

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: CATEGORY 3 LICENSE RENEWAL FOR WOODLANDS

FAYETTE, LLC

* * * * *

BEFORE: DAVID M. BARASCH, CHAIRMAN

Greg C. Fajt; Richard G. Jewell; Keith R. McCall; Anthony C. Moscato; William H. Ryan Jr.; Aheenah Young, Members, Fred Strathmeyer, representing Russell Redding, Secretary of Agriculture; Jennifer Langan, representing Timothy Reese, State Treasurer; Robert P. Coyne, representing Eileen H. McNulty, Secretary of Revenue

HEARING: Wednesday, December 14, 2016, 10:15 a.m.

LOCATION: Strawberry Square Complex
2nd Floor
Harrisburg, PA 17101

WITNESSES: Gary Hendricks

Reporter: Cynthia Piro Simpson

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MR. FAJT:

We have one hearing scheduled for today regarding the Category 3 License Renewal of Woodlands Fayette, LLC and IOC, PA, LLC, the management company which operate the Lady Luck Nemacolin Casino. I see we have representatives for Lady Luck and IOC here at the table. I would like to ask everyone who's going to speak to please state your name, spell your name for the court reporter prior to your presentation. And may I have any non-attorneys please stand who are going to speak today and be sworn in by the court reporter.

WITNESSES SWORN EN MASSE

MR. FAJT:

Thank you. And with that Lady Luck you may begin.

MR. BLOCK:

Good morning Chairman Barasch, Commissioner Fajt, Commissioners, Director O'Toole, Commission Staff, my name is Arnold Block. I'm the President, Chief Operating Officer of Isle of Capri

1 Casinos, Incorporated. It's our honor to be here with
2 you today in Harrisburg for our relicensing. We have
3 two speakers joining us today, Monte Hansen, managing
4 director of Nemaocolin Woodlands Resort, and Gary
5 Hendricks, Vice President and General Manager at
6 Nemaocolin Woodlands Resort.

7 Following the presentation, we will
8 welcome any questions that you might have. With that
9 I'm going to turn it over to Monte.

10 MR. HANSEN:

11 Good morning, ladies and gentlemen.
12 First of all let me say it is an honor and a privilege
13 to be here. My name is Monte Hansen. That's
14 M-O-N-T-E H-A-N-S-E-N. And I am the Managing Director
15 at Nemaocolin Woodlands Resort. And on behalf of
16 Maggie Hardy Magerko and Mr. Joe Hardy and all of the
17 associates at Nemaocolin Woodlands resort, as well as
18 Woodlands Fayette and Isle of Capri, we thank you for
19 this opportunity to sit before you and talk about the
20 renewal of our license. We truly believe that this
21 partnership has been a wonderful partnership and has
22 helped the resort over the years that we've been
23 operating giving night life and some needed boost to
24 the resort patrons. It has been wonderful and we
25 appreciate that partnership so very much. And as Gary

1 Hendricks will talk a little bit more, that
2 partnership continues to move forward.

3 Just real quickly for the agenda, we
4 would like to talk a little bit about resort and
5 casino facts, then move on to Gary's presentation and
6 he will talk about casino improvements, tourism
7 impact, community service, economic impacts, diversity
8 and compliance. Our resort is truly a gem and the
9 family has taken care of it as such. And we are so
10 very grateful to have that opportunity. It is one of
11 the best resorts in the country and I don't just say
12 that because I run it. But I have been at a lot of
13 other resorts and have a great knowledge base to say
14 that it is truly amazing.

15 We have 320 guest rooms, championship
16 golf courses located on nearly 2,000 acres in
17 Southwestern Pennsylvania. We host about 350,000
18 visitors and guests annually from 48 different states,
19 six different countries. We employ in peak season
20 approximately about 1,200 associates. And those range
21 from full-time to part-time. We are grateful for them
22 and they do an amazing job. Our estimated annual
23 payroll for the area and for our associates is right
24 around \$25 million a year.

25 The amenities at the resort has and I

1 could probably talk to you for about two hours about
2 all of them. And we could show lots of great slides
3 about all the fun activities we have to do including
4 the casino, but we just wanted to highlight a few of
5 those. Obviously, we have lodging. We have full
6 banquet facilities that can host conventions and we do
7 that. We have a restaurant collection of 12 different
8 restaurants. One of which carries a five star Forbes
9 rating and five diamond AAA rating. That is run by
10 one of the only female five star, five diamond chefs
11 in the world, Kristin Butterworth and we are so
12 grateful to have her on our team.

13 We also have golf and tennis. Recently
14 we've undergone adding a second Pete Dye golf course.
15 Construction of that is complete and we'll talk about
16 that in a minute. Hiking, running, biking trails.
17 World class spa that just received a little bit of a
18 renovation. Swimming, gaming, which absolutely gives
19 nightlife and life to the resort through all the time.
20 And wildlife academy skiing, archery shooting,
21 fishing, and that's only just a few of the wonderful
22 activities we have.

23 The family has shown a great commitment
24 in keeping this resort up to date and keeping it world
25 class. As such we've done over the last couple years.

1 In 2014 and 2015 the resort went under a \$30 million
2 renovation that included most of the guest rooms. And
3 then we continued this year with renovating and adding
4 some additional amenities for the guests. And that
5 will continue until next year as we renovate the
6 remaining townhomes and Falling Rock guest rooms, as
7 well as the banquet space and some other things.

8 So just to highlight a few, we did redo
9 completely the entrance to the resort. Changed the
10 approach and added this grand entrance. You can see
11 the before and after pictures there. Truly is
12 spectacular and changes the feel of the resort as you
13 drive in. We also added an addition to the pool
14 complex, paradise pool, you can see the before and
15 after pictures there. Added a 21 year and older
16 version so the adults can escape their families if
17 they would like. Which also highlights a 30 person
18 hot tub and a full bar and lots of fun activities down
19 there as well.

20 Lastly, the big thing that we undertook
21 in 2016 that will continue into 2017 is the addition
22 of Shepard's Rock our new Pete Dye Golf course.
23 Construction is finished. We did the last nine holes
24 in four months. We thought we'd give us plenty of
25 time to do that. So we gave ourselves four months.

1 The construction is complete and we hope to have it
2 opened early summer when the drop dead date of July
3 1st. And that truly positions the resort as a golf
4 destination that opens up to different marketing
5 streams and revenue streams that we were not able to
6 market ourselves to before.

7 We did have and continue to have an
8 amazing holiday season. This is a picture of one of
9 the many holiday things that we have going on at the
10 resort. This is our life-size gingerbread house that
11 kids can go in and experience and taste gingerbread
12 and candies and things like that. The reason why I
13 show you this is because it did garner much attention
14 in the world of PR. Over 30 different magazines
15 picked up this story as we sent it to the AP and ran
16 it. Among those include publications like Delish,
17 which is a big food publication, and one of the crown
18 jewels was we were featured in Travel and Leisure,
19 which is really, really hard to do. But over two
20 million press hits on just this one story alone. We
21 continue to try to be cutting edge and top of the
22 market.

23 We also continue with other great
24 attractions and participate in the Laurel Highlands
25 Visitors' Bureau. We have a great partnership with

1 them to push our customer visits. The main areas that
2 our customers come from are Pennsylvania, Virginia,
3 New Jersey, Maryland, Ohio, West Virginia, and New
4 York. That breakdown is about 40 percent of our
5 guests come from leisure activities and about 60
6 percent of the guests come from meetings and
7 conferences.

8 As you know from our initial
9 application, the Hardy family has a longstanding
10 commitment to us from Pennsylvania and we are very
11 committed to the people of Fayette County. We
12 participate in a lot of community service and
13 donations supporting local businesses and the local
14 community. And we are very grateful to have that
15 opportunity and take it very seriously. But we also
16 love our partnership with Isle of Capri Lady Luck.

17 Since Gary's been in town, he and I have
18 become great friends. We have regular meetings to
19 talk about the things that we can do to push the
20 business forward. I am very grateful for that
21 opportunity and friendship and I would like to turn
22 the time now over to Gary Hendricks for the remaining
23 portion of the program.

24 MR. HENDRICKS:

25 Thank you, Monte. My name is Gary

1 Hendricks. I'm the Vice President/General Manager.
2 Gary, G-A-R-Y. Hendricks, H-E-N-D-R-I-C-K-S. Good
3 morning, Chairman Barasch, Directors, Director
4 O'Toole. It's a pleasure to be speaking to you here
5 today. As a reminder let me give you a brief summary
6 of the casino. We opened our doors and began
7 welcoming guests in July of 2013. Isle of Capri
8 Casino, Incorporated, our parent company, invested
9 approximately \$60 million refurbishing the existing
10 facility. We currently have 597 slot machines, 27
11 table games, and 2 restaurants. And we're proud to
12 say that we have over 300 employees that work hard
13 each and every day welcoming our guests a warm gaming
14 experience.

15 We are currently the only property
16 operating in the Commonwealth where you actually have
17 two separate licenses involved or two separate
18 companies involved in the license. The resort
19 management team, as Monte just said, and I meet
20 regularly to discuss operations and share information.
21 One of the most important discussions was around cross
22 marketing. And you can see from direct mail and other
23 collateral to our digital channels. We position the
24 resort or the casino as an amenity to the resort. And
25 definitely add, as Monte said earlier, a definite

1 nighttime aspect to the resort portfolio.

2 And as you saw in this slide or the
3 previous slide and this one, there are many
4 opportunities for us to reach out to our customers.
5 We continue to find that about 90 percent of our rated
6 play is coming from within a local range of about 70
7 miles. Compared with the resort finding that most of
8 their hotel guests, their largest denomination is
9 coming from Pittsburgh region. About 21 percent
10 business for the hotel. With the other cities outside
11 the state maintaining the balance of the occupancy.
12 So as Monte said, both the resort and the casino are
13 heavily involved in community participation.

14 This list illustrates the activities
15 that we have both been involved with since opening.
16 On the casino side, our employees have given 817 hours
17 to organizations in Fayette County and the casino has
18 donated 78,000 since opening. And of course these
19 figures do not include the mini contributions from the
20 resort and the Hardy family themselves.

21 We've worked diligently to enhance our
22 Community Aces Program. One recent thing that we've
23 done since our input hearing in September with the St.
24 Vincent De Paul food collection drive. So food
25 collection, gently used clothes, DVDs, toys, those

1 sorts of things. We actually set that up with the
2 departments in the casino as a goal to get a certain
3 number of items. We exceeded that goal by 185
4 percent. So it was quite the event for them and they
5 had recently had a fire. It really helped them
6 sustain their inventory. In the future what we're
7 looking to do is to expand these types of efforts and
8 this on specifically. To expand that to help them
9 more frequently than just the holiday season. And to
10 engage our guests in part of the participation with
11 some contribution from them. We are going to see a
12 little bit of a lull here in the few couple months as
13 we come out of the holiday season. And then were are
14 hoping to take that enhancement further in the spring
15 and become very active in the community.

16 As the newest casino in the
17 Commonwealth, we're proud to say that we continually
18 refresh our slot offerings. We try to get about 11
19 percent of the floor annually refreshed. I wanted to
20 point your attention to this floor plan that we have
21 on the screen. And you have the before picture to the
22 right and the afterwards on the left. And what we've
23 done, it was titled OP-17. We reconfigured our pit
24 slightly. What we had in the original drawing was the
25 big six wheel which you all might be familiar with,

1 it's really a carnival game and it really denotes a
2 carnival atmosphere. It's kind of hidden in the back
3 of the casino. We've reconfigured our floor to allow
4 us to bring that right to front entranceway. And the
5 person that deals that game is less of a dealer more
6 of a carnival barker. And we auditioned our staff
7 members to find the talented people to do that. And
8 so far we've had a really great success with that.
9 And looking very forward to when we get back into the
10 summer season and especially when the golf course
11 opens and having a real carnival atmosphere with that.
12 It's been exciting.

13 So, looking at our tax impact, locally
14 in Fayette County, Wharton Township, we deliver a
15 little over a million dollars in local taxes. As you
16 can see it's gone up year over year since opening.
17 Our annual tax and license payments have settled
18 around \$16 million for the casino with gaming tax.
19 And our total tax and licensing payment since opening
20 total over \$61 million.

21 On the non-gaming side, we've done about
22 \$2.6 million with the bulk of that going --- or the
23 largest portion going to the Pennsylvania state income
24 tax at just over a million dollars. The gaming tax
25 side again, we've settled at around \$16 million.

1 Since opening, \$46.5 million.

2 Looking at purchasing. Locally we spend
3 about \$3 million annually on non-construction items.
4 Of course in the opening year of 2013 it was
5 significantly higher with the construction of the
6 casino. Overall we spend locally it's just over \$57
7 million.

8 We always look for opportunities to
9 enhance this and just a quick story. One of the
10 things that we've done recently, many of you might be
11 familiar with the Stone House Restaurant. It's this
12 iconic restaurant in Farmington right on the mountain.
13 Recently opened a butcher shop provision shop. And
14 looking at what they had done, I reached out to them
15 and asked if they would consider providing steaks for
16 our restaurant. And the thought process on my side
17 being that not only could we potentially benefit from
18 waste reduction with them, as a professional butcher,
19 but then we would also be able to supply them with
20 business. That potentially when they hit January and
21 February up on the mountain, they may have had some
22 really rough times and slow times, and hopefully our
23 purchases can help them ride that time through. And
24 maintain a year round business and thereby support the
25 community on the mountain. And so far we've had some

1 fantastic results from that and the burgers that we
2 serve, their burger mix is really just fantastic. So
3 good product that they have.

4 So when we break these numbers down to
5 look at minority and women owned businesses. Our spin
6 typically runs about \$1.5 million the past 2 years.
7 Our total spins been just over \$6.9 million. Total
8 we've purchased \$128 million in goods and services
9 since we opened in 2013. With \$78 million in non-
10 construction related business and services.

11 At Lady Luck we take great pride in our
12 employees. At our input hearing in September, we were
13 pleased to have a few of them actually speak to you on
14 our behalf. Payroll and benefits since opening has
15 been about \$32 million and were very proud to say that
16 96 percent of those employees live within
17 Pennsylvania. We have a pretty close split between
18 female and male. And I'm proud to say that three of
19 my direct reports are female.

20 And when we look at demographics for the
21 community, we're pretty even with the community.
22 We're actually slightly ahead on the African American
23 and Hispanic as far as the demographics and the
24 percentage of our employees. Compliance is especially
25 important, folks, at Lady Luck. We place an emphasis

1 on departmental training in a variety of areas
2 including mock scenarios for employees to help them
3 anticipate what actions to take should the need arise.
4 Signage and collateral materials for compulsive gaming
5 and problem gaming rather are easily found throughout
6 the property. Typically we spend about \$25,000 on
7 these materials. That concludes the presentation that
8 we have for today. Monte, did you want to add
9 anything?

10 MR. HANSEN:

11 No. I just would like to thank Arnie
12 and Gary for their support and their presence at the
13 resort. It is an important part of the resort that
14 has gained prominence over the last couple years.
15 We've been able to show that our occupancy generally
16 we gain about 5,000 additional room nights each year
17 because of the casino. And we're lucky to have them
18 as part of the nightlife which adds a tremendous
19 amount of benefit to our patrons and our guests. We
20 want that relationship to continue and are very
21 supportive and want to do everything we can to get the
22 license renewed. So thank you very much for your time
23 this morning.

24 MR. FAJT:

25 Thank you. Any questions or comments

1 from Enforcement Counsel?

2 ATTORNEY FERRELL:

3 We don't have a presentation, but we do
4 have a few questions. Benjamin Ferrell, Assistant
5 Enforcement Counsel for the Office Enforcement Counsel
6 (OEC). F-E-R-R-E-L-L. Just to turn your attention to
7 slide 15, I think that's the floor change. I just
8 have a few questions on it.

9 MR. HENDRICKS:

10 Oh, okay.

11 ATTORNEY FERRELL:

12 Will that floor change impact the size
13 of the gaming floor?

14 MR. HENDRICKS:

15 No. And actually we went from 28 tables
16 to 27, but we're considering adding another one to the
17 spot where that big six wheel came out. We haven't
18 finalized that yet.

19 ATTORNEY FERRELL:

20 So that would be the only impact on the
21 number of table games?

22 MR. HENDRICKS:

23 Right.

24 ATTORNEY FERRELL:

25 Any impact on slot machines?

1 MR. HENDRICKS:

2 No.

3 ATTORNEY FERRELL:

4 Now will that floor change have an
5 impact on the size of your smoking section?

6 MR. HENDRICKS:

7 No, we had that done and approved
8 through OP-17, but we're still within our restrictions
9 on that.

10 ATTORNEY FERRELL:

11 Okay. And you anticipate that being
12 completed when?

13 MR. HENDRICKS:

14 That's actually completed. It's been
15 done for a few weeks now.

16 ATTORNEY FERRELL:

17 Okay. No further questions. At this
18 time though we would like to introduce an addition to
19 OEC Exhibit 6. The addition is a warning letter
20 issued to the facility on October 7th of this year.
21 As well as a response from the facility dated October
22 27th. I believe you all have copies and I'll give the
23 court reporter.

24 Additionally, both Woodlands Fayette,
25 LLC and its affiliates and principles have filed

1 renewal applications. And the Board's Bureau
2 Investigations Enforcement (BIE) has completed its
3 background investigation. Woodlands fully cooperated
4 with BIE during the course of its background
5 investigation. BIE did not identify any information
6 or preclude a finding of suitability for Woodlands's
7 principals and affiliates. Therefore the OEC
8 recommends and requests that Woodlands Fayette, LLC
9 doing business as Lady Luck Casino be found suitable
10 for renewal of its Category 3 license.

11 MR. FAJT:

12 Thank you, Mr. Ferrell. Any questions
13 or comments from the board.

14 MR. MCCALL:

15 I have one question. I think Monte you
16 said and I missed the number, what additional guest
17 nights at Nemaquin are ascribable to having the
18 casino onsite?

19 MR. HANSEN:

20 So from everything that we're able to
21 get back, and you know it is a little bit of moving
22 target. Because sometimes it's hard to truly capture
23 all of the guests that come just to play in the
24 casino, but our estimates are right around about an
25 additional 5,000 room nights per year.

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MR. MCCALL:

Okay. Thank you.

MR. FAJT:

Any other questions, comments, ex-officios? Everybody else okay? All right. Thank you. Anything else to add to either side? Okay. A vote on this matter will take place later under the Bureau of Licensing's section of the agenda. So thank you very much.

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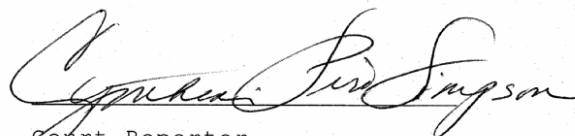
HEARING CONCLUDED 10:35 A.M.

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CERTIFICATE

I hereby certify that the foregoing proceedings, hearing held before Chair Barasch, was reported by me on 12/14/2016 and that I, Cynthia Piro Simpson, read this transcript, and that I attest that this transcript is a true and accurate record of the proceeding.



Court Reporter

Cynthia Piro Simpson