the conclusion of the banquet or convention? And if  
13 so, when do you believe that 24-hour period should  
14 start.

15 ATTORNEY HAYES:

16 Another excellent question, Attorney  
17 Miller. The first answer to the question is our  
18 interpretation of the Gaming Act is clearly that it's  
19 clear to us that that group of attendees at weddings,  
20 business events, conferences, do not individually have  
21 to make payment to Valley Forge. And for reasons I  
22 set forth earlier, I think it's supported by the  
23 legislative intent, namely the legislative intent of  
24 the Category 3 Licensees was to bolster the non-gaming  
25 amenities and support the existing tourism there.

1 Valley Forge is receiving benefit from those  
2 conferences and those weddings. It's just it's being  
3 paid for by the host of that event, not these  
4 individuals. So to answer your question, our  
5 interpretation is individuals who attend a wedding or  
6 invited to a business meeting do not have to pay \$10  
7 to Valley Forge in order to be eligible. And I think  
8 that we're on solid ground there.

9 ATTORNEY MILLER:

10 You'll agree, though, that one of the  
11 definitions of amenities --- there's a number of  
12 definitions in the Act, but amenities are listed  
13 as --- and you didn't have them on the slide there,  
14 but the amenity is listed as health, spa, convention,  
15 meeting and banquet facilities, entertainment  
16 facilities and so on. Now, the legislature listed  
17 those things as amenities and yet said that persons  
18 who attend one of those things are patrons of the  
19 amenities. So either there's a conflict there that  
20 the Board may have to resolve, obviously, or there's a  
21 conflict in your interpretation.

22 ATTORNEY KING:

23 I think that's an excellent point that  
24 you raise, Mr. Miller. And I would ask --- I would  
25 direct your attention back to the definition of

1 patrons of the amenities. I mean, not to criticize  
2 the General Assembly in the drafting of this  
3 legislation, but a problem arises when you use the  
4 term amenities in the definition of amenities. And  
5 when you look at that definition, the amenities  
6 portion is only referenced in the second part of that  
7 definition. So again, I think that there is --- there  
8 is some conflicting issues that arise when you  
9 interpret those definitions. But again, I think when  
10 you apply your common sense and the overall  
11 legislative intent for the Category 3 Licenses, I  
12 think that we can agree that it was those individuals  
13 who are registered attendees and participants at  
14 business meetings and weddings and parties at our  
15 facility do not individually have to pay \$10. We  
16 personally don't know how we would administer that to  
17 require persons who are invited to an event and then  
18 charge them \$10 to come to that event. So I hope that  
19 answers your question.

20 ATTORNEY MILLER:

21 Yes. Thank you. And we have no further  
22 questions, and we'll defer to our colleagues at the  
23 table.

24 CHAIRMAN:

25 Does Greenwood Gaming have any questions?

1                   ATTORNEY STEWART:

2                   Yes, Mr. Chairman.

3                   CHAIRMAN:

4                   How long will you be, do you think?

5                   ATTORNEY STEWART:

6                   A good bit.

7                   CHAIRMAN:

8                   We're going to take a ten-minute break.

9 We'll be back at 12:20.

10 SHORT BREAK TAKEN

11                   CHAIRMAN:

12                   Greenwood, you have the opportunity to  
13 ask questions of Valley Forge.

14                   ATTORNEY STEWART:

15                   Thank you, Mr. Chairman. Good morning,  
16 Mr. Chairman and Board members. My name is Mark  
17 Stewart with the law firm of Eckert Seams for  
18 Greenwood Gaming. We have --- oh, I'm sorry. Mark  
19 Stewart, that's M-A-R-K, S-T-E-W-A-R-T. We have a few  
20 questions. We would ask that they be --- well, they  
21 will be directed to witnesses since our administrative  
22 agency law of right entitles us to cross examine  
23 witnesses and not have debate and argument with  
24 counsel. So we would start with Mr. Scheri.

25                   UNIDENTIFIED SPEAKER:



1                   Please speak directly into the microphone  
2 for my benefit, please.

3                   ATTORNEY STEWART:

4                   All right.

5                   UNIDENTIFIED SPEAKER:

6                   Thank you.

7                   ATTORNEY STEWART:

8                   Mr. Scheri, good afternoon, I guess. I  
9 think we've established --- we've made clear that you  
10 plan to allow registered guests to have access to the  
11 casino 24 hours generally after their stay has ended,  
12 24 hours in a 72-hour period. Is that 24 hours in a  
13 row? Or, for instance, could somebody after checkout  
14 come for, you know, eight hours a day over a three-day  
15 period?

16                  MR. SCHERI:

17                  We elected to make that a continuous 24  
18 hours.

19                  ATTORNEY STEWART:

20                  Generally, do you consider hotel guests  
21 to be patrons of the amenities?

22                  MR. SCHERI:

23                  No. That's a separate category.

24                  ATTORNEY STEWART:

25                  Just as an aside, I did notice, you

1 reviewed the petition, I assume, before it was filed?

2 MR. SCHERI:

3 Yes.

4 ATTORNEY STEWART:

5 I notice that you didn't verify it. Is  
6 there any particular reason why you didn't verify the  
7 petition? It's verified by your attorney.

8 MR. SCHERI:

9 Yeah, I was extremely involved in the  
10 development of the petition. We worked very closely  
11 with the attorneys to develop that petition.

12 ATTORNEY STEWART:

13 Okay. Thank you. You noted the  
14 definition ---. I just wanted to make that perfectly  
15 clear. You noted in your presentation I guess the  
16 definition of patron of the amenities. I don't know  
17 if your counsel can show you the page that it was on.  
18 It's not numbered, so it's hard for me to give you a  
19 page. But I can hand this over to you. You would  
20 agree with me that there's nothing in that definition  
21 that includes hotel guests?

22 MR. SCHERI:

23 I believe it's our attorney who quoted  
24 this.

25 ATTORNEY STEWART:

1 Right. Have you had a chance to review?

2 MR. SCHERI:

3 Yes.

4 ATTORNEY STEWART:

5 Is there anything in the language of that  
6 definition that includes hotel guests?

7 ATTORNEY HAYES:

8 Mr. Chairman, I'm going to object to this  
9 line of questioning of a fact witness. I mean, this  
10 is a statutory interpretation. This is not  
11 beneficial for the Board to examine the gaming  
12 personnel list.

13 CHAIRMAN:

14 I'll tell you what. Let me hear the  
15 question again.

16 ATTORNEY STEWART:

17 We'll withdraw it and move on.

18 CHAIRMAN:

19 Good. Thank you.

20 ATTORNEY STEWART:

21 Mr. Scheri, do you have limits on the  
22 number of guests permitted in one room?

23 ATTORNEY KOHLER:

24 Mr. Chairman, we'll withdraw it and we'll  
25 try to stay in line with facts and not get into law.

1 But while we're doing that, we'd appreciate it if the  
2 witness could answer the question based on his own  
3 information and not after conferring with counsel for  
4 every single question, which is what has happened.

5 CHAIRMAN:

6 Well, Counsel, the problem with that, and  
7 I've observed that, they had a presentation where they  
8 would go from one to the other, so obviously some of  
9 the information may be in the --- within the knowledge  
10 of one person, some in the other, and that's the way  
11 we've been doing it. This is not a criminal courtroom  
12 where we're trying to determine who saw the dead body,  
13 okay. The reality is there's information having been  
14 presented, and the questioning should go from you the  
15 way the information was supplied from them. So I'm  
16 not going to prevent that.

17 ATTORNEY STEWART:

18 Just to clarify for the record then, Mr.  
19 Chairman, was Mr. Hayes testifying --- when he  
20 testified to facts, was he testifying as a witness or  
21 offering commentary as a lawyer?

22 ATTORNEY HAYES:

23 Do you want me to respond?

24 CHAIRMAN:

25 Go ahead.

1                   ATTORNEY HAYES:

2                   I'm here today as a counsel of record for  
3 Valley Forge Convention Center Partners, not as a fact  
4 witness.

5                   ATTORNEY STEWART:

6                   Thank you.

7                   ATTORNEY STEWART:

8                   Mr. Scheri, in terms of your policies at  
9 the hotel, do you have limits on the number of guests  
10 permitted in one room?

11                  MR. SCHERI:

12                  Yes, we do.

13                  ATTORNEY STEWART:

14                  What is that number?

15                  MR. SCHERI:

16                  It varies based on the size of the room,  
17 but it's usually, you know, the number of beds in the  
18 room and whether or not a cot can be included in that  
19 room. So, it would depend on the configuration of  
20 each room.

21                  ATTORNEY STEWART:

22                  Okay. Are there limits on the number of  
23 unrelated guests allowed in the room?

24                  MR. SCHERI:

25                  I don't understand unrelated.

1                   ATTORNEY STEWART:

2                   They're not familial related.

3                   MR. SCHERI:

4                   I believe people that are not related are  
5 allowed to share a room.

6                   ATTORNEY STEWART:

7                   Sure. I'm just asking if you have a  
8 limit on the number of unrelated guests that may stay  
9 in a room, separate and apart from the limit on the  
10 straight number.

11                  MR. SCHERI:

12                  We have a limit on the number of guests  
13 that can be registered for the room.

14                  ATTORNEY STEWART:

15                  Okay. Thank you. And all of the guests  
16 who register --- who registered the room are able to  
17 register for the casino access if they're of age?

18                  MR. SCHERI:

19                  If they're of age.

20                  ATTORNEY STEWART:

21                  When somebody comes into the hotel --- I  
22 just want to clarify this, and they register as a  
23 guest and presumably pay for the room and all the  
24 other things they do, does Valley Forge gain the  
25 information of all additional guests at the facility

1 or only those that are interested to going to the  
2 casino?

3 MR. SCHERI:

4 Upon check-in, they will be asked if they  
5 have any additional guests they would like to  
6 register.

7 ATTORNEY STEWART:

8 Okay. So someone with, for instance,  
9 children coming to the casino, you would know if those  
10 children would be registered or they would not?

11 MR. SCHERI:

12 They would likely not be registered.

13 ATTORNEY STEWART:

14 Okay. That's certainly something you  
15 could ask, I would imagine?

16 MR. SCHERI:

17 Of course. All registered guests will be  
18 required to provide proof of age that they're 21 years  
19 of age.

20 ATTORNEY STEWART:

21 Okay. Your submission for today's  
22 hearing included the Security Department's gaming  
23 floor access control procedures. I assume you're  
24 familiar with that document?

25 MR. SCHERI:

1 Yes.

2 ATTORNEY STEWART:

3 And you reviewed and approved it?

4 MR. SCHERI:

5 Yes.

6 ATTORNEY STEWART:

7 The plan --- and I won't divulge  
8 confidential information, but the plan does not appear  
9 to include any procedures for dealing with children  
10 left in the room while people are gambling; is that  
11 correct?

12 MR. SCHERI:

13 No. It pertains to the casino.

14 ATTORNEY STEWART:

15 So, no, it doesn't include anything like  
16 that?

17 MR. SCHERI:

18 The plan is specific to the casino, not  
19 the hotel.

20 ATTORNEY STEWART:

21 Okay. Do you have --- let me put it this  
22 way. Do you have a plan in place, whether it's that  
23 plan or some other internal control, for dealing with  
24 children left behind alone in the room while the hotel  
25 guests are gaming?



1                   MR. SCHERI:

2                   There is a security plan in place for the  
3 operation of the hotel like every other hotel in the  
4 country, yes.

5                   ATTORNEY STEWART:

6                   Okay. But every other hotel in the  
7 country doesn't have a casino attached to it. So let  
8 me ask a little further because certainly your counsel  
9 pointed out so I'm sure you're aware that Pennsylvania  
10 facilities have been dealing with kids in cars. Based  
11 on your New Jersey experience, I'm sure you're aware  
12 that Atlantic City has avoided this problem because  
13 kids are left in the room.

14                  CHAIRMAN:

15                  Excuse me, Counselor. If I can  
16 interrupt. We're talking about the amenities part of  
17 this and access to the floor. We're not talking about  
18 a problem that would be general to a lot of hotels  
19 that have casinos, are we?

20                  ATTORNEY STEWART:

21                  Well, we're talking about security  
22 concerns with the access plan. The access plan  
23 involves hotel guests who will be going into the room.

24                  CHAIRMAN:

25                  But having children staying in a room is

1 a problem that would not be unique to a Category 3.

2 ATTORNEY STEWART:

3 It certainly would be more prevalent to a  
4 Category 3. I think there is a couple hotels now in  
5 Category 2 that have casinos --- or have hotels,  
6 excuse me, but I can move along.

7 MR. TRUJILLO:

8 Mr. Chairman, I'm trying to understand  
9 what this line of questioning has to do with the basis  
10 of the intervention of Greenwood, so I'm just hoping  
11 that eventually we get to the reason that Greenwood  
12 stated in their papers that they were intervening and  
13 what rights of theirs are potentially at stake here as  
14 opposed to any enforcement issues that this Board may  
15 ultimately have, if --- when this facility opens.

16 ATTORNEY STEWART:

17 I understand, Mr. Commissioner. We'll  
18 move along. In terms of the Casino Access Cards,  
19 you've indicated that those cards are not personalized  
20 generally other than the signature on the back; is  
21 that correct?

22 MR. SCHERI:

23 Correct.

24 ATTORNEY STEWART:

25 And it was a little confusing because it

1 appeared that you indicate that the person paid with a  
2 credit or debit card there may be some additional  
3 information lodged on the Casino Access Card. Can you  
4 elaborate on that?

5 MR. SCHERI:

6 Yes. That's not correct. The  
7 information is stored on the casino access system  
8 database and it is auditable, but that information is  
9 not printed on the card.

10 ATTORNEY STEWART:

11 Thank you. Just some of the questions  
12 have been gone over by their presentation, which we  
13 didn't have access to, so I'm trying to streamline  
14 this, but ---. And in terms of the signing of the  
15 card, that happens whether the person is a hotel  
16 guest, it happens whether the person is buying coffee  
17 and lunch at the café or whether they're attending an  
18 event; is that correct?

19 MR. SCHERI:

20 Correct.

21 ATTORNEY STEWART:

22 Is the --- I don't think this is a  
23 question Mr. Miller asked, but is the signature that's  
24 put on the card done in front of the employee?

25 MR. SCHERI:

1 Yes, it is.

2 ATTORNEY STEWART:

3 And does the employee check the ID with  
4 the signature at that time? I know you testified they  
5 check for age if it's appropriate, but do they check  
6 to make sure the signature matches up?

7 MR. SCHERI:

8 They check to make sure --- if the person  
9 is under 30, they check for --- to make sure that  
10 they're over 21.

11 ATTORNEY STEWART:

12 Okay. But they don't check anyone else.  
13 The information on the card essentially is the same  
14 regardless of the status of the type of  
15 customer/attendee/guest, other than the member's name  
16 being on the front?

17 MR. SCHERI:

18 I don't understand the question.

19 ATTORNEY STEWART:

20 For the Casino Access Cards, no matter  
21 what category, I think was your word, of person the  
22 patron may be, a hotel guest, patron of the amenity or  
23 an attendee of an event, the information on the  
24 card --- the card is essentially saying ---.

25 MR. SCHERI:

1 The information on the card is the same.

2 ATTORNEY STEWART:

3 If you get the card --- can you get the  
4 cards if you pay by cash for your amenity as opposed  
5 to by credit card or debit card?

6 MR. SCHERI:

7 Yes, you can.

8 ATTORNEY STEWART:

9 Do you have any thoughts about  
10 restricting paying for cards by cash?

11 MR. SCHERI:

12 No. When a patron pays for --- let's say  
13 they're in the restaurant and they pay for their meal  
14 with cash, the information that is stored in the  
15 casino access database is nearly the same as if they  
16 paid with a credit card. We still have the location,  
17 where the card was issued, the date and time that the  
18 card was issued and who the card was issued by, the  
19 employee that issued the card.

20 ATTORNEY STEWART:

21 Thank you. In terms of the 24-hour  
22 period that they --- any particular cardholder may  
23 visit the casino, let's say you're an attendee at a  
24 conference, I think you indicated a 24-hour period  
25 starts at the end of the conference, what mechanisms

1 do you have in place to monitor the expiration of that  
2 24 hours? Could you clarify that for us?

3 MR. SCHERI:

4 I would like to understand that question  
5 a little bit better. When you say mechanism, I'm not  
6 sure what you mean.

7 ATTORNEY STEWART:

8 Does the card time out --- I think  
9 perhaps that's what I was asking.

10 MR. SCHERI:

11 So at the conclusion of the event, the  
12 card is then good for 72 hours after that event. Once  
13 that card is swiped, it's updated in the database that  
14 the card has been activated, and from that point  
15 forward they have 24 hours. After that period, the  
16 card is deactivated and subsequent swipes will give  
17 them the red light because the card is no longer  
18 valid.

19 ATTORNEY STEWART:

20 Thank you. In terms of attendees and  
21 participants at events, if the attendee --- let's say  
22 it's a conference. If an attendee brings his or her  
23 spouse with them that day but they are not attending  
24 the conference, is the spouse eligible to register for  
25 an Access Card?

1                   MR. SCHERI:

2                   No.

3                   ATTORNEY STEWART:

4                   And it appeared that cardholders  
5 attending in the attendee or participant category  
6 would be eligible to go on the gaming floor during the  
7 event that they're presumably attending.

8                   MR. SCHERI:

9                   If they obtain the card prior to entering  
10 the floor, then yes.

11                  ATTORNEY STEWART:

12                  Okay. And I guess, to some extent, that  
13 seems a little bit of a conflict with their category  
14 of people being participants or attendees. How  
15 exactly are they participating in the event if, in  
16 reality, they're at the casino?

17                  MR. SCHERI:

18                  Many of our events extend over a number  
19 of hours and some even over a number of days. And if  
20 they are attending, let's say, a wedding reception, as  
21 you know, if you've been to a wedding, some wedding  
22 receptions can go four, five, even six hours. During  
23 that time, very often some of the folks will leave the  
24 reception area to take a little break. So we  
25 anticipate that some of that break might actually be

1 on our casino floor.

2 ATTORNEY STEWART:

3 But there's nothing that will stop them  
4 from spending the whole reception on the casino floor?

5 MR. SCHERI:

6 They might lose some friends, but  
7 otherwise no.

8 ATTORNEY STEWART:

9 As long as the gifts are good, we're  
10 good. Now, in the petition you indicated that you  
11 reserve the right to add more amenities in terms of  
12 restaurants and whatnot. If you were to add a  
13 franchise, would purchases at that franchise satisfy  
14 for a Casino Access Card?

15 MR. SCHERI:

16 We have no plans on any franchise.

17 ATTORNEY STEWART:

18 And this you may have clarified, but I'm  
19 not --- it was a little confusing in the petition.  
20 You stated that an access card would be issued for  
21 every \$10 spent by a group participating in an  
22 amenity. Does that allow the group to pay for the de  
23 minimis compensation or is that non de minimis  
24 compensation requirement to individuals specific  
25 within the group?



1                   MR. SCHERI:

2                   The group can pay or individuals can pay.  
3 You know there are five people in a group, but they  
4 spend \$100. They would not get ten cards, they will  
5 get five cards.

6                   ATTORNEY STEWART:

7                   And I think, just so I'm clear, the  
8 Grotto example you gave, five people at dinner, \$200  
9 check, if --- you know, if that's --- if I'm at that  
10 dinner and it's my father who picks up the bill, I  
11 still get the Casino Access Card?

12                   MR. SCHERI:

13                   Correct.

14                   ATTORNEY STEWART:

15                   In terms of the non de minimis  
16 compensation, do you --- I assume that --- reverting  
17 to the issue we were just on, I assume it would also  
18 be the case if there was a dinner and one person buys  
19 a \$40 dinner and the other people just get Cokes and  
20 keep him company? Those people would also still get  
21 the Casino Access Card?

22                   MR. SCHERI:

23                   Well, actually, not necessarily. It  
24 depends on whether or not they're included in the  
25 number of covers. So if they sit down and they just

1 have an iced tea or a water or something like that,  
2 they're not necessarily included in the number of  
3 covers for that meal. It's based on the number of  
4 covers. And covers usually indicates that they're  
5 participating in the meal.

6 ATTORNEY STEWART:

7 I'm not familiar with this word cover.

8 MR. SCHERI:

9 In a restaurant, if you visit a  
10 restaurant, the terminology is a cover. You're at  
11 first ---. So if you're --- if there's four people at  
12 dinner and one person is paying and the other persons  
13 are not necessarily, you know, participating in the  
14 meal, that's the word cover that I'm using.

15 ATTORNEY STEWART:

16 And who at Valley Forge makes this  
17 determination which will grant ---?

18 MR. SCHERI:

19 That's the wait staff. That's the wait  
20 staff who makes it.

21 ATTORNEY STEWART:

22 So the wait staff is making the  
23 determination of who gets to have access to the ---?

24 MR. SCHERI:

25 That's the policy of every restaurant

1 that I've ever been involved with.

2 ATTORNEY STEWART:

3 Have you been involved in a restaurant  
4 with a Category 3 in Pennsylvania with restricted  
5 access?

6 MR. SCHERI:

7 Not yet.

8 ATTORNEY STEWART:

9 Not yet.

10 MR. SCHERI:

11 But determining the number of covers is a  
12 restaurant procedure that is done in every restaurant  
13 around the country.

14 ATTORNEY STEWART:

15 Okay. But I guess my point is it doesn't  
16 have the significance in every restaurant around the  
17 country that it has in a Category 3 Licensee in  
18 Pennsylvania?

19 MR. SCHERI:

20 I disagree. It affects tips and wages.

21 ATTORNEY STEWART:

22 Okay. In terms of the non de minimis  
23 compensation, do you have any plans to reimburse  
24 Access Card holders or club members for any non de  
25 minimis compensation paid or membership fees?

1                   MR. SCHERI:

2                   No.

3                   ATTORNEY STEWART:

4                   So you won't be giving free play to those  
5 persons based upon their hotel room or ---?

6                   MR. SCHERI:

7                   Absolutely not. Absolutely not.

8                   ATTORNEY STEWART:

9                   Do you plan to market free play as an  
10 incentive to buy the amenity?

11                   MR. SCHERI:

12                   No, not to buy the amenity. But we  
13 reserve the right to market to our customers in a way  
14 that is in accordance with the casinos but completely  
15 not related to the amenity whatsoever.

16                   ATTORNEY STEWART:

17                   You mentioned earlier that you intend to  
18 take all necessary steps to ensure that access cards  
19 and membership cards aren't passed, and you also  
20 indicated that your security officers at the entrance  
21 of the casino, at the multiple entrances, would ensure  
22 that only authorized individuals enter the casino  
23 floor. How can they do that if they're not checking  
24 the ID and the signature of the card?

25                   MR. SCHERI:

1 I don't understand the question.

2 ATTORNEY STEWART:

3 How can the security officers ensure that  
4 only a valid cardholder is entering the casino if they  
5 don't check the signature on the back of the card  
6 against an ID?

7 MR. SCHERI:

8 The optical turnstiles are required to be  
9 swiped with a valid card. If the card is valid, the  
10 security guard will verify that and they will be  
11 allowed to enter the casino floor. If the swipe is  
12 --- if the card is invalid, the swipe will render a  
13 red light and they will not be allowed on the gaming  
14 floor.

15 ATTORNEY STEWART:

16 But the --- just so I can get this clear.  
17 The optical standards don't check the signature;  
18 correct?

19 MR. SCHERI:

20 Correct.

21 ATTORNEY STEWART:

22 And in terms of taking all necessary  
23 steps, if checking the ID, in your view, is not  
24 necessary, what type of steps do you believe are  
25 necessary?

1                   MR. SCHERI:

2                   For?

3                   ATTORNEY STEWART:

4                   For ensuring that persons who don't have  
5 a valid card aren't gaining access.

6                   MR. TRUJILLO:

7                   I think he's asking, who do you know it's  
8 a hundred percent foolproof?

9                   ATTORNEY STEWART:

10                  No, not actually, Commissioner. I'm  
11 asking whether they're preventing it or whether  
12 they're dealing with it after the fact.

13                  MR. SCHERI:

14                  Again, we have put a number of procedures  
15 and policies in place that will educate and inform our  
16 patrons that transferability is illegal and a  
17 violation. We have created a technology system to  
18 verify and validate that the cards being used are  
19 valid. We have a training system that we will  
20 implement for security and surveillance to verify  
21 that, you know, as best to their ability, that card is  
22 not being transferred.

23                  ATTORNEY STEWART:

24                  Let me ask it this way then.

25                  CHAIRMAN:

1 Counselor, I think you made your point on  
2 that issue. I think the Board understands where  
3 you're going, so why don't you move to another point.

4 ATTORNEY STEWART:

5 Sure. In terms of the cards, you've  
6 indicated that the security will handle it, you know,  
7 be looking to identify people on the floor who don't  
8 have valid cards. Do they wear the cards on them or  
9 how will security officers be able to tell that by  
10 looking at someone?

11 MR. SCHERI:

12 They will be able to request that the  
13 patron present their card and their identification.

14 ATTORNEY STEWART:

15 And do they do that randomly or is there  
16 some sort of ---?

17 MR. SCHERI:

18 The security officers, the PGCB and the  
19 State Police all will have the ability to request a  
20 card and identification from any patron they wish.

21 ATTORNEY STEWART:

22 In terms of Mr. Miller's example, if a  
23 member brings a guest to go onto the floor, the guest  
24 goes off to the tables, the member exits the casino,  
25 in that scenario, you don't track the guests?

1                   MR. SCHERI:

2                   Correct.

3                   ATTORNEY STEWART:

4                   And the guest doesn't have a hand stamp  
5 or something like that that says guest or has a date?

6                   MR. SCHERI:

7                   Correct.

8                   ATTORNEY STEWART:

9                   You have no way of knowing whether the  
10 guest has actually left the floor as well?

11                  MR. SCHERI:

12                  Correct.

13                  ATTORNEY STEWART:

14                  And in terms of the member bringing a  
15 second guest in, you're basically relying on the  
16 acknowledgment form signed ---?

17                  MR. SCHERI:

18                  It's more than just that. You know, when  
19 we look at this, we look at this again as another  
20 group of excluded persons. And it's incumbent on our  
21 security and surveillance personnel to make sure that  
22 no underaged persons enter the casino floor, that no  
23 one on the Excluded or Self-Excluded List enter the  
24 floor and no members without their membership holder  
25 enter the floor and no members and guests, and that no



1 membership holders bring in a second guest during that  
2 same visit.

3 ATTORNEY STEWART:

4 Okay. The presentation indicated that if  
5 the member did do this, there would be significant  
6 enforcement and punishment. The petition, however,  
7 indicated that you would review the eligibility of the  
8 member, which seemed a little weak. Will people be  
9 banned or will they --- would their memberships be  
10 revoked? What's the ---?

11 MR. SCHERI:

12 We will seek to work with the Board to  
13 take steps to put them on the Exclusion List so that  
14 they cannot visit other casinos in Pennsylvania.  
15 Their membership will be revoked and they will  
16 certainly not be allowed back at our casino.

17 ATTORNEY STEWART:

18 Thank you. Moving on to memberships, the  
19 petition indicated, and you maybe said this in your  
20 testimony, that for each of the clubs you based your  
21 prices on similar goods and services at existing  
22 establishments in the particular fields. Can you  
23 identify for us which establishments' pricing you  
24 looked at?

25 MR. SCHERI:

1           The way we developed our pricing was  
2 through the analysis in turn of our cost structure for  
3 providing these goods and services and the associated  
4 profit margin that we enjoy for these goods and  
5 services currently. And that's how we priced at a  
6 minimum.

7           ATTORNEY STEWART:

8           You would agree, though, that you could  
9 make a profit on a service and it still --- the price  
10 for it would still not be fair market value?

11          MR. SCHERI:

12          Well, in addition to that analysis,  
13 that's where we brought in Mr. Eric Siegel, to ---  
14 because we wanted to make sure that we complied with  
15 the Gaming Act, and to the best of our ability, we  
16 developed fair market pricing. So we brought in our  
17 expert, Mr. Eric Siegel, to help validate that, which  
18 he has done.

19          ATTORNEY STEWART:

20          I understand that he's filed his report  
21 and conducted whatever analysis he's conducted. The  
22 question was, you would agree that just because you  
23 make a profit on a service does not mean that the cost  
24 or the price you charge for that service is fair  
25 market value?

1                   MR. SCHERI:

2                   Okay. And I'm sorry, I don't understand  
3 the question.

4                   ATTORNEY KING:

5                   I have to object. Are you asking the  
6 question generally or are you asking it specifically  
7 with respect to the pricing of memberships in this  
8 scenario?

9                   ATTORNEY STEWART:

10                  Well, let's go back because he didn't  
11 answer my first question. The first question was,  
12 which establishments did you --- pricing did you  
13 review? You specifically state in your petition the  
14 prices for your clubs are based on similar goods and  
15 services offered at existing establishments in those  
16 areas. So, which ones did you look at?

17                  ATTORNEY KING:

18                  Again, I would like to enter an objection  
19 in the sense Mr. Scheri has testified how membership  
20 prices would come up or were developed internally. We  
21 then hired an expert witness to go and validate those  
22 pricing structures, and that report which has been  
23 filed and provided to you discusses how those pricing  
24 structures would compare to comparable memberships in  
25 the geographic region.

1                   CHAIRMAN:

2                   So, the information is contained within  
3 the reports?

4                   ATTORNEY STEWART:

5                   It's not, Your Honor. The information is  
6 absolutely not in the reports. The report was done on  
7 September 6th, almost two months after the petition  
8 was filed. The report --- and I think the expert will  
9 soon testify that he had no involvement in the design  
10 of these plans. He only reviewed them after the fact.  
11 In their petition, on paragraph 31, they state, in  
12 determining fair market value for memberships, Valley  
13 Forge considered the pricing for similar goods and  
14 services offered in existing memberships in the  
15 hospitality and entertainment industries. They have  
16 the burden of proof of establishing these facts. They  
17 have made the allegation that they've checked these  
18 similar groups of services. We have been denied the  
19 opportunity to ask these types of questions in  
20 discovery. We should be entitled to ask the question  
21 and get an answer. If he doesn't know, maybe Mr.  
22 Figueras knows. Or if they know, they can say they  
23 don't know.

24                   ATTORNEY KING:

25                   We're happy to offer Mr. Figueras. And

1 we did share this information with our expert, and  
2 that's how this information was developed. I'd be  
3 happy to bring Mr. Figueras up to help answer that  
4 question.

5 CHAIRMAN:

6 Thank you.

7 MR. FIGUERAS:

8 Mr. Chairman, Alex Figueras, F, as in  
9 Frank, I-G-U-E-R-A-S. To the extent that certain  
10 comparables were looked at, they were supplied to our  
11 expert, and they are all included within his report.  
12 I would further add that, based on the experience of  
13 our management team being in the business for numbers  
14 of years, that we also conferred and we discussed what  
15 would be a fair price that we believed that our  
16 customers would be able to purchase without  
17 specifically trying to find a number that was, in your  
18 opinion, too low. Obviously, a one dollar thing was  
19 not our option. We want to make a profit on each of  
20 these memberships, and that is what we have done.

21 ATTORNEY STEWART:

22 Thank you. Just so I understand your  
23 answer completely, I believe it was Exhibit Four to  
24 Mr. Siegel's report at, you know, whatever comparables  
25 he indicated he could find based on his searches for

1 the three different club memberships. Is your answer  
2 that the comparables listed in that exhibit were  
3 provided to him by Valley Forge?

4 MR. FIGUERAS:

5 Any comparables we had were provided to  
6 him. And he included some other comparables that he  
7 looked at also.

8 ATTORNEY STEWART:

9 Thank you. If we can focus on --- and  
10 whichever witness is appropriate, on the health and  
11 fitness club for a moment. In your view, is this a  
12 spa or is it a health club? It's hard to gauge it.

13 MR. SCHERI:

14 It's a fitness center and spa.

15 ATTORNEY STEWART:

16 And obviously the price for joining for a  
17 year the health club/spa is \$64, \$25 for a quarter.  
18 Did you find any health club membership that permitted  
19 you to join for a year for \$64?

20 MR. FIGUERAS:

21 Judgment also had to be used in the price  
22 preparation. When we look at what our actual facility  
23 is able to offer and what is out there in the market,  
24 we're certainly not a valley spa. We're not, you  
25 know, a red door product, so we had to take what was

1 out there and existing and what people would pay for  
2 those memberships and adjust it for what we actually  
3 have, plus taking into consideration that at this  
4 point we are, you know, essentially launching these  
5 products for the first time. And we also want to get  
6 trial --- you know, trial of the facility. So, we do  
7 not believe that we could --- that it would be  
8 appropriate that we would have the same prices as a  
9 well-established, full-service spa. There was no ---  
10 nothing that was exactly the same. And you'll find  
11 out as you look throughout many businesses, nothing is  
12 exactly identical. So what we found was comparable in  
13 terms of people that are in a similar line of business  
14 and adjusting that for the facts and circumstances of  
15 our own facility.

16 ATTORNEY STEWART:

17 Well, since you mentioned some of the  
18 specific comparables, you will hear --- you've been  
19 provided our exhibit, and you will hear the testimony  
20 that the YMCA in Berwyn, Pennsylvania, Chester County,  
21 costs \$79 a month. I realize that, you know, I guess  
22 your facilities are not up to the status of a  
23 well-established spa and fitness center. Presumably,  
24 they're up to the status of a well-established resort.  
25 But you're charging less than 1/12th the cost of the

1 YMCA. Do you find that comparable?

2 MR. SCHERI:

3 I'm embarrassed to say this. We don't  
4 have change rooms or showers within our current  
5 fitness facility. There are prices that people are  
6 willing to pay more for when they have comforts they  
7 are more accustomed to, more of a Planet Fitness or a  
8 Gold's Gym.

9 ATTORNEY STEWART:

10 Your health club membership is providing  
11 one free spa treatment?

12 MR. SCHERI:

13 That is correct.

14 ATTORNEY STEWART:

15 In your research, did you find anywhere  
16 where you could get a Swedish massage for less than  
17 \$60?

18 MR. SCHERI:

19 Massage Envy.

20 ATTORNEY STEWART:

21 Message what?

22 MR. SCHERI:

23 Massage Envy.

24 ATTORNEY STEWART:

25 Envy.



1                   MR. SCHERI:

2                   It's a chain throughout the United  
3 States.

4                   ATTORNEY STEWART:

5                   And what's the price of their massage?

6                   MR. SCHERI:

7                   I don't recall, but it's less than \$60.

8                   ATTORNEY STEWART:

9                   Is it a lot less?

10                  MR. SCHERI:

11                  It's not a lot less. It may be \$10 or  
12 \$15. I don't recall the exact amount.

13                  MR. FAJT:

14                  Sir, could you please speak up. In  
15 general, it's really frustrating for us and people in  
16 the audience. We cannot hear you. And when you're  
17 looking at somebody and talking to them and the  
18 microphone is over here, nobody out there can hear  
19 you. We record these for video purposes, so they're  
20 on the website later on today, and everybody can see  
21 it. And when people don't speak into the microphone,  
22 none of what you say gets recorded. So just --- not  
23 to you and I'm not singling you out, but just  
24 everybody needs to speak into the microphone. It's  
25 pretty simple, but please, we'd appreciate your

1 cooperation on that.

2 ATTORNEY STEWART:

3 I don't know how to --- I just have a few  
4 more questions. And this goes back to the question of  
5 --- the scenario of the member bringing the additional  
6 guests in. It was stated that the technology can be  
7 programmed to give the casino a signal and tell them  
8 to look at it. I assume that's applicable to persons  
9 already on the floor, the gaming floor; is that  
10 correct?

11 MR. SCHERI:

12 It's actually a number of different  
13 things that will help us to ensure that membership  
14 holders are bringing in one guest per visit. And you  
15 know, first and foremost is, you know, we rely, of  
16 course, on our technology. And the technology will  
17 allow them to bring one guest with them. In the event  
18 that they exit the gaming floor and return multiple  
19 times, we have the ability to alert security and  
20 surveillance or our optical turnstile lane monitoring  
21 --- lane controlling system. We are also training the  
22 security guards to ensure that --- just the same way  
23 they would protect underage gamers and persons on the  
24 Excluded or Self-Excluded List, that they would  
25 identify membership holders that were reentering on

1 the same visitor with different guests.

2 ATTORNEY STEWART:

3 Okay. And I think I follow that, but I'm  
4 just trying to make sure. If the member is frequently  
5 coming in and out of the system, maybe more than five  
6 times, mass signal or something is sent. To whom is  
7 the signal sent?

8 MR. SCHERI:

9 Well, the first thing that would happen  
10 is that they would get a red light. And typically,  
11 they would be allowed to swipe their card again and be  
12 getting a green light. So a pre-set number of times,  
13 the light will then be ready and they will not be  
14 allowed access because they came back in too many  
15 times in too short a period of time. But again, we  
16 use multiple components. Just like any security  
17 system, you don't rely on one single facet of that  
18 system. You rely on multiple facets of the system,  
19 both human and technology. So we rely on technology  
20 as one component. We rely on security guards as  
21 another component. We rely on surveillance as another  
22 component.

23 ATTORNEY STEWART:

24 Thank you. Just a couple questions yet  
25 for Mr. Siegel. Good afternoon, Mr. Siegel.

1                   MR. SIEGEL:

2                   Good afternoon.

3                   ATTORNEY STEWART:

4                   Your biography notes that sometimes you  
5 have become an entity holder or participate in the  
6 ongoing management of your clients. Is that true  
7 here?

8                   MR. SIEGEL:

9                   No.

10                  ATTORNEY STEWART:

11                  Thank you. You obviously have had a  
12 significant experience in helping clubs develop  
13 business plans. Have you designed any dining clubs?

14                  MR. SIEGEL:

15                  Restaurants, yes. Dining clubs, no.

16                  ATTORNEY STEWART:

17                  Have any of your clients included spas or  
18 health clubs?

19                  MR. SIEGEL:

20                  Yes, they have. Not currently, but yes,  
21 I have had other health clubs and spas as clients.

22                  ATTORNEY STEWART:

23                  Okay. And in terms of entertainment  
24 clubs?

25                  MR. SIEGEL:

1 Yes.

2 ATTORNEY STEWART:

3 In terms of your report, it indicates it  
4 was completed on September 6th. Did you have input  
5 --- I assume you had no input in the design of these  
6 programs when they were filed on July 15th?

7 MR. SIEGEL:

8 When you say the design, you mean the  
9 pricing of what would be offered?

10 ATTORNEY STEWART:

11 Correct.

12 MR. SIEGEL:

13 They gave what they were considering, and  
14 they asked me to evaluate it.

15 ATTORNEY STEWART:

16 Okay. So you got the information from  
17 them and did an after-the-fact evaluation?

18 MR. SIEGEL:

19 Yes. I got some input and, in fact, I  
20 believe there was some modification to what they're  
21 looking at.

22 ATTORNEY STEWART:

23 Have they amended the ---?

24 MR. SIEGEL;

25 Not the pricing of the membership but the

1 price of some of the services. You asked about the  
2 spa services. We did talk about that and what the  
3 price should be and so forth.

4 ATTORNEY STEWART:

5 In terms of the two methods of  
6 evaluations you perform, I think you discussed that  
7 for the qualitative analysis, essentially you took all  
8 your assumptions and data from Valley Forge; correct?

9 MR. SIEGEL:

10 No, no, no.

11 ATTORNEY STEWART:

12 Okay. Why don't you tell me? The record  
13 said that you talked to Mr. Figueras, and I think that  
14 was the only thing I identified in that area of the  
15 report.

16 MR. SIEGEL:

17 No.

18 ATTORNEY STEWART:

19 Now, why don't you tell me what you did  
20 in the qualitative analysis that is discussed on page  
21 one of your report?

22 MR. SIEGEL:

23 We started by looking at the comparable  
24 data we could find and coming up with a fair pricing  
25 program. We went to the websites of those clubs ---.

1                   ATTORNEY STEWART:

2                   Okay. Just so the question is clear, you  
3 identified two methods. One is the quantitative  
4 analysis and the other one was, to the extent  
5 available, you looked at the comparable memberships.  
6 So I understand the comparable aspect. I'm focusing  
7 on the quantitative analysis. And I'm just trying to  
8 verify that, and the reports indicated that you relied  
9 on interviews with Mr. Figueras or perhaps with people  
10 in the company as well as data from the company.

11                   MR. SIEGEL:

12                   That's right.

13                   ATTORNEY STEWART:

14                   Thank you. And man, maybe this is just  
15 something that I'm missing, but I thought I heard you  
16 testify earlier that you were offering a fair market  
17 value opinion. In your report, though, you indicated  
18 that you have not done a market study; is that  
19 correct?

20                   MR. SIEGEL:

21                   Are you asking me did I look at market  
22 comparables? I did look at market comparables.

23                   ATTORNEY STEWART:

24                   Have you done a market study?

25                   MR. SIEGEL:

1 Define what market study is, please.

2 ATTORNEY STEWART:

3 Well, let me ask you this. I don't want  
4 to read the report since it's marked confidential, but  
5 perhaps you could look at page six, the first sentence  
6 under the heading market comparable data.

7 MR. SIEGEL:

8 Yes.

9 ATTORNEY STEWART:

10 It indicates ---.

11 ATTORNEY HAYES:

12 Just to make it easier for counsel,  
13 there's nothing proprietary in this paragraph.

14 ATTORNEY STEWART:

15 It basically says there were no market  
16 studies available.

17 MR. SIEGEL:

18 None that we could find, that's right.

19 ATTORNEY STEWART:

20 Did you do a market study like the ones  
21 that you were looking for?

22 MR. SIEGEL:

23 Got it. No, we did not.

24 ATTORNEY STEWART:

25 One moment, please.



1 ATTORNEY STEWART REVIEWS NOTES

2 ATTORNEY STEWART:

3 No further questions. Thank you.

4 CHAIRMAN:

5 Thank you.

6 ATTORNEY STEWART:

7 Mr. Chairman, I'm sorry, before we go any  
8 further, we're concerned with one potential issue. I  
9 just wanted to try to resolve it now to avoid any  
10 confusion. Previously a question was asked to Mr.  
11 Hayes as to whether he was testifying as counsel on  
12 the one hand or as a fact witness on the other hand  
13 and to ask him if he was appearing today as counsel.  
14 We know that he is the effective general counsel for  
15 the Applicant, and in that capacity may have access to  
16 factual information that other counsel of record may  
17 not have. So to avoid any confusion, I think it may  
18 be worthwhile to have him sworn retrospectively to the  
19 extent that anything he has said here today could be  
20 construed as factual testimony.

21 CHAIRMAN:

22 Sounds like it's a little late for that,  
23 Counsel. I don't think that's necessary.

24 ATTORNEY STEWART:

25 Thank you.

1           CHAIRMAN:

2           Okay. OEC, presentation?

3           ATTORNEY MILLER:

4           As I stated earlier, Mr. Chairman, we  
5 have no witnesses to present. We would rely on  
6 pleadings and answers that we filed in this matter.

7           CHAIRMAN:

8           Greenwood Gaming, presentation?

9           ATTORNEY KOHLER:

10          Good afternoon, Chairman Ryan,  
11 Commissioners. I think the good news, I can start and  
12 we can complete this very quickly. Let me talk into  
13 the mic.

14          MR. FAJT:

15          Thank you.

16          ATTORNEY KOHLER:

17          This will be fairly brief.

18          CHAIRMAN:

19          We'll be the judge of that.

20          ATTORNEY KOHLER:

21          We do have an expert witness to present  
22 to you this afternoon. We'll get to that shortly.  
23 Before I introduce Mr. Durham, who's sitting to my  
24 right, I just wanted to emphasize that we have two  
25 problems with the plan that's before you. One is

1 legal issues, areas where we think it's a matter of  
2 law, the plan is illegal, and the other is more in the  
3 area of factual issues. For example, whether or not  
4 the exemption plan meets the fair market standard.

5           The legal issues I can touch on very  
6 quickly. I don't want to spend a lot of time on them.  
7 My understanding is we're going to have a chance to  
8 brief this, so I will rely on the brief. The other  
9 side went into it in quite a bit of detail, so I just  
10 want to at least identify them on the record. The  
11 first one is this notion that the registered guests,  
12 once they're no longer registered, can continue to  
13 gamble for 24 hours within the following 72-hour  
14 period. We join the OEC in claiming that that is not  
15 legally compliant. The way that this is structured  
16 from a legal point of view is the 24/72 standard is in  
17 --- it's not in the statute at all, but it's in the  
18 Board's regulations. It's specifically for a patron  
19 of the amenities, which even they have acknowledged is  
20 a completely different category than a registered  
21 guest. Clearly, on its face but ambiguously it does  
22 not apply to the registered guests. And so  
23 essentially they're asking you to enact new law in  
24 order to allow them to do this.

25                           ATTORNEY MILLER:

1           Mr. Chairman, if I may. And I apologize  
2 for objecting, but Mr. Kohler has stated that we  
3 agreed with him on this position, and we do to a  
4 certain extent. We, in our pleadings, stated we do  
5 not agree that a registered guest should get an extra  
6 24 hours after he checks out. However, we do believe  
7 that if he partakes of an amenity at one of the  
8 recommended --- and they can show that he partook of  
9 an amenity that was offered to a registered guest or  
10 to members of the public, then he gets that 24-hour  
11 period that anybody else would who partakes of that  
12 amenity, even though he's a registered guest. I  
13 wanted to make that clear.

14                   ATTORNEY KOHLER:

15           We agree with that as well, Chairman. I  
16 didn't mean to misstate Mr. Miller's position.  
17 Clearly, ---.

18                   CHAIRMAN:

19           Understood.

20                   ATTORNEY KOHLER:

21           Clearly, you know, just as long as he  
22 comports with the procedures to make him a patron of  
23 the amenity, I'm not arguing that. But he can't be  
24 just a registered guest and get the benefit of the  
25 24/72 hour period. If you enact the law, you allow

1 them to do that, because it's certainly not the law  
2 now. If you didn't enact the law, it would be  
3 violative of the Act, because the Act only allows the  
4 registered guest. It doesn't allow registered guests,  
5 plus. That's the first issue.

6           The second issue is this notion that if  
7 you're --- and Mr. Miller touched on this very well,  
8 so I won't duplicate his argument, but if you're a  
9 convention attendee, then you don't have to spend de  
10 minimis consideration. I'll agree with the number of  
11 lawyers who spoke on this. It's not completely clear.  
12 We agree it's not completely clear. But ultimately,  
13 the term amenities includes conventions, the  
14 convention center. And it's hard to fathom that  
15 you're --- that you can be a patron of an amenity  
16 without patronizing an amenity. And so, ultimately we  
17 think that this de minimis compensation applies across  
18 the board. And we'll argue that in our brief. I  
19 don't want to go any deeper into it.

20           But the third notion is this issue that,  
21 you know, I don't quarrel with Valley Forge that if  
22 five people go to the restaurant and they spent \$200  
23 and one person pays, one person is treating that  
24 night, that all five ought to get access. I have no  
25 quarrel with that. But if you take a fairly frequent

1 scenario, particularly if you were looking to get a  
2 bunch of people, including some who didn't want to be  
3 a patron of the amenity, you know, one person could  
4 buy dinner and the others can buy a Coke. We heard  
5 some testimony that was at least confusing to me as to  
6 how they intend to police that. But ultimately, we  
7 think under the law that that has to occur. If it's  
8 per patron --- it's not per group, it's per patron,  
9 and each one has to qualify. And while there may be  
10 some reasonable flexibility for someone who's treating  
11 the others, it's not someone buys dinner and the  
12 others buy Cokes and they all get in. But those are  
13 the three issues. I want to get by that, and let's go  
14 on with the expert witness.

15                   Chairman, Commissioners, our expert  
16 witness today is Steve Durham. He's a professor at  
17 Penn State University. He's an instructor in gaming  
18 and hospitality management. He has 32 years in the  
19 field. He has circulated an exhibit, which I'd like  
20 to introduce, which basically explains his background.  
21 We have been, in these hearings, typically getting  
22 into oral foundation for expert witnesses, so I won't  
23 bother with that, unless I have to. I think he's  
24 clearly qualified as an expert in this area, and we'd  
25 like to present him this afternoon.

1           CHAIRMAN:

2           In what area?

3           MR. TRUJILLO:

4           He's being offered as an expert in what?

5           ATTORNEY KOHLER:

6           In the area of gaming and hospitality, in  
7 general, and also in the aspects of security, and also  
8 in aspects of --- in this case we'll be focusing a lot  
9 on the pricing of the membership plans.

10          MR. TRUJILLO:

11          So, he's an expert on security, gaming  
12 and pricing the membership plan.

13          ATTORNEY KOHLER:

14          And security and the memberships plans  
15 within the overall context.

16          ATTORNEY STEWART:

17          And Mr. Chairman, for the record, we  
18 oppose the qualification of this witness. There's  
19 nothing in his CV or file that indicates any security  
20 experience with casinos, nor is there anything in his  
21 CV or his bio which indicates that he's ever had any  
22 experience, much less acknowledged expertise, in  
23 establishing the fair market value of products or  
24 businesses.

25          CHAIRMAN:

1 Counselor, how do you respond to that?

2 ATTORNEY KOHLER:

3 Why don't I allow Mr. Durham to come up  
4 and explain his qualifications?

5 MR. DURHAM:

6 For the record, it's Steve Durham,  
7 D-U-R-H-A-M. I hope I'm speaking loud enough into the  
8 microphone. In terms of my qualifications, looking  
9 back on my history, I've worked in the industry for  
10 eight years, part of which was in security. That was  
11 a small part, but it was in security. I have taught  
12 casino management to two institutions of higher  
13 education. I have also been the Director of the  
14 Casino Management Program at Scottsdale Community  
15 College. I've consulted to Indian casinos, primarily  
16 in management/training area but, of course, there was  
17 some security as well. In terms of fair market value,  
18 I teach a casino marketing course where we do talk  
19 about pricing. And I have a textbook. I have written  
20 a textbook. I have a textbook I use that addresses  
21 this specific issue. If you look at my resume, if you  
22 have a chance to take a look at it, it does span  
23 actually 35 years in the industry as such.

24 ATTORNEY STEWART:

25 Mr. Chairman, we would ask whether this



1 witness has ever been accepted by any tribunal as an  
2 expert in the area of security or valuation.

3 CHAIRMAN:

4 I'm sorry, Counselor?

5 ATTORNEY STEWART:

6 Mr. Chairman, we would ask whether this  
7 witness, in contrast to Mr. Siegel, has ever been  
8 accepted as an expert by any tribunal with respect to  
9 the subject areas of security or market valuation.

10 CHAIRMAN:

11 That's probably a good question. Sir?

12 MR. DURHAM:

13 The answer would be no. However, I have  
14 appeared before tribal councils and other bodies as an  
15 expert.

16 CHAIRMAN:

17 In those areas?

18 MR. DURHAM:

19 Not in those areas.

20 ATTORNEY KOHLER:

21 If I can add to that. The standard for  
22 expert testimony is not whether have you ever been an  
23 expert witness before, it's whether you have expertise  
24 beyond that of a layman. And clearly, Mr. Durham  
25 meets that standard.

1                   CHAIRMAN:

2                   He obviously knows something about the  
3 industry. My concern is does he know enough about the  
4 areas you want to question him about to be considered  
5 an expert. And quite honestly, Counselor, I have a  
6 problem with that.

7                   ATTORNEY KOHLER:

8                   I think by educating or teaching courses,  
9 writing textbooks, that type of activities, is going  
10 to qualify him as an expert. If you question that, it  
11 can go to weight, but I would assert that he easily  
12 meets the witness standard for expert testimony under  
13 Pennsylvania Law.

14                   MR. TRUJILLO:

15                   Well, although he might, but you can't be  
16 a general expert. That's why I asked the question,  
17 what are you proffering him for? If I may, Mr.  
18 Chairman, ask a couple questions. Mr. Durham, do you  
19 consider yourself an expert in casino security?

20                   MR. DURHAM:

21                   If you define expert as knowing more than  
22 other people in a very specific area and to a level  
23 where ---.

24                   MR. TRUJILLO:

25                   No. Do you consider yourself --- do you

1 think you're an expert in casino security?

2 MR. DURHAM:

3 Yes.

4 MR. TRUJILLO:

5 Okay.

6 CHAIRMAN:

7 Do you think you're an expert in judging  
8 the accurate pricing of goods and services offered at  
9 a restaurant and a spa or health or a fitness center?

10 MR. DURHAM:

11 Yes.

12 CHAIRMAN:

13 How?

14 MR. DURHAM:

15 How do I consider myself an expert?

16 CHAIRMAN:

17 Yes. What have you done in your past  
18 that has made you an expert in determining that what  
19 is fair market value for price of a good or service?

20 MR. DURHAM:

21 When I was a principal and actually the  
22 owner and only employee of Hospitality Resources  
23 Group, one of my areas of expertise was feasibility  
24 studies. In particular, it wasn't for casinos, but it  
25 was for hospitality operations and feasibility studies

1 to determine what is the appropriate pricing in order  
2 to make a profit and yet still attract business.

3 CHAIRMAN:

4 How long will this testimony be,  
5 Counselor?

6 ATTORNEY KOHLER:

7 I'm going to guess in the area of 15  
8 minutes, maybe less.

9 CHAIRMAN:

10 All right. We'll hear it.

11 ATTORNEY KOHLER:

12 Before we get into it, most of what Mr.  
13 Durham reviewed is marked as confidential. I have  
14 instructed him as best I can to not disclose that  
15 material. I think it's going to make his --- doesn't  
16 make it easy when you're testifying publicly about  
17 confidential information. It's not like I'm  
18 apologizing in advance, but we think we'll get through  
19 this without any problem. And with that, I'll turn it  
20 over to Mr. Durham for his presentation. And we do  
21 have a PowerPoint as well as some follow-up, which I'm  
22 willing to introduce as an exhibit.

23 MR. DURHAM:

24 Commissioner Ryan, members of the Board,  
25 thank you very much for giving me this opportunity. I

1 don't think I need to tell this Board about  
2 confidential. I teach casino management courses.  
3 It's a great economic developer, but it also is very  
4 controversial. When the legislature was putting  
5 together the legislation on gaming in Pennsylvania,  
6 they had to balance demands. One of the things they  
7 considered was obviously the restrictions on casino  
8 access in Category 3 licensed casinos. I believe the  
9 significant reason for this restriction is to limit  
10 the societal impact on the surrounding community. I  
11 know there are other reasons, but from my perspective  
12 this is what lies beneath that particular restriction.

13           As I read through the material that was  
14 presented to me, I came up with four concerns that I  
15 had. One was the adequacy of security staff, one was  
16 the access to control of guests of members, inventory  
17 controls on card banks and the fair market value of  
18 club memberships. Some of this has been addressed  
19 already today, and I'll try to gloss over the  
20 questions that have already been answered.

21           When I look at security ---.

22           ATTORNEY KOHLER:

23           Before you go any further, I just want to  
24 give a quick explanation here. This is obviously a  
25 charge going to comparable, the security staffing

1 areas. Valley Forge --- on your handout,  
2 Commissioners, you see a proprietary number, but on  
3 the public screen it's marked confidential. So they  
4 aren't completely identical. So, I just wanted to  
5 provide that explanation.

6 ATTORNEY KING:

7 And I'm sorry to interrupt, but we want  
8 to make clear that we did ask for this information to  
9 be kept as confidential. The numbers that are before  
10 you, with respect to Valley Forge are not entirely  
11 accurate in this sense. Those numbers represent the  
12 people at the access points in terms of security  
13 officers. They do not include all security officers  
14 in terms of those who are in the parking lot or in the  
15 lobby or other places, and I just wanted to put that  
16 on the record.

17 ATTORNEY MILLER:

18 And I also said something to Jim. And I  
19 apologize for jumping in, but all the figures listed  
20 for Valley Forge are proposed numbers. None of those  
21 figures have been formulated in terms of controls  
22 submitted to our staff and approved by the Board. So,  
23 they are, for all intents and purposes, guesses at  
24 this point. The Board will ultimately have to  
25 determine through the staff, through the internal

1 controls, whether those proposals ultimately meet the  
2 task of sufficiency. The other casinos versus Sands  
3 Bethworks, Mohegan Sun, have before --- before this  
4 hearing I was told that those casinos have no  
5 objection to their numbers being presented in public.  
6 And I would ask if there are any representatives of  
7 those casinos here today or any other information that  
8 Mr. Kohler can provide this Board that those casinos  
9 have approved using those numbers, which are normally  
10 kept confidential.

11 ATTORNEY KOHLER:

12 That's not a concern for me, but I can  
13 address it.

14 ATTORNEY MILLER:

15 It's a concern for us.

16 ATTORNEY KOHLER:

17 These numbers were not gotten from Board  
18 filings or from any confidential information. And not  
19 only that, we took the extra step of checking with the  
20 two facilities to see if they had a problem disclosing  
21 these numbers here this morning, and they did not.

22 ATTORNEY KING:

23 However, it is certainly notable that  
24 Parx's numbers are not on this publicly-available  
25 chart.

1                   ATTORNEY KOHLER:

2                   We expected that. Mr. Durham just didn't  
3 go there. I didn't tell him where to go. He's an  
4 expert. He went where he thought it was appropriate  
5 and where he had information. We're pleased to put  
6 Parx's numbers on the record this morning. I'm  
7 assuming that will be a Cross Examination question.

8                   CHAIRMAN:

9                   All right. Go ahead.

10                  MR. DURHAM:

11                  Looking at this particular slide, I  
12 notice the Sands Bethworks is one of the larger  
13 casinos. They're not a Category 3. For Valley Forge,  
14 these are just proposed figures, as I've already  
15 noted. Sands Bethworks and Mohegan Sun have anywhere  
16 between 16 and 25 individuals on the floor at any time  
17 in security. This does not include any security  
18 dedicated to the hotel, the parking lot, or any back  
19 of the house areas. This is on the floor, according  
20 to them. I can only conclude that if Valley Forge  
21 will have a lower number than that, I find that  
22 concerning, particularly since they have a higher  
23 responsibility to keep people out. In other words ---  
24 the Board is obviously aware of this, that anybody can  
25 go to Sands Bethworks or Mohegan Sun and go gamble.



1 There is no restriction as there is with a Category 3.  
2 A Category 3 has a higher responsibility. I would  
3 expect to have a higher presence of security and a  
4 greater concern of keeping out people that are not  
5 legally allowed in.

6 I know from human nature and from my  
7 history in the hospitality industry that people who  
8 restrict the rules are very clever. I know from my  
9 experience in the university and with the young  
10 people, in particular, become devious when they try to  
11 get around a rule that they find unfair or unjust.  
12 What is unclear this morning --- I think there's some  
13 testimony that explains it, but if it's unclear, they  
14 can explain it, but if a guest leave the floor --- if  
15 a member leaves the floor and leaves their guest  
16 behind, I'm not certain exactly how that member is  
17 prevented from bringing another guest in the casino.  
18 And I know that students are very, very good at  
19 finding ways around things like that.

20 My questions are what are the unique  
21 controls to prevent this situation, are security rules  
22 adequate. Most importantly, though, are profits  
23 anticipated for high-volume periods. It's on a  
24 Saturday night, when the casino is really busy, that  
25 you're going to find people taking advantage of that

1 situation. I didn't see anything addressed in the  
2 documentation I saw before this hearing. It didn't  
3 address that.

4 I have concerns about inventory control,  
5 the card blanks. They're very, very valuable.  
6 They're must like dice or cards, decks of cards in the  
7 casino. If you're aware of the controls around cards  
8 and dice, you know, they're kept under lock and key,  
9 limited access. It's considered almost as if it were  
10 a cash equivalent. Clearly, you have to have controls  
11 in these card blank, the ones that we can deactivate  
12 to make sure that you don't have any counterfeiting or  
13 any violations of the rule. What I've listed there  
14 are basic --- actually basic inventory questions? Is  
15 it under lock and key? Is there limited access to the  
16 computer combination? Is there a demonstration of  
17 chain of custody? And I think the last one was  
18 answered this morning, the issuance was --- lead to  
19 exchange of funds, and apparently it is.

20 When I look at the fair market value, as  
21 testified by Siegel Management Company, I noted that  
22 they verified the assumptions. They verified the  
23 calculations. They even went so far as to calculate a  
24 range of calculations which is very typical and  
25 accepted analytical tool. What I didn't see was an

1 unqualified opinion that it is fair market value.  
2 Unfortunately, I don't have the page number, but at  
3 the very end of one section, I believe it was at the  
4 end of each section of each membership, it's stated by  
5 management that the proposed price is within the  
6 range, then there's a qualifier that said there was no  
7 attempt to look at the quality of the offerings. So,  
8 I think it was mentioned earlier by somebody that if  
9 you buy a Mercedes you have different expectations  
10 than you do if you buy a VW or a Yugo. And if that  
11 qualitative assessment has been made, then you can't  
12 make an opinion that it's fair market value. To me, a  
13 fair market value is based on multiple transactions  
14 between so many buyers on its surfaces. I think you  
15 have to do a survey of similar surfaces in order to  
16 get a gauge of what the market can bear.

17                   This first chart is the dining club.  
18 Valley Forge is offering one free meal, a ten percent  
19 discount and an invitation to specialty for \$59 a  
20 year. If you look at the Concord Club which  
21 associated with a resort in Scottsdale, if you look at  
22 Aqua Tarragon associated with a resort outside San  
23 Diego, you notice that they cost clearly more and they  
24 offer less. I think by contrast to Valley Forge,  
25 they've go in a different direction. Despite that you

1 could possibly make an argument that this particular  
2 membership is priced reasonably and that the market  
3 will determine whether people are willing to pay the  
4 \$59 for the membership associated with it.

5           If you look at the entertainment club  
6 membership, this market is --- there are very few of  
7 these types of clubs out there, so it would be a  
8 little more typical to determine what the fair market  
9 value is. The most reasonable one that we could find  
10 --- that I could find was the Circuit Nightclub in  
11 Chicago, Illinois. You notice that you get reduced  
12 admission, not free but reduced admission and free  
13 member only parties, communications and special events  
14 for \$20 a year. It jumps to \$350 a year to get free  
15 admission to the parties and special performances.  
16 The differential there is \$330. They're offering  
17 theirs for \$1,600. Again, looking at the fair market  
18 value, there seems to be a discrepancy there. I found  
19 the Whitaker Center and Hershey Playhouse not  
20 comparable entertainment, but it gives you a range of  
21 prices.

22           Membership that caused the most concern  
23 for me was the health club. And I am a little  
24 confused as to whether it's a health club or a spa  
25 services only club. They had I believe previously

1 mentioned it is a full health club, but they don't  
2 have locker rooms and shower facilities. I'm not  
3 aware of any full health club that doesn't have a  
4 locker room and shower facility. So it's almost as if  
5 it's a spa services club, which I believe is certainly  
6 a valid club under the definitions in the statute.  
7 When I look at the Eden Resort or the Omni Hotel in  
8 Philadelphia, we have two levels there. For just the  
9 health club portion, \$375 for the Eden Resort and \$948  
10 a year for the Omni Hotel. For the Omni Hotel, if you  
11 add in the spa services, and in this case, the spa  
12 services is very similar to what they're offering, it  
13 jumps up by \$480 a year, and they're asking \$64. If  
14 you look at just the facility --- excuse me, the  
15 health club facility, even Valley's own fitness is  
16 much higher than what they're asking. It seems to me  
17 that if you look at fair market value, which is what's  
18 going on in the marketplace where people are buying  
19 services for, it's much higher than \$64 a year.

20                   One final note. And I know this isn't  
21 exactly part of the process here, but Valley Forge  
22 Casino Resort will have the opportunity to market  
23 that, if you will, as part of their memberships. You  
24 have a bit of advantage when you have an opportunity  
25 to charge a premium. That may not be exactly what ---

1 I think what will happen, through experience, is that  
2 Valley Forge Casino Resort will discover that they can  
3 raise the prices of club memberships just because of  
4 access, which is not allowed to anybody living in the  
5 area or even visiting the area, unless they have one  
6 of these criterion that we discussed already. They're  
7 going to discover they'll be able to charge more.

8 ATTORNEY KOHLER:

9 That ends Mr. Durham's Direct.

10 CHAIRMAN:

11 Are you finished, Counselor?

12 ATTORNEY KOHLER:

13 I rest. I would --- if this is the  
14 appropriate time, we would move for the introduction  
15 of the PowerPoint and the Exhibits.

16 CHAIRMAN:

17 Fine. Is there an opinion that's going  
18 to be proffered by the expert witness?

19 MR. TRUJILLO:

20 I haven't heard an opinion. And I know  
21 we --- you can hear me now, but normally when I hear  
22 an expert witness testify I only hear an opinion. And  
23 I haven't heard an opinion. Is one going to be  
24 proffered or not.

25 MR. DURHAM:

1 My opinion is that the pricing for the  
2 clubs, particularly the health club membership, is not  
3 fair market value.

4 MR. TRUJILLO:

5 And what chronology did you use to come  
6 up with that opinion?

7 MR. DURHAM:

8 Looking at the market price, looking at  
9 these figures, these are the ones I got on the slide.  
10 I got other clubs as well.

11 MR. TRUJILLO:

12 That was the methodology? You looked  
13 at ---?

14 MR. DURHAM:

15 I looked at the range versus the benefits  
16 allowed in the membership.

17 MR. TRUJILLO:

18 And what methodology did you use in order  
19 to determine what the comparable --- what the  
20 appropriate comparables were?

21 MR. DURHAM:

22 I looked at the amenities offered for  
23 each membership, did an average per amenity and  
24 brought it back.

25 MR. TRUJILLO:

1           How did you select one, the ones that you  
2 compared?

3           MR. DURHAM:

4           The clubs?

5           MR. TRUJILLO:

6           Yes. The ones you compared to Valley  
7 Forge, how did you decide if you're going to use  
8 Whitaker or if you were going to use Hershey? How did  
9 you decide that? What was the methodology?

10          MR. DURHAM:

11          In each case there was a gentleman who  
12 said this is what Valley Forge is offering. What is  
13 similar out there in the marketplace?

14          MR. TRUJILLO:

15          Out where?

16          MR. DURHAM:

17          Where?

18          MR. TRUJILLO:

19          Yeah.

20          MR. DURHAM:

21          Well, it depends on which club  
22 membership. Entertainment is very thin. There are  
23 very few entertainment --- as constructed by Valley  
24 Forge Casino Resort in the area. So I had to go  
25 further out. Chicago, Illinois has the most



1 comparable in terms of amenities.

2 MR. TRUJILLO:

3 So Chicago and Harrisburg and Hershey and  
4 Valley Forge, in your view, are equivalent? In your  
5 view, they're fair comparisons?

6 MR. DURHAM:

7 Not entirely, but ---.

8 ATTORNEY KOHLER:

9 Commissioner, I think Mr. Durham was  
10 working --- like the other side, was working with what  
11 he had and just presenting it to you this morning and  
12 was doing that.

13 MR. TRUJILLO:

14 Mr. Kohler, you offered an expert and you  
15 offered him to give us expert testimony, and  
16 purportedly to help us, and you haven't told us, other  
17 than generally, what it is that we have an expert here  
18 generally in security and casinos and costing, and now  
19 there's comparisons of the value of memberships. And  
20 I haven't heard any methodology. I haven't heard any  
21 peer reviews. I haven't heard a real opinion within  
22 any degree of scientific certainty from this witness,  
23 and I'm just trying to understand what the witness is  
24 even proffering.

25 ATTORNEY KOHLER:

1 Well, we don't have the burden of proof  
2 in this proceeding. And frankly, I think you've heard  
3 similar testimony from the other side without opinion.

4 MR. TRUJILLO:

5 Well, we'll give it the weight ---.

6 ATTORNEY KOHLER:

7 Talking comparables without any real  
8 analysis. Mr. Durham is presenting what he believes  
9 is the fair market value based on data that he's  
10 presenting to you and drawing an opinion from it in  
11 response to the other side.

12 CHAIRMAN:

13 Thank you. Does Valley Forge have any  
14 questions of Greenwood?

15 ATTORNEY QUAGLIA:

16 Yes, Mr. Chairman. We very much  
17 appreciate that the Board has shown the patience of  
18 Job today. I think Commissioner Trujillo is sort of  
19 crystallizing, raised a number of our concerns. Just  
20 a few other points I'd like to touch on.

21 Mr. Durham, if I could direct you to the  
22 first substantive page in your report with the heading  
23 premise. The final item there --- you also proffered  
24 testimony to this effect, is that you believe that a  
25 significant reason to restrict access is to limit the

1 societal impact on the surrounding population; is that  
2 correct?

3 MR. DURHAM:

4 Correct.

5 ATTORNEY QUAGLIA:

6 And when you say restrict access in this  
7 context, are you talking specifically about Section  
8 1305(a) patron of the amenity requirement?

9 MR. DURHAM:

10 Yes.

11 ATTORNEY QUAGLIA:

12 And are you aware, as a professor of  
13 gaming, that the Section 1305(a)'s patron of the  
14 amenities requirement applies only to Category 3  
15 casinos? Are you aware of that?

16 MR. DURHAM:

17 Yes.

18 ATTORNEY QUAGLIA:

19 And a Category 3 casino is limited by law  
20 to 600 slot machines and, I believe, 50 table games;  
21 is that correct?

22 MR. DURHAM:

23 I believe that's what the statute reads.

24 ATTORNEY QUAGLIA:

25 Okay. And there are only two Category 3

1 casinos; correct?

2 MR. DURHAM:

3 At this point, yes.

4 ATTORNEY QUAGLIA:

5 And there, I believe, six Category 1  
6 casinos, aren't there?

7 MR. DURHAM:

8 Yes.

9 ATTORNEY QUAGLIA:

10 And each one of those six casinos is  
11 authorized by law to have up to 5,000 slot machines  
12 and 250 table games; is that correct?

13 MR. DURHAM:

14 Correct.

15 ATTORNEY QUAGLIA:

16 And there are also, I believe, four  
17 currently Category 2 casinos in Pennsylvania; is that  
18 correct?

19 MR. DURHAM:

20 Correct. Yeah.

21 ATTORNEY QUAGLIA:

22 Okay. And each one of those four  
23 Category 2 casinos is authorized by law to have up to  
24 5,000 slot machines and 250 table games; correct?

25 MR. DURHAM:

1 Correct.

2 ATTORNEY QUAGLIA:

3 Okay. But just to be clear, it's your  
4 belief that in seeking to limit the societal impact of  
5 gaming on the surrounding population, the General  
6 Assembly chose to impose a patron of the amenities  
7 requirement only on the two Category 3 casinos, is  
8 that your testimony?

9 MR. DURHAM:

10 I'm sorry. Could you repeat the question  
11 one more time?

12 ATTORNEY QUAGLIA:

13 Sure. Given your testimony here, is it  
14 your position, sitting here today, that the General  
15 Assembly chose to impose the patron of the amenities  
16 requirement exclusively upon the two Category 3  
17 casinos in order to limit the societal impact of  
18 gaming on the surrounding population?

19 MR. DURHAM:

20 That would be an exact reading of what I  
21 said, yes.

22 ATTORNEY QUAGLIA:

23 You raised a concern with respect to  
24 security staffing levels. Do you recall that  
25 testimony?

1                   MR. DURHAM:

2                   Yes, I do.

3                   ATTORNEY QUAGLIA:

4                   Okay. And when you got the information  
5 that you used --- let's take Sands Bethlehem, for  
6 example, the security figures that you gave, you  
7 testified that that reference to security only goes to  
8 security personnel who are actually on the casino  
9 floor. Was that your testimony?

10                  MR. DURHAM:

11                  That's my testimony.

12                  ATTORNEY QUAGLIA:

13                  And on what basis do you make a  
14 determination that these figures were exclusively for  
15 security personnel who were on the casino floor?

16                  MR. DURHAM:

17                  I asked my source.

18                  ATTORNEY QUAGLIA:

19                  And who was your source, sir?

20                  MR. DURHAM:

21                  Sands Bethlehem, Naomi Petro (phonetic).

22                  ATTORNEY QUAGLIA:

23                  I'm sorry, who's that?

24                  MR. DURHAM:

25                  Naomi Petro.

1                   ATTORNEY QUAGLIA:

2                   And who is Mr. or Ms. Petro?

3                   MR. DURHAM:

4                   Ms. Petro is actually a student of mine.  
5 She worked there as a security guard in the summer. I  
6 asked her specifically, in her experience, who  
7 attended the pre-shift meetings, exclude that work  
8 part of the time, exclude part-time, exclude back of  
9 the house. This number does include staff to handle  
10 fills, drops and credits. I don't know what the  
11 numbers are for Valley Forge for those particular  
12 assignments.

13                   ATTORNEY QUAGLIA:

14                   And after you got this information from  
15 your student, did you endeavor to confirm it with  
16 anyone who actually was in management at Sands  
17 Bethlehem?

18                   MR. DURHAM:

19                   Yes.

20                   ATTORNEY QUAGLIA:

21                   And who was that?

22                   MR. DURHAM:

23                   Bob DeSalvio.

24                   ATTORNEY QUAGLIA:

25                   Okay. Who is Mr. DeSalvio?

1           MR. DURHAM:

2           He's the president.

3           ATTORNEY QUAGLIA:

4           And he confirmed these numbers, that this  
5 is exclusively people who work the casino floor?

6           MR. DURHAM:

7           He confirmed --- essentially, yes.

8           ATTORNEY QUAGLIA:

9           The same question with respect to Mohegan  
10 Sun and Pocono Downs. What was the source for your  
11 information that these security personnel were  
12 exclusively those people who worked the casino floor?

13          MR. DURHAM:

14          Again, a student of mine, Dan Dunham  
15 (phonetic), was a security officer there. I asked him  
16 the same question and told him restrict it in the same  
17 way.

18          ATTORNEY QUAGLIA:

19          And having gotten that information from  
20 your student, did you then confirm the information  
21 with anyone in management at Mohegan Sun?

22          MR. DURHAM:

23          I did not confirm it, no.

24          ATTORNEY QUAGLIA:

25          With respect to your numbers for --- the



1 numbers that you have down here --- and I realize that  
2 is the chart that was presented for the Board. But  
3 with respect to these numbers, did you understand at  
4 the time --- well, what was the source of these  
5 numbers?

6 MR. DURHAM:

7 The Valley Forge numbers? The  
8 documentation I received prior to this hearing.

9 ATTORNEY QUAGLIA:

10 When did you receive that documentation?

11 MR. DURHAM:

12 I believe Thursday, maybe Friday.

13 ATTORNEY QUAGLIA:

14 And was it your understanding in looking  
15 at that documentation that as the Board made clear, as  
16 Mr. Miller made clear, that these were proposed  
17 numbers that had to be vetted by the Board as part of  
18 Valley Forge's internal controls?

19 MR. DURHAM:

20 Are you referring to the staffing levels?

21 ATTORNEY QUAGLIA:

22 Yes.

23 MR. DURHAM:

24 I presumed they were proposed because  
25 they were --- this casino does not exist currently, so

1 they would have to be proposed.

2 ATTORNEY QUAGLIA:

3 Okay. Do you understand that those  
4 numbers would have to be approved by the Board as part  
5 of Valley Forge's internal controls?

6 MR. DURHAM:

7 I assumed that. I didn't know.

8 ATTORNEY QUAGLIA:

9 Were you aware that Valley Forge --- was  
10 it your understanding, given this information, that  
11 the Valley Forge numbers referred exclusively to  
12 security at access points?

13 MR. DURHAM:

14 Yes, I understood that.

15 ATTORNEY QUAGLIA:

16 You talked a little bit about access  
17 control of members' guests. And you mentioned in  
18 particular that young people try to skirt the rules,  
19 are clever. Do you recall that testimony?

20 MR. DURHAM:

21 Yes, I do.

22 ATTORNEY QUAGLIA:

23 And I'm sorry, devious. Do you recall  
24 that testimony?

25 MR. DURHAM:

1 I recall that exactly, yes.

2 ATTORNEY QUAGLIA:

3 And when you say young people, are you  
4 referring to minors, people under 21?

5 MR. DURHAM:

6 I'm referring to anybody really under 28.

7 ATTORNEY QUAGLIA:

8 Including people under 21?

9 MR. DURHAM:

10 Yes.

11 ATTORNEY QUAGLIA:

12 You mentioned that young people are  
13 particularly prone to skirt rules that they believe  
14 are unjust; is that correct?

15 MR. DURHAM:

16 That's correct.

17 ATTORNEY QUAGLIA:

18 Okay. And is it your opinion that a lot  
19 of young people find this patron of the amenities  
20 requirement unjust?

21 MR. DURHAM:

22 That would be my opinion, yes.

23 ATTORNEY QUAGLIA:

24 And what's the basis for that opinion?

25 MR. DURHAM:

1 I teach students. I have children. I  
2 have experience.

3 ATTORNEY QUAGLIA:

4 So, your students and your children have  
5 expressed to you their opinions that this patron of  
6 the amenities requirement is unjust?

7 MR. DURHAM:

8 No.

9 ATTORNEY QUAGLIA:

10 And you would agree with me, I take it,  
11 Mr. Durham, that with respect to people under 21, that  
12 trying to keep them out of casinos is a concern for  
13 every licensed facility in Pennsylvania?

14 MR. DURHAM:

15 Absolutely.

16 ATTORNEY QUAGLIA:

17 And you mentioned this generally, that  
18 people trying to skirt the rules are clever. Do you  
19 recall that testimony?

20 MR. DURHAM:

21 Yes, I do.

22 ATTORNEY QUAGLIA:

23 And is it your position then that --- are  
24 you assuming then that a person who is otherwise ---  
25 who could otherwise legally enter a casino would make

1 the decision --- make the reasonable decision to  
2 violate the law and try to get into the Valley Forge  
3 Casino without paying \$10 when that person could  
4 comply with the law by paying \$10 or could simply get  
5 in his or her car and go to Parx or to Harrah's or to  
6 SugarHouse?

7 MR. DURHAM:

8 If I lived in Phoenixville, it would be a  
9 lot farther for me to go to Parx or SugarHouse or  
10 Chester than it is to go to the Valley Forge Casino.

11 ATTORNEY QUALIA:

12 Let me ask you this. Would you violate  
13 Pennsylvania law in order to get into the Valley Forge  
14 Casino without paying \$10?

15 MR. DURHAM:

16 Of course not.

17 ATTORNEY QUAGLIA:

18 And what is your empirical data that  
19 other people would be so inclined?

20 MR. DURHAM:

21 Empirical data?

22 ATTORNEY QUAGLIA:

23 Yes. Or do you have any?

24 MR. DURHAM:

25 I don't have any empirical data.

1 However, if you deny human nature, I think you're on  
2 fools' ground.

3 ATTORNEY QUAGLIA:

4 You talk about the inventory control of  
5 card blanks. Do you recall that testimony?

6 MR. DURHAM:

7 Yes, I do.

8 ATTORNEY QUAGLIA:

9 And is it your understanding that these  
10 cards would need to be encoded and activated and  
11 entered into the Valley Forge system before they could  
12 be effectively swiped to gain access to the casino?

13 MR. DURHAM:

14 Yes, I do.

15 ATTORNEY QUAGLIA:

16 And are you suggesting that there would  
17 be people who could steal these blank cards and  
18 somehow manage to encode and/or activate them so that  
19 then they could be used illegally for entry to the  
20 Valley Forge Casino?

21 MR. DURHAM:

22 Yes.

23 ATTORNEY QUAGLIA:

24 Do you foresee a large counterfeit market  
25 for this type of activity?

1                   MR. DURHAM:

2                   Anybody who's worked in the casino  
3 industry knows that where there's a will there's a  
4 way. And one scenario, a possible scenario, is the  
5 front desk clerk who has access to these cards. They  
6 can get the idea that, listen, I can sell these to my  
7 friends for 50 bucks a pop, pretends that it's some  
8 other amenity, put them in the system for \$10, and  
9 then walk away with \$40

10                   ATTORNEY QUAGLIA:

11                   So, someone would pay \$50 for one of  
12 these access cards?

13                   MR. DURHAM:

14                   Yes.

15                   ATTORNEY QUAGLIA:

16                   Why wouldn't they just pay \$10 and get  
17 the card legally?

18                   MR. DURHAM:

19                   Versus a Membership Card. The fact is,  
20 as anybody who's checked into a hotel knows, that when  
21 they have those cards with their room keys, they're  
22 scattered all over. They're not inventoried. They're  
23 not controlled. What can happen is, in this case, is  
24 if these cards get out into the general public or  
25 somebody gets very clever and finds their way around

1 the system, they can make money off of it by giving it  
2 to people that may not qualify for entry into the  
3 casino.

4 ATTORNEY QUAGLIA:

5 I'm not going to argue with you, Mr.  
6 Durham. If I can next ask you about --- you had some  
7 testimony --- there was a slide entitled fair market  
8 value. Do you recall that?

9 MR. DURHAM:

10 Yes.

11 ATTORNEY QUAGLIA:

12 The third bullet down on that slide is a  
13 statement that Siegel Management Company provided no  
14 opinion whether the resulting club pricing is fair  
15 market value. Do you see that?

16 MR. DURHAM:

17 Yes, I do.

18 ATTORNEY QUAGLIA:

19 Now, you read Mr. Siegel's report for  
20 purposes of preparing your testimony today?

21 MR. DURHAM:

22 Yes, I did.

23 ATTORNEY QUAGLIA:

24 Do you have it there?

25 MR. DURHAM:



1 Yes, I do.

2 ATTORNEY QUAGLIA:

3 If I could just direct your attention ---  
4 and this will not cover anything confidential. If I  
5 could direct your attention, sir, to the top of page  
6 three of Mr. Siegel's report.

7 MR. DURHAM:

8 I'm sorry, you said ---?

9 ATTORNEY QUAGLIA:

10 The top of page three of Mr. Siegel's  
11 report.

12 MR. DURHAM:

13 Okay.

14 ATTORNEY QUAGLIA:

15 And you'll see that page is entitled  
16 Diamond Club Membership. Do you see that?

17 MR. DURHAM:

18 Yes.

19 ATTORNEY QUAGLIA:

20 And if you turn forward in that same  
21 section to page six, ---

22 MR. DURHAM:

23 Yes.

24 ATTORNEY QUAGLIA:

25 --- you'll note that this section on

1 Diamond Clubs concludes, and I'm quoting the final  
2 sentence, based on the above, SMC, Siegel Management  
3 Company, concludes the proposed pricing for  
4 memberships at VFCR's dining club is within the range  
5 of fair market value. Do you see that?

6 MR. DURHAM:

7 Yes, I do.

8 ATTORNEY QUAGLIA:

9 Okay. And if you turn the page, then it  
10 begins a section on entertainment club memberships at  
11 page seven.

12 MR. DURHAM:

13 Yes.

14 ATTORNEY QUAGLIA:

15 Okay. And then if you page through that  
16 section to its conclusion at the bottom of page  
17 nine, ---

18 MR. DURHAM:

19 Yes.

20 ATTORNEY QUAGLIA:

21 --- there's a statement, I'll read it  
22 into the record, in the final sentence that, based on  
23 the above, SMC concludes the proposed pricing for  
24 membership at VFCR's entertainment club is within the  
25 range of fair market value. Do you see that?

1                   MR. DURHAM:

2                   Yes, I do.

3                   ATTORNEY QUAGLIA:

4                   Okay. And if you turn the page to page  
5 ten, it begins health and fitness club memberships.

6                   MR. DURHAM:

7                   I see it.

8                   ATTORNEY QUAGLIA:

9                   Okay. If you'd turn to the end of that  
10 section, at page 13. The final sentence, which I will  
11 read into the record is, based on the above, SMC  
12 concludes the proposed pricing for membership at  
13 VFCA's health and fitness club is within the range of  
14 fair market value. Do you see that?

15                   MR. DURHAM:

16                   Yes, I do.

17                   ATTORNEY QUAGLIA:

18                   Okay. So you were in the hearing room  
19 today when Mr. Siegel testified to the Board to his  
20 conclusion that the membership prices being proposed  
21 by Valley Forge represent fair market value for the  
22 memberships being offered. Did you hear that  
23 testimony?

24                   MR. DURHAM:

25                   Yes, I did.

1                   ATTORNEY QUAGLIA:

2                   Okay. So given that, sir, do you stand  
3 by your testimony that Siegel Management Company  
4 provided no opinion whether the resulting pricing is  
5 fair market value?

6                   MR. DURHAM:

7                   If you look on page six, one of the pages  
8 you noted, just above that statement there's a  
9 statement which reads --- I hope I'm not breaking any  
10 confidential here.

11                   ATTORNEY QUAGLIA:

12                   No.

13                   MR. DURHAM:

14                   It's indicating the results of costs with  
15 the --- falls in the range. However, it is important  
16 to note the quality and nature of the offering, its  
17 reputation and other significant intangibles and  
18 others evaluated in these instances. It is the  
19 intangibles that customers use to determine whether  
20 they buy one club membership or another. If you have  
21 not evaluated intangibles, you have not done a fair  
22 market value assessment, and you cannot have an  
23 opinion.

24                   ATTORNEY QUAGLIA:

25                   Okay. So, your testimony is not that

1 Siegel Management Company provided no opinion but  
2 that, in your opinion, they did not provide a valid  
3 opinion; is that correct?

4 MR. DURHAM:

5 I suppose you could say that technically,  
6 yes.

7 ATTORNEY QUAGLIA:

8 And then you evaluate --- conduct a  
9 survey of what you call similar clubs with respect to  
10 dining and entertainment and fitness.

11 MR. DURHAM:

12 Yes.

13 ATTORNEY QUAGLIA:

14 Going then, following up just briefly on  
15 Commissioner Trujillo this morning, with respect to  
16 the dining clubs, directly underneath Valley Forge is  
17 the Eden Resort and Suites in Lancaster, PA. Do you  
18 see that?

19 MR. DURHAM:

20 Yes.

21 ATTORNEY QUAGLIA:

22 Okay. And on what basis did you identify  
23 the Eden Resort and suites as similar or comparable to  
24 Valley Forge?

25 MR. DURHAM:

1                   Again, I looked at the benefits offered.  
2 It's relatively equivalent.

3                   ATTORNEY QUAGLIA:

4                   Well, Eden provides a 25 percent discount  
5 on meals whereas Valley Forge provides only a ten  
6 percent discount on meals. Do you see that?

7                   MR. DURHAM:

8                   Yes, I do.

9                   ATTORNEY QUAGLIA:

10                  And at Valley Forge, you get one free  
11 meal, whereas at Eden you get two \$25 gift cards. Do  
12 you see that?

13                  MR. DURHAM:

14                  Yes.

15                  ATTORNEY QUAGLIA:

16                  Is that comparable, in your view?

17                  MR. DURHAM:

18                  Roughly, yes.

19                  ATTORNEY QUAGLIA:

20                  And then at Valley Forge you get an  
21 invitation to events and at Eden you get \$400 in  
22 discounts. Do you see that?

23                  MR. DURHAM:

24                  Yes.

25                  ATTORNEY QUAGLIA:

1           And the Eden membership fee is \$50, which  
2 is \$9 less than Valley Forge; is that correct?

3           MR. DURHAM:

4           Correct.

5           ATTORNEY QUAGLIA:

6           So is it your testimony that, based on  
7 the comparison with Eden Resort and Suites, that the  
8 Valley Forge membership fee of \$59 is not fair market  
9 value, based on the offer, the benefits that you've  
10 identified?

11          MR. DURHAM:

12          My testimony said that there's a wide  
13 range here. The most comparable operation was not the  
14 Eden Resort but the Palm Court. I understand that  
15 that is a matter of opinion. However, I feel that  
16 they're more comparable and they're much higher. I  
17 added, though, that an argument could be made for \$59  
18 for Valley Forge Casino Resort could be reasonable.

19          ATTORNEY QUAGLIA:

20          Now, with respect to entertainment costs,  
21 you mentioned the Circuit Nightclub in Chicago,  
22 Illinois, in your words, the most reasonable  
23 comparison. Do you recall that testimony?

24          MR. DURHAM:

25          Yes, I do.

1                   ATTORNEY QUAGLIA:

2                   Did you visit the Circuit Nightclub in  
3 preparation for this report?

4                   MR. DURHAM:

5                   No, I did not.

6                   ATTORNEY QUAGLIA:

7                   Now, the Circuit Nightclub actually  
8 targets a specific demographic, doesn't it?

9                   MR. DURHAM:

10                  I would assume so since nightclubs  
11 generally do.

12                  ATTORNEY QUAGLIA:

13                  It's a gay nightclub, isn't it?

14                  MR. DURHAM:

15                  Perhaps, yes.

16                  ATTORNEY QUAGLIA:

17                  Well, do you know whether it is or is  
18 not?

19                  MR. DURHAM:

20                  No, I do not.

21                  ATTORNEY QUAGLIA:

22                  You don't know that?

23                  MR. DURHAM:

24                  No.

25                  ATTORNEY QUAGLIA:



1 Do you know --- have you been to the  
2 website of the Circuit Nightclub?

3 MR. DURHAM:

4 Yes, I have.

5 ATTORNEY QUAGLIA:

6 And did you know that the Circuit  
7 Nightclub features what is called the BOI Bar?

8 MR. DURHAM:

9 No, I did not. I was looking strictly at  
10 pricing and membership benefits.

11 ATTORNEY QUAGLIA:

12 Okay. And on the home page of the  
13 Circuit Nightclub, you did not notice various  
14 promotional events with young men disrobing?

15 MR. DURHAM:

16 Is there a problem with homosexuality  
17 here?

18 ATTORNEY QUAGLIA:

19 That's not what I'm suggesting, sir. I'm  
20 just trying to understand what it is about the Circuit  
21 Nightclub that made you conclude that they would be  
22 the most reasonable comparison to the Valley Forge  
23 Casino Resort.

24 MR. DURHAM:

25 Because if you look and the benefits

1 offered, initially for \$20, which is not a lot of  
2 money, you get reduced admission, free member-only  
3 parties, invitation to special events. However, to  
4 get free admission, which I roughly put at no cover  
5 charge in that club, hence the headline show, as well  
6 as the other benefits, it jumps to \$350. And I'd also  
7 point out, \$69, that's a heck of a deal for a pre-  
8 headline show. I don't know what the entertainment  
9 lineup will be, but I know in State College, when I go  
10 to the Bryce Jordan Center, I'm talking a minimum \$55,  
11 and that's way up in the bleachers on the balcony.

12 ATTORNEY QUAGLIA:

13 Did you do a comparison --- what place  
14 are you talking about in State College?

15 MR. DURHAM:

16 I'm sorry. The Bryce Jordan Event  
17 Center. That's a facility at Penn State University.

18 ATTORNEY QUAGLIA:

19 And that's not on your chart of fair  
20 market value?

21 MR. DURHAM:

22 They don't have a club.

23 ATTORNEY QUAGLIA:

24 So I take it they don't price  
25 memberships?

1                   MR. DURHAM:

2                   They don't price memberships. My point  
3 of reference, though, is that to get a free show ---  
4 you pay \$69, you're probably going to get that back in  
5 just going to a free show. It seems that the club at  
6 Valley Forge Casino Resort is underpriced.

7                   ATTORNEY QUAGLIA:

8                   Let's go to the final page of your  
9 report, Mr. Durham. It's entitled fair market value.  
10 You say, when comparing the prices of the clubs  
11 offered by Valley Forge Casino Resort, consideration  
12 should be given to the benefit of the casino access.  
13 Do you see that?

14                   MR. DURHAM:

15                   On the very last page?

16                   ATTORNEY QUAGLIA:

17                   Yes.

18                   MR. DURHAM:

19                   On the very last page, yes.

20                   ATTORNEY QUAGLIA:

21                   And then you continue, the casino access  
22 is purposely limited by statute, and you then state  
23 that competing clubs cannot offer this amenity. Do  
24 you see that?

25                   MR. DURHAM:

1 Yes.

2 ATTORNEY QUAGLIA:

3 What were you referring to there when you  
4 say competing clubs?

5 MR. DURHAM:

6 Competing members of clubs, whether it's  
7 health club, spa, a dining club, entertainment club in  
8 the area cannot compete with this particular amenity  
9 that Valley Forge Casino Resort can offer.

10 ATTORNEY QUAGLIA:

11 And certainly Parx can offer that  
12 amenity; correct?

13 MR. DURHAM:

14 As part of a club?

15 ATTORNEY QUAGLIA:

16 No. I'm just asking the question, Parx  
17 offers a gaming amenity; correct?

18 MR. DURHAM:

19 Yes.

20 ATTORNEY QUAGLIA:

21 And there's no charge for using gaming at  
22 Parx, to get in the door?

23 MR. DURHAM:

24 Not that I'm aware of.

25 ATTORNEY QUAGLIA:

1                   But Parx is not --- to your evaluation,  
2 Parx was not a competing club with Valley Forge?

3                   MR. DURHAM:

4                   Repeat the question so I understand the  
5 question, what you're asking.

6                   ATTORNEY QUAGLIA:

7                   When you talk about that competing clubs  
8 cannot offer this amenity, I'm just making clear for  
9 the record that when you talk about competing clubs  
10 here, you're not talking about any other Pennsylvania  
11 Gaming facility, you're talking about something else?

12                   MR. DURHAM:

13                   Correct.

14                   ATTORNEY QUAGLIA:

15                   And those would be the clubs you  
16 identified in your comparison fair market value  
17 charts?

18                   MR. DURHAM:

19                   Correct.

20                   ATTORNEY QUAGLIA:

21                   In preparing your testimony here today  
22 and your PowerPoint, did you interview or speak with  
23 anyone in management at the Valley Forge Casino  
24 Resort?

25                   MR. DURHAM:

1 No, I did not.

2 ATTORNEY QUAGLIA:

3 Did you speak with any former students  
4 who had a summer job there?

5 MR. DURHAM:

6 No.

7 ATTORNEY QUAGLIA:

8 Did you spend a night at either of the  
9 hotels at the Valley Forge Casino Resort?

10 MR. DURHAM:

11 No, I have not.

12 ATTORNEY QUAGLIA:

13 Did you have occasion to visit the  
14 facility and inspect for yourself the amenities?

15 MR. DURHAM:

16 No, I have not.

17 ATTORNEY QUAGLIA:

18 You heard Mr. Siegel testify to the Board  
19 about the methodology he used for quantitative  
20 analysis; is that correct?

21 MR. DURHAM:

22 Yes.

23 ATTORNEY QUAGLIA:

24 You did not perform a quantitative  
25 analysis as part of your assessment here, did you?

1                   MR. DURHAM:

2                   My view on quantitative analysis is that  
3 is a pricing model. And it's a very legitimate  
4 pricing model used in business when you look at your  
5 costs and look at your profit margin and say what do I  
6 need to charge in order to make a profit when it's  
7 reasonable. My understanding is that Mr. Siegel came  
8 in and verified that that was appropriate protocol and  
9 that their assumptions were reasonable.

10                   ATTORNEY QUAGLIA:

11                   I'm sorry, sir. I didn't understand your  
12 answer to my question. Did you perform a quantitative  
13 analysis as part of your evaluation of the membership  
14 benefits?

15                   MR. DURHAM:

16                   No. I think that's the right answer.

17                   ATTORNEY QUAGLIA:

18                   Thank you. I have nothing further.

19                   CHAIRMAN:

20                   Thank you. Does Enforcement Counsel have  
21 any questions?

22                   ATTORNEY MILLER:

23                   We have no questions. We have a comment,  
24 and that is that in response to Mr. Durham's testimony  
25 regarding inventory control, the numbers of security

1 personnel and in the security area, I must note that I  
2 don't --- I do not believe that those --- that  
3 information is in front of the Board for approval at  
4 this time. Valley Forge is asking the Board to  
5 approve concepts here. Those specific numbers and  
6 methods of internal control will be submitted. If  
7 these concepts are eventually approved, those things  
8 will be submitted by Valley Forge to the Board at a  
9 later time as internal controls, and the Board will  
10 have an opportunity to visit them at that time. You  
11 are not, I don't believe, being asked to visit  
12 them ---.

13 ATTORNEY KING:

14 We agree with that. In fact, we don't  
15 know how to staff until we understand what is approved  
16 in terms of what we put in front of you today.

17 CHAIRMAN:

18 We understand.

19 ATTORNEY KOHLER:

20 We understand that as well, but it was  
21 part of their plan, and that's why we submitted that.

22 CHAIRMAN:

23 Any questions from members of the Board?

24 MR. GINTY:

25 Is it your position that the section ---



1 subsection which deals with the 24/72 is a regulation,  
2 is inconsistent with the statute?

3 ATTORNEY KOHLER:

4 As applied, Commissioner Ginty, to patron  
5 of amenities or to registered guests?

6 MR. GINTY:

7 No. In your brief here you say footnote  
8 sources.

9 ATTORNEY KOHLER:

10 Yes. Okay. I understand the question.

11 MR. GINTY:

12 Okay.

13 ATTORNEY KOHLER:

14 Yes, I think there's a big --- there's a  
15 legal question, and we believe that that regulation,  
16 as applied, is not consistent with the statute. That  
17 has not been the subject of debate today, but we do  
18 have that position.

19 MR. GINTY:

20 Well, I understand you're looking for us  
21 to interpret our regulation in a way favorable to you.  
22 But if we don't do that, would it be your position  
23 that at least that section of the regulation is  
24 inconsistent with the Act and, therefore, illegal?

25 ATTORNEY KOHLER:

1           There's two components, whether it  
2 applies to registered guests, in which case we say the  
3 words on the page do not. The second is, whether the  
4 words on the page are consistent with the statute.  
5 And that's, I think, a completely different issue. We  
6 believe there's a problem there as well.

7           MR. GINTY:

8           So let me just make sure I understand.  
9 You understand --- your position is that the 24/72  
10 provision, in and of itself, not as applied or as  
11 interpreted, but the 24/72 provision is itself  
12 inconsistent with the Act?

13          ATTORNEY KOHLER:

14          As applied to patron of amenities, which  
15 is what the subsection says.

16          MR. GINTY:

17          Now, that --- our regulation was adopted,  
18 I think before I came on the Board or close to it, so  
19 back in 2007. I don't know whether we considered  
20 Valley Forge's application, but I think it was  
21 subsequent to the adoption of our regulations. You  
22 opposed the applications. Did you raise that issue in  
23 any way when you opposed the application?

24          ATTORNEY KOHLER:

25          I'd have to check, Commissioner Ginty. I

1 believe that regulation is much more recent than that.  
2 I can't recall off the top of my head. I mean, if  
3 you're getting to whether, as to that footnote, which  
4 was, in essence, a footnote in passing, whether we  
5 waive those arguments, whether we're collaterally  
6 estopped from raising that, that's a completely  
7 different issue. It was just noting --- it was just a  
8 footnote indicating that we believe ---.

9 MR. GINTY:

10 Well, I mean, ---.

11 ATTORNEY KOHLER:

12 You know, there's nothing in the statute  
13 that suggests that there's this 72-hour window after  
14 you purchase an amenity.

15 MR. GINTY:

16 So you do think it's inconsistent?

17 ATTORNEY KOHLER:

18 Yeah. I read your comment to be, well,  
19 why didn't you raise it before, did you raise it  
20 before. I don't think the regulation was promulgated  
21 until later. But you know, if you're suggesting that  
22 we're raising that --- waived that particular  
23 argument, it's possible.

24 MR. GINTY:

25 Well, you know, if I were to agree with

1 you, do we have the ability to declare after we have  
2 adopted it that it is now inconsistent?

3 ATTORNEY KOHLER:

4 You might be able to. I'm not even  
5 asking you to do that. I think it was just more ---.

6 MR. GINTY:

7 That is not going to be a point you're  
8 going to raise in your appeal to the Commonwealth  
9 Court?

10 ATTORNEY KOHLER:

11 Oh, we may raise it on appeal. We're  
12 preserving that issue.

13 MR. GINTY:

14 So, we're going to have --- we should  
15 address it in our opinion? That's what I'm getting  
16 to.

17 ATTORNEY KOHLER:

18 Yes, I would like you to address it in  
19 your opinion.

20 MR. GINTY:

21 Let me go back, just to finish it up. If  
22 we were to do that and based upon regulations being in  
23 effect, not only Valley Forge applied for the license,  
24 but more recently Nemaocolin, wouldn't that be at least  
25 unfair to change the rules on them after they've gone

1 through the application process, paid their fees and  
2 such?

3 ATTORNEY KOHLER:

4 Yeah. If I were in their shoes, I might  
5 think it's unfair, but you know, ---.

6 MR. GINTY:

7 When the legislature amended the Act last  
8 year, they didn't take any action to reinterpret that  
9 entire that --- our regulation?

10 ATTORNEY KOHLER:

11 No.

12 MR. GINTY:

13 I have no further questions.

14 CHAIRMAN:

15 Commissioner McCall?

16 MR. MCCALL:

17 And maybe you said this, I was looking at  
18 a question with the same issue, but I think you've  
19 answered it. But you will be addressing the 24/72  
20 issue in your brief?

21 ATTORNEY KOHLER:

22 Absolutely, Commissioner McCall. I  
23 didn't want to spend a great deal of --- we're way  
24 over time. I didn't want to spend a lot of time on it  
25 today. We'll focus on ---.

1                   MR. MCCALL:

2                   Valley Forge as well?

3                   ATTORNEY STEWART:

4                   Yes, absolutely.

5                   MR. MCCALL:

6                   And then one additional question. Going  
7 back to the guests of the patron of the amenities and  
8 them not having --- I think that you really need to  
9 somehow track those individuals to give them some type  
10 of access card with that guest so we do, in fact, know  
11 where they are, if they're off the floor or on the  
12 floor. There has to be, in my opinion, some type of  
13 tracking mechanism for those individuals. So, those  
14 would be my thoughts.

15                   MR. SOJKA:

16                   Unfortunately, I have a few questions,  
17 but I'm going to try to be as brief as possible. Mr.  
18 Scheri, would it be fair for us to conclude that a  
19 very critical part of the whole philosophy and concept  
20 of how you're going to control people has to do with  
21 that point where one of your staff members sees to it  
22 that the patron reads the card and signs the card and  
23 that they're there to answer any questions or give  
24 additional information? That's critical, isn't it, at  
25 that point?

1                   MR. SCHERI:

2                   Yes.

3                   MR. SOJKA:

4                   You have in your database a way in  
5 auditing if there's a problem to go back and figure  
6 out who issued that card. So if you have someone who  
7 is consistently screwing up, you'll know how to take  
8 appropriate steps?

9                   MR. SCHERI:

10                  Yes, Commissioner.

11                  MR. SOJKA:

12                  But there's another thing you might  
13 consider so as to not have to necessarily be catching  
14 things at audit. Has it occurred to you that you  
15 might add an additional very small step and simply ask  
16 the staff member to also countersign the card,  
17 therefore, more carefully assuring that that step is  
18 taken? It's something you might want to think about.

19                  MR. SCHERI:

20                  Okay. Thank you.

21                  MR. SOJKA:

22                  Okay. Let me raise another issue about  
23 these cards. We've seen it today. We're  
24 demonstrating the fact that when one gets involved  
25 with the issue of gaming, one can engage in remarkable

1 feats of endurance. And these cards time out, but  
2 what if a patron goes in near the end of the time out  
3 card as his or her first entry point and then engages  
4 in staying on the gaming floor. You do have food and  
5 restrooms and seats upon which to sit down. What  
6 happens if the card times out when the person is in  
7 there and still playing? Is there some effort made to  
8 remove them or, in fact, are they legitimate?

9 MR. SCHERI:

10 Our effort is to basically have our  
11 security guards man the posts and be as aware as  
12 possible of the process. As you know, we have intense  
13 security and surveillance measures that will be in  
14 place both from a technology perspective and a  
15 training perspective. In addition, our staff on the  
16 floor, on the casino floor, will --- you know, we do  
17 see this in our business quite often where the  
18 employees are quite familiar with the current gaming  
19 section of a patron. And we will institute training  
20 where ---.

21 MR. SOJKA:

22 I don't want to interrupt, but so the  
23 point is you do take the opinion that if the card  
24 times out, they should be gone. It's not a matter of  
25 simply not being able to re-access?



1                   MR. SCHERI:

2                   Yes.

3                   MR. SOJKA:

4                   Okay. That's an important thing for us  
5 to consider.

6                   MR. SCHERI:

7                   Absolutely.

8                   MR. SOJKA:

9                   The purely technical thing --- this is a  
10 very small oversight. You did talk about people who  
11 are getting spa memberships and memberships and that  
12 sort of thing, that you're checking not only their age  
13 but against the Exclusion List, both kinds. When  
14 you're talking about someone checking into the hotel,  
15 you mentioned age. You didn't specifically mention  
16 checking against the Exclusion List. I think you  
17 would, wouldn't you?

18                   MR. SCHERI:

19                   Yes.

20                   MR. SOJKA:

21                   Okay. So that's just a technical thing.  
22 Were you talking about people not paying the de  
23 minimis amount who are guests at something, an event,  
24 the example that was repeatedly used was a wedding and  
25 I think one would --- with a wedding reception, you

1 could extend to that bar mitzvahs and bat mitzvahs and  
2 similar kinds of things. But would there be anything  
3 --- and I'm trying to get to intent now, and I'm  
4 trying to understand who you think your class of  
5 patrons would be. Let's assume that I like to  
6 entertainment my guests. Would you have any objection  
7 at all if I called the hotel and said I want to rent  
8 the banquet room. I'm happy to pay the fee. I'm  
9 happy to pay for a bar. It won't be a cash bar. I'll  
10 pay for it. I want you to give me the best hors  
11 d'oeuvre you got. I'll spend a lot of money, and I'm  
12 going to invite a hundred of my closest friends. Can  
13 I then legally and within your --- advertise to them,  
14 give an invitation to them, come to the Valley Forge  
15 Hotel for a cocktail reception, which will include  
16 gaming for 24 hours? That's fine?

17 MR. SCHERI:

18 Yes, sir. Yes, Commissioner. Yes. So  
19 it would be like the wedding without the ceremony?

20 MR. SOJKA:

21 Exactly. Okay. So it could become part  
22 of the marketing and that's something you would  
23 happily accept?

24 MR. SCHERI:

25 Yes.

1                   ATTORNEY STEWART:

2                   And I'm sorry, Commissioner Sojka, but to  
3 your point, I would submit that the scenario you  
4 provided is precisely the idea behind the Category 3  
5 Resort License. What you are doing in your scenario  
6 is bringing people there who would not otherwise have  
7 come, exposing them to the atmosphere, exposing them  
8 to the amenities, and now they're going to come back  
9 and have a party for a hundred of their closest  
10 friends and so on.

11                   MR. SOJKA:

12                   If there aren't going to be a hundred  
13 guests registered, I better spend at least a thousand  
14 dollars on booze, room and wait staff?

15                   MR. SCHERI:

16                   Right.

17                   ATTORNEY STEWART:

18                   And that's --- it keeps our banquet  
19 services and catering staff, you know, very high. So  
20 that's great for putting more people to work or  
21 keeping them busy.

22                   MR. SOJKA:

23                   Well, now, also in the past I've attended  
24 several times shows at the --- I think it's the  
25 Radisson.

1                   MR. SCHERI:

2                   Is it the Waterford Ballroom?

3                   MR. SOJKA:

4                   No, no. The one where you have things  
5 like antique shows and things.

6                   MR. SCHERI:

7                   Oh, the Convention Center?

8                   MR. SOJKA:

9                   Yeah, the Convention Center. Those  
10 people, if they are registered, of course, can gain  
11 access. Is it not true that most of those events  
12 already charge an admission that would be  
13 substantially higher than the de minimis amount?

14                  MR. SCHERI:

15                  Yes.

16                  MR. SOJKA:

17                  I think it's usually 25 bucks to get into  
18 the antique show.

19                  MR. SCHERI:

20                  Right.

21                  MR. SOJKA:

22                  So, you would expect that those people  
23 would do both things?

24                  MR. SCHERI:

25                  Absolutely.

1                   MR. SOJKA:

2                   And again, that seems to fit the  
3 definition. And finally, just as a Commissioner, I  
4 know we're going to bang our heads on this business  
5 about fair market value. And our colleague,  
6 Commissioner Trujillo mentioned in Cross Examination  
7 --- or in questioning the issue of scientific  
8 information. And we've not asked the same question of  
9 Mr. Siegel, but I'm going to be concerned about the  
10 use of that word. I don't know that what we're  
11 talking about here is scientific. I think what we're  
12 talking about, and I hope this is correct, that we're  
13 talking about the collection of empirical data and  
14 then massaging that data in such a way as to be able  
15 to draw some kind of conclusion; is that correct?

16                   MR. SCHERI:

17                   Yes.

18                   MR. SOJKA:

19                   That then gets to the issue of  
20 methodology. And sometimes when people say  
21 methodology --- we've seen it in, for example, raw  
22 kind of analyses and things of that sort, long  
23 equations are developed. In this case, we're not  
24 talking about that; is that correct?

25                   MR. SCHERI:

1 Correct.

2 MR. SOJKA:

3 What we're really talking about, if I  
4 understand this correctly, is gathering appropriate  
5 data, whatever that might be, and then relying on the  
6 expertise gathered for years of observation,  
7 participation, by someone trusted to be an expert and  
8 then simply accepting their opinion. That's what  
9 we're talking about when we're talking about  
10 scientific analysis; is that right?

11 ATTORNEY STEWART:

12 Excuse me. If I may, Commissioner. I  
13 don't know if Mr. Scheri is the best one to answer  
14 that question.

15 MR. SOJKA:

16 Maybe it should be Mr. Siegel.

17 ATTORNEY STEWART:

18 Well, I would submit that it would be  
19 counsel, more experienced in presenting expert  
20 witnesses at tribunals, but I would --- your points  
21 are all well taken and are certainly, at some level,  
22 an accurate characterization of how the process works,  
23 but I would submit that with someone like Mr. Siegel,  
24 who essentially for a minute is engaged in the  
25 business of valuing things, pursuant to certain

1 principles and ---

2 MR. SOJKA:

3 Absolutely.

4 ATTORNEY STEWART:

5 --- that when he is certified as an  
6 expert, as he has been by the courts and he has been  
7 by the federal agency, implicit in that is that there  
8 is a science, at least on the quantifiable side, to  
9 this process.

10 MR. SOJKA:

11 But is that science --- I don't see --- I  
12 don't think this requires, for example, looking at  
13 ratios and determining percentages, plugging those  
14 into a formula and getting some sort of fixed number  
15 at the end. I think what we're seeing --- and Mr.  
16 Siegel can speak to this, aren't we really simply  
17 relying on your very significant experience in looking  
18 at numbers like you've got and drawing conclusions  
19 from them?

20 MR. SIEGEL:

21 Well, it's a combination of the  
22 experience and the analysis that is built upon that.

23 MR. SOJKA:

24 What is that analysis then? Do you plug  
25 numbers into a computer program? What do you do?

1                   MR. SIEGEL:

2                   That's a part of it. I mean, we're in  
3 the world of forecasting performances on the  
4 quantitative part, which I indicated is the most  
5 significant determinant of fair market value.

6                   MR. SOJKA:

7                   So you're using the equivalent then of an  
8 economic prediction model?

9                   MR. SIEGEL:

10                  Yeah.

11                  MR. SOJKA:

12                  It's something like you would see a Board  
13 doing, plug the numbers in and figure out where the  
14 feds are going to go?

15                  MR. SIEGEL:

16                  The answer is, yes, it's not a bad  
17 comparison because no crystal ball is perfect. I've  
18 never seen a forecast --- I've seen hundreds, maybe  
19 thousands of forecasts that are correct to the penny.  
20 But what we try to do is apply wisdom. You try to  
21 apply experience. I try to deliver that on my own. I  
22 try to draw that out of my clients, the people that I  
23 work with. And that composite becomes the basis for  
24 an opinion.

25                  MR. SOJKA:



1                   And that I have absolutely no problem  
2 with. I'm not trying to denigrate that. I'm trying  
3 to understand exactly how it's done, because we're  
4 going to get to countervailing opinions, and I  
5 certainly want to know what we're weighing against  
6 what.

7                   MR. SIEGEL:

8                   That is how it's done. And I want to  
9 come back, if I can, since I have the opportunity,  
10 briefly, to one question that was asked of me, which  
11 was whether I had executed the kind of market study  
12 that's referenced in my analysis. And if that  
13 question was meant to ask me if I had constructed an  
14 authoritative database of restaurant, club pricing and  
15 entertained a second database of entertainment club  
16 pricing and a third authoritative database of health  
17 and fitness club pricing, the answer is no. It  
18 wouldn't be a practical thing to do. Those  
19 authoritative databases do exist in certain areas of  
20 evaluation. They don't exist here. So I worked with  
21 what I had.

22                   MR. SOJKA:

23                   And that's understandable. Can I ask one  
24 other slightly tangential question that is really  
25 designed to help my education? I'm going to pick one

1 point where you were talking not specifically about  
2 fair market value, but it was tangential to that, and  
3 you were looking at how Valley Forge was setting up  
4 their programs. And you said, with the methods we  
5 have, you were trying to figure out what the likely  
6 increase in revenue would be for the casino by putting  
7 in certain values on there. And then you were also  
8 trying to figure out the likely costs to the person  
9 making the purchase. And then you talked about  
10 extending the test. I understand all that, but just  
11 to make sure that I'm understanding how you're doing  
12 this, can I ask, what --- do you feel in that much  
13 more confident about the likely cost than you do the  
14 likely increased revenue, since the cost is something  
15 that an individual calculates themselves and say, this  
16 is going to be a good value for me to buy this,  
17 whereas the casino has much more unknown; right?

18 MR. SIEGEL:

19 Yeah. The forecast for both the casino  
20 and the patron is based upon assumptions. The  
21 assumptions are noted in the report. The assumptions  
22 I think are all relatively forecastable, using that  
23 word, acknowledging the imprecision of any forecast.  
24 The one assumption that I thought had a lesser degree  
25 of certainty around it was that of visitation. And

1 that's why in my analysis, rather than running the  
2 numbers just with a simple assumption, I ran it three  
3 ways with the result being creating a sort of  
4 sensitivity analysis and an implicit acknowledgement  
5 that there is some uncertainty surrounding how often  
6 these various clubs would be used.

7 MR. SOJKA:

8 I found that very helpful. Thank you.

9 CHAIRMAN:

10 Mr. Fajt?

11 MR. FAJT:

12 Thank you, Mr. Chairman. A couple of  
13 questions. The first one, OEC, I understand that  
14 unauthorized access has been --- assuming it's not  
15 underage unauthorized access, as we discussed today,  
16 is probably not a violation of the law, but have you  
17 folks thought about any --- whether there's any fine  
18 potential to Valley Forge for unauthorized access, in  
19 other words, someone who's not a patron of the  
20 amenities, someone who's not a guest, someone whose  
21 card expired, whether they would be subject to a fine  
22 for allowing unauthorized access on the gaming floor.

23 ATTORNEY PITRE:

24 We would actually bring that forward to  
25 the Board, because that would be a precedent-setting

1 decision for the Board to determine. So, if and when  
2 that does occur, we would bring those then before the  
3 Board in order for the Board to set the precedent as  
4 to whether or not that is an actual violation of the  
5 Act.

6 MR. FAJT:

7 That's interesting. And the reason I  
8 bring that up is we can debate unauthorized access.  
9 I'd like Commissioner McCall --- I think he raised it  
10 earlier about this whole ID issue and whether, you  
11 know, somebody who is a legitimate guest or legitimate  
12 guest of a --- or a patron of the amenity or somebody  
13 who is a guest of somebody with a membership card, you  
14 know, whether they can swap cards and all that stuff.  
15 I mean, I do believe that ID --- not IDing people when  
16 they're coming into the casino is the recipe for  
17 disaster. I also believe that if you have a cocktail  
18 waitress or somebody checking in a guest at the front  
19 desk and is charged with IDing somebody, that also is  
20 a recipe for disaster. I mean, you guys have been  
21 here before at our meetings. We have security guards.  
22 The casinos have security guards. That is their main  
23 job, and they don't get it right. And now you're  
24 going to have somebody who is, you know, a check-in  
25 clerk at a hotel or a cocktail waitress or, you know,

1 a banquet manager or whatever and, oh, by the way,  
2 you're also going to have to ID guests and check them  
3 in and check their IDs. I'm telling you, it's a  
4 recipe for disaster. But I'll get off my horse here.  
5 The fact that, you know, you may be able to fine  
6 people, fine the casino for this issue, I think in my  
7 mind anyhow ameliorates that somewhat.

8 My second to the last question is on the  
9 health club membership. I don't know anything about  
10 dining clubs. I don't know anything about  
11 entertainment clubs. I do know something about health  
12 club memberships. Number one, do you offer a health  
13 club membership now at your health club?

14 MR. SCHERI:

15 When I joined Valley Forge in April we  
16 made the decision that we were going to refurbish our  
17 facilities and develop a comprehensive marketing plan  
18 for the entire facility. At that time, we decided we  
19 would offer memberships, and so it is part of our more  
20 comprehensive marketing plan. But at this time we do  
21 not offer that membership. It's something that we're  
22 working through and it's part of the refurbishment of  
23 the facility.

24 MR. FAJT:

25 And I'm going to get into a little bit of

1 the meats here, but can somebody tell me what you  
2 offer at the health club?

3 MR. SCHERI:

4 Thank you. I just wanted to talk about  
5 that.

6 MR. FAJT:

7 I'm really trying to determine, you know,  
8 whether \$64 for a year, and it includes one free spa  
9 treatment, is allowed or is reasonable. And somebody  
10 mentioned earlier, you know, I know people that pay  
11 more than that a month to belong to a health club. So  
12 just briefly --- I don't want to get into too many  
13 details, but tell me what you offer.

14 MR. SCHERI:

15 I won't run down the exact equipment, but  
16 I could. But basically what we offer is a fitness  
17 center where there's an area for the treadmills,  
18 bicycles, things like that, and there's some --- the  
19 machines, the weightlifting machines. And then  
20 there's another area where we have two treatment rooms  
21 that's in the same area, but it's --- you know,  
22 there's a wall separating the treatment rooms from the  
23 exercise area. So, we can actually have --- provide  
24 massages two at a time.

25 MR. FAJT:

1 Thank you.

2 CHAIRMAN:

3 Commissioner Trujillo.

4 MR. TRUJILLO:

5 Thank you, Mr. Chairman. Mr. King, as I  
6 read the Act and our regulations, it strikes me that  
7 we will have to deal with this whole issue on a  
8 broader basis than that Mr. Kohler described, A,  
9 what's legal, and B, what works, and so to ensure  
10 compliance with the law. And by the same token I'm  
11 also very cognizant of your almost, I sense,  
12 frustration with the notion that you can't be  
13 handcuffed in creating an atmosphere that people don't  
14 want to go to because it would be so restrictive in  
15 point of entry or tracking or however else that it  
16 becomes an unpleasant and not a fun environment and  
17 one that's not welcoming. So it's not unusual to make  
18 sure they are in compliance with the law but also one  
19 that we view as this will be the one making as  
20 pleasant and as inviting for your customers. So I  
21 think I have --- and we've gone through this. I am  
22 both concerned about the legal requirements.

23 But as I go to the statute, I'm somewhat  
24 comforted by the notion that it appears to me that it  
25 is not a very specific --- they're specific,

1 obviously, but it appears to me that there are an  
2 awful lot of room for this Board, A, to interpret, and  
3 B, to regulate the confines of what constitutes a  
4 patron of the amenities. And so, in my view, and I  
5 don't have a lot of questions because I do think that  
6 part of we need to do is wrestle with this notion of  
7 how restrictive must our interpretation be versus how  
8 broad can it be. And I think, in many respects, that  
9 will ultimately help define what a Category 3 casino  
10 looks like and how it meets our statutory  
11 requirements.

12                   So, with that as my intro, my first  
13 question to you is, are there --- and we started early  
14 on with what is the 72-hour limit to be revisited by  
15 guests of the hotel. Are there today specific areas  
16 that are in our regulatory purview that you think we  
17 should be looking at now so that when you are --- or  
18 when the other Category 3s are open, we have  
19 adequately addressed some conditions. So are there  
20 things right now beyond the plan that you just  
21 presented to us that you think, frankly, we really  
22 kind of need to get on the stick and look at them from  
23 a regulatory standpoint?

24                   ATTORNEY KING:

25                   Well, so you're saying are there other



1 regulations that perhaps we need to work through?

2 MR. TRUJILLO:

3 Not even other.

4 ATTORNEY HAYES:

5 Commissioner Trujillo?

6 MR. TRUJILLO:

7 He's biting at the bit. Please.

8 ATTORNEY HAYES:

9 What's interesting on the Category 3  
10 Licenses is what we have to work with right now is  
11 essentially Section 1305(a) and the regulations which  
12 essentially mirror the statute. The only additions  
13 that hasn't been added --- there are others, but the  
14 only substantive issues that the Board has developed  
15 to address these Category 3 requirements is that the  
16 threshold for the non de minimis consideration, as you  
17 recall, is initially set at \$25. And it is determined  
18 to be a game changer for those people who are  
19 interested at the license at that time. And the other  
20 one is the duration of time. But other than that,  
21 there's not a lot of guidance that we had or that you  
22 have other than the statute itself. And I think it's  
23 because the Board, you never had to address this at  
24 this point because there's never been any open  
25 category to the Licensee. So that's what we used to

1 base all of our plans. All of our plans center around  
2 essentially the statute, and the regulations just  
3 mirror that statute.

4 ATTORNEY KING:

5 I also wanted to respond to your question  
6 and your statement. First of all, you hit the nail on  
7 the head at what faces this Board. If you look at the  
8 history of the Category 3 License, it's --- 2004 we  
9 passed the Act. It's going to be five years since we  
10 applied for this. We don't have a Category 3 licensed  
11 facility open. There's a reason for that. It's  
12 because there's been so much confusion. The first  
13 round of applicants, you know, quite frankly, they  
14 backed out until the \$25 was changed. And look, I  
15 keep trying to direct this back to the present, you  
16 know, what exists now. And you know, I'll tell you.  
17 You know, we have 2,000 --- almost 2,900 people on the  
18 Self-Excluded List. We've got 29 bad actors on the  
19 Excluded List. You've got underage and --- but you  
20 struck a balance between making the existing casinos  
21 places where people want to go and places where  
22 they're not going to want to go.

23 And so, you know, it really concerns me  
24 when we say we're going to check ID for every single  
25 person. That terrifies us, quite frankly, because

1 people aren't going to want to do that. And so you've  
2 struck a balance with the existing categories of  
3 excluded persons. You need to strike a balance here.  
4 We're going to have risk, too, on this because if what  
5 we propose and you approve it doesn't work, I'm pretty  
6 sure we'll be right back in front of you, trying to  
7 figure out how to make it work. I don't know if it  
8 really answered your question.

9 MR. TRUJILLO:

10 I think in the short run it answers the  
11 question. You probably have. I think there is more  
12 there because I think in terms of what we should and  
13 what regulations we should be able --- you need to  
14 promulgate in order to give some guidance on these  
15 issues. I think that's going to be a long  
16 conversation. But the --- I am just --- in reviewing  
17 what we got from you and reviewing what we got in  
18 front of us now, the Gaming Floor Access Petition that  
19 you put before us, the concern I've got is that it  
20 squarely puts a lot of these issues in front of us.  
21 Our consideration is your petition. Even though we  
22 don't have and you don't have the guidance of a broad  
23 regulatory seating, it squarely puts a lot of those  
24 issues in front of us. And so we would need to make  
25 some of those determinations based upon our exercising

1 our discretion. I very much want to hear the things  
2 that terrify you.

3           For instance, on this issue, like Mr.  
4 Fajt, I do have some experience with gyms and I know  
5 that when I go to the Philadelphia Sports Club, I give  
6 them my little flashcard, it comes up, my photo comes  
7 up, and it's a fairly seamless way to enter for  
8 somebody who regularly uses it. So it seems to me  
9 that there are different kinds of chokeholds, if you  
10 will. It gets harder with different kinds of  
11 customers, the gaming customer versus the regular  
12 customer.

13                   ATTORNEY KING:

14           Well, let's look at the two things, the  
15 terrifying issues, so to speak. And quite frankly, I  
16 think these are issues for any casino. One is ease of  
17 access. Now, to a certain point we have to comply  
18 with the certain regulations, and that's why we have  
19 this whole structure that's presented in front of you.  
20 But if we're going to set up a system where they're  
21 going to be long lines, just like any other casino,  
22 because you've got to check ID cards and what have  
23 you, that's going to be a problem. People are not  
24 going to want to come to the resort. Remember, why  
25 are you putting the amenity in? When Valley Forge got

1 a license, we recognized the fact you had a nexus ---  
2 you have a connection now to an immense number of  
3 people who are going to this facility. 650,000 people  
4 a year are going there. They're already going there  
5 because of conventions, shows, all the things that  
6 happen at the Convention Center. They're going there  
7 for the hotel. You're trying to capture that. And so  
8 the idea was add another amenity, casino amenity, to  
9 keep driving that up. That has economic effects in  
10 the general region. The only thing with a casino,  
11 though, you've got to wait in a 20-minute line because  
12 it's like getting into Smokey Joe's at Penn. You  
13 know, everybody has to get carded. I mean, that's why  
14 we're trying to develop a system that works.

15           And then privacy is just a concern. It's  
16 a concern that people have. And again, there are a  
17 lot of people with a visceral reaction to I've got to  
18 show my ID card every single time I want to do  
19 anything in and about the facility. That's why we  
20 believe --- again, we've wrestled with this, from back  
21 somersaults, how do we comply with the law, how do we  
22 create something where taking the years of experience  
23 that Mr. Scheri and Mr. Figueras and others have in  
24 the hospitality industry, you know, what are people  
25 going to tolerate but still want to come? But we're

1 going to make them tolerate it because we have to  
2 comply with the law. And so that is the delicate  
3 balance that we've done, and it's a delicate balance  
4 that we're asking you to do.

5 MR. TRUJILLO:

6 And finally, I also understand, Mr.  
7 Kohler, your client's position, which is that you want  
8 us to have strict compliance with the law so you are  
9 not unfairly competing with as you determine any  
10 casino and we understand that as well. The one thing  
11 I would like to --- it's not a question, but I just  
12 want you to appreciate we're trying to go through  
13 ourselves in trying to interpret this is that we don't  
14 --- and Mr. King, you can --- as well as any other  
15 lawyers, legislative history is very interesting, but  
16 you don't know what significance that has in  
17 Pennsylvania for judicial law, but it's interesting.  
18 And the testimony of the legislative staff that's to  
19 come and talk about what their conversations were,  
20 that's maybe less interesting and has even of less  
21 legal significance. And so what we're left with is a  
22 largely blank slate.

23 And the only thing I would want to say to  
24 conclude my comments is I would just encourage as much  
25 discussion on the issues with, you know, the

1 appropriate staff people so that we get a candid view  
2 of what works. I actually have some concerns on your  
3 plans, not that it's not restrictive enough but that  
4 it may be too restrictive. And I understand --- look,  
5 I'm much more concerned about nine kids left in a  
6 parking lot than I am about nine 30-year-olds who go  
7 from a wedding into your facility. I think those ---  
8 those are different. They're both not what the Act  
9 intended, obviously, but there's degrees of harm that  
10 I think we need to be realistic about as well. So  
11 that's all I have, Mr. Chairman. I know there were  
12 other questions, but I wanted to share a couple of my  
13 thoughts.

14 CHAIRMAN:

15 Mr. Moscato?

16 MR. MOSCATO:

17 Thank you, Mr. Chairman. There are  
18 advantages and disadvantages to going last. Growing  
19 up, I was the last of 23 grandchildren. The biggest  
20 disadvantage was I got always left in the pond. Here  
21 the advantage is most of my questions have already  
22 been asked or answered. So I will sort of phrase more  
23 of in a comment than a question, and we can move on.

24 Mr. Scheri, you indicated what you have  
25 in your facilities. You might want to think of

1 putting showers and changing rooms in. And then  
2 Commissioner Trujillo almost got my last question when  
3 he started talking about photographs. I don't know if  
4 there's any way that the photograph can be put on one  
5 of those little cards. I know my Sam's Club Card has  
6 a photograph of me on it. So it's something you might  
7 want to think about that would alleviate a lot of  
8 concerns. So I'll phrase it that way and be done.  
9 Thank you, Mr. Chairman.

10 CHAIRMAN:

11 Thank you. Mr. Craig?

12 MR. CRAIG:

13 I just have two questions out of  
14 curiosity. Are there going to be other similar  
15 systems or processes or did you consider any other  
16 ones in other jurisdictions?

17 MR. SCHERI:

18 Well, from a technology perspective,  
19 we've seen some similar systems for things like mass  
20 transit, hospitals, government offices, large office  
21 buildings. So the technology exists. And actually  
22 our technology vendor, who is here with us today,  
23 provides many of those systems. And what we're doing  
24 is we're talking that system and customizing it for  
25 this application.



1                   MR. CRAIG:

2                   And again, this is just out of curiosity.  
3 Typical player card systems require, you know,  
4 somebody can go and register as a player and they get  
5 the relevant information from the casino. They get a  
6 card and then they put it into the machine and gamble  
7 from them. Was that ever kind of considered as  
8 something adopted similar to that in which you still  
9 give the individual a card. They have the card, but  
10 instead of having to go through a screening process,  
11 the only way they can activate the slot machine is by  
12 physically being in front of the slot machine and  
13 putting in the card?

14                   MR. SCHERI:

15                   We certainly look at a lot of different  
16 ways to come at this, you know, things like using  
17 player cards for the Casino Access Card. And where we  
18 kind of got caught up a lot was on the table games  
19 side. We also got caught up with things that a lot of  
20 players --- you know, only a certain percentage of  
21 players actually use player tracking cards. Only  
22 about 65 to 70 percent of customers use the card  
23 because of they didn't want --- they wished to remain  
24 anonymous. So we felt that a lot of the players may  
25 not want to actually have to use a card. So we

1 explored a lot of different things, and we felt that  
2 that would really prohibit our ability to bring people  
3 in and generate tax revenue.

4 MR. CRAIG:

5 Nothing further. Thank you, Mr.  
6 Chairman.

7 CHAIRMAN:

8 Members of the Board have no questions.  
9 Thank you. That ends this proceeding. As I noted at  
10 the outset, the parties have until close of business  
11 on September 28th to file any post-hearing briefs if  
12 they so choose. With that, the Board is going to go  
13 into recess for about, roughly, say, a half hour.  
14 We'll be back at 3:15.

15 \* \* \* \* \*

17 CERTIFICATE

18 I hereby certify that the foregoing  
19 proceedings, hearing held before Chairman Ryan, was  
20 reported by me on 09/14/2011 and that I Kenneth  
21 Dominic O'Hearn read this transcript and that I attest  
22 that this transcript is a true and accurate record of  
23 the proceeding.

24   
25 \_\_\_\_\_  
Court Reporter