

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: PENN HARRIS GAMING, LP -  
WEST SHORE CASINO RESORT

\* \* \* \* \*

PUBLIC INPUT HEARING

\* \* \* \* \*

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

HEARING: Wednesday, November 17, 2010  
3:30 p.m.

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

WITNESSES: Richard Aljian, Daniel Richardson, Thomas  
O'Connor, Mark Petrella, Dan Keating, Kerry Smith, Dr.  
John Glassey, Adrienne Eiss, Andrew Klebanow, Jim  
Perry, Michael Sklar, Esquire, Robert Krauss, Esquire,  
Walter Bogumil, Laura Palazzo, Todd Mostoller, Al  
Federico, Susan Hensel, Richard O'Neil, Mike Roland

Reporter: Cynthia Piro Simpson

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CHAIRMAN:

Good afternoon, everyone. I'd like to, again, just ask everybody to turn off their PDAs as they tend to interfere with our communication system. This afternoon, we will hold the final Category 3 Licensing hearing for Penn Harris Gaming, LP, which I will now call to order. At the conclusion of this hearing, the Board will consider and evaluate all four Applicants and then we'll have the task of exercising our discretionary authority and decide whether the Board believes awarding this License to one of these Applicants will best serve the Commonwealth and the public's interest as outlined in Act 71.

The purpose of these proceedings today is to provide Penn Harris Gaming with a final hearing to introduce testimony and evidence to prove the Board --- to prove to the Board's satisfaction that they are eligible and suitable for Licensure as well as to convince the Board that the Applicant should be selected for the available License. In addition, this hearing will provide the opportunity for the Applicants to answer any questions that the Board may have related to their Application.

1           Also, in this proceeding, we have one  
2 slot machine Licensee who has filed a Notice of Intent  
3 to Contest the Penn Harris Gaming, LP Application.  
4 That Licensee, Mountain View Thoroughbred Racing  
5 Association, has also been granted Intervenor status  
6 by the Board. As a result, at the conclusion of Penn  
7 Harris' presentation, Mountain View Thoroughbred  
8 Racing Association will have 15 minutes to address  
9 their concerns to the Board. Thereafter, Penn Harris  
10 Gaming will have 15 minutes to rebut Mountain View.

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

19           I will now ask our Chief Counsel, Doug  
20 Sherman, to address the review of this application by  
21 our staff. Doug?

22                     ATTORNEY SHERMAN:

23           Thank you, Chairman. Good afternoon,  
24 members of the Board. The Application of Penn Harris  
25 Gaming was filed with the Pennsylvania Gaming Control

1 Board on April 8th, 2010. As with all Applications,  
2 subsequent to receipt, the Applicant underwent a  
3 lengthy and thorough review. Additionally, a public  
4 input hearing was held in Cumberland County,  
5 Pennsylvania on August 30th, 2010. During which time  
6 Penn Harris made a presentation concerning its  
7 project, including oral testimony as well as the  
8 submission of documentary exhibits. During the course  
9 of that hearing, speakers other than the Applicant  
10 presented either their support for or opposition to  
11 the proposed project. This hearing was recorded and  
12 transcribed and has been made available for the  
13 Board's use in these proceedings.

14                   The Pennsylvania Gaming Control Board  
15 also placed materials submitted by Penn Harris on its  
16 website to allow greater public access to the  
17 information concerning the proposal, the projections,  
18 the studies and all materials presented to the Board.  
19 These documents included local impact reports. And  
20 the dissemination of the information permitted the  
21 Board's receipt of written submission, both in support  
22 of and in opposition to the project. As of the  
23 deadline for submission of written comments, the Board  
24 received 1,749 submissions from members of the public.

25                   In addition, the Bureau of Licensing, the

1 Bureau of Investigation and Enforcement (BIE), and the  
2 Financial Investigation Unit in conjunction with the  
3 accounting firm of Urish, Popeck & Company has  
4 undertaken a review of the Application consistent with  
5 the mandates of the Act. The result of this licensing  
6 and investigative phase of the Application process is  
7 the creation of a suitability report which summarizes  
8 the findings of the Bureaus as to the Applicant's  
9 compliance with the Act's licensing eligibility and  
10 suitability requirements and mandates.

11 Further in its Application, Penn Harris  
12 submitted a traffic study for the Board's  
13 consideration of the effect on local traffic if Penn  
14 Harris were to be granted a Category 3 License. The  
15 Pennsylvania Gaming Control Board retained the firm of  
16 McCormick Taylor to review the study and issue a  
17 report. Al Federico, senior traffic engineer of  
18 McCormick Taylor, is here today and will make a brief  
19 presentation to the Board.

20 I'd now like to discuss stipulations and  
21 exhibits for the record. Penn Harris Gaming and the  
22 Office of Chief Counsel (OCC) have entered into a  
23 stipulation regarding the admission of certain  
24 documents into the record in these proceedings,  
25 specifically the Application and related documents,



1 the suitability report provided to the Board, the  
2 public input hearing transcript and exhibits, public  
3 input written comments, the local impact report,  
4 traffic studies and correspondence related thereto.  
5 And all filings made at the Office of Hearings and  
6 Appeals (OHA) with respect to the Applicant have been  
7 stipulated to for inclusion in the record. Those  
8 items are identified and offered as Exhibits One  
9 through Ten and are admitted as the stipulated  
10 evidentiary record, and will all be available for the  
11 Board's consideration.

12 (Exhibits One through Ten marked for  
13 identification.)

14 ATTORNEY SHERMAN:

15 Of particular note relative to the  
16 stipulated evidence, is a testimonial stipulation  
17 going to the procedure utilized by the Bureau of  
18 Licensing, the BIE and the Financial Investigation  
19 Unit in reviewing the Application. That stipulation  
20 has been marked as Exhibit Eight. In addition, the  
21 transcript of these proceedings as well as any other  
22 evidence submitted and admitted as exhibits in  
23 connection with the licensing hearing today as well as  
24 any and all post-hearing memorandums to be submitted  
25 will be included in the record for the Board's review

1 and consideration and use in ultimately making a  
2 decision on this Applicant. Thank you.

3 CHAIRMAN:

4 Thank you, Doug. I see that we have the  
5 representatives from Penn Harris Gaming at the table.  
6 Anybody from your group that's going to be testifying  
7 today who is a non-lawyer, could you please have them  
8 stand to be sworn in?

9 -----

10 WITNESSES SWORN EN MASSE

11 -----

12 CHAIRMAN:

13 Thank you. Again, just as a matter of  
14 housekeeping, you've heard me say this before, but  
15 before each of you begin your testimony, if you could  
16 please state and spell your name for the stenographer,  
17 that would be appreciated. And with that, why don't  
18 we get started?

19 ATTORNEY DONNELLY:

20 John Donnelly, D-O-N-N-E-L-L-Y. I'm  
21 appearing on behalf of Penn Harris, which is known as  
22 West Shore. And I'm going to be opening and then  
23 presenting a little overview as to what we're going to  
24 present today and then I'll be turning the matter over  
25 to other people.

1           Our theme, you'll see throughout this  
2 entire presentation is the old real estate theme,  
3 location, location, location.

4           CHAIRMAN:

5           Please speak into the microphone.

6           ATTORNEY DONNELLY:

7           I'm sorry.

8           CHAIRMAN:

9           I know you like to stand up and that's  
10 fine, but the audience here also, I think, want to  
11 hear what you have to say. So thank you.

12          ATTORNEY DONNELLY:

13          Okay. Thank you. Is that better?

14          CHAIRMAN:

15          That's perfect.

16          ATTORNEY DONNELLY:

17          Our theme's the old real estate theme,  
18 location, location, location. We believe, and we  
19 believe after our presentation today, you will believe  
20 as well, that our location is the best location in the  
21 State of Pennsylvania for a Category 3 Gaming License.  
22 We think it's hands down. We are at the convergence  
23 of five major highways. We're kind of nestled in  
24 between 81, 83, 522, 76 --- and 322, I'm sorry, and  
25 15. We are just about ten minutes from here on the

1 west shore, hence the name, of --- right outside  
2 Harrisburg and an easy place to access from the north,  
3 south, east and west. We're at the crossroads of the  
4 state. There's no question about that. We think not  
5 only is our facility located in the right place, but  
6 our casino is located in the right place, too. Our  
7 casino is going to be attached to the facility part of  
8 the facility entered and exited from the facility.  
9 You will not have to walk to it, drive to it, shuttle  
10 to it, bus to it.

11                   We think, and we will be presenting in  
12 the later part of this presentation, that our  
13 competition lacks any of these qualities. They are  
14 either, we believe, in markets that will cannibalize  
15 existing markets much more than our entity would, or  
16 in markets that don't exist or in some cases are  
17 completely nonexistent. We picked this site --- and  
18 when I say we picked this site, we didn't pick it.  
19 The financiers of this project are CMS, a Philadelphia  
20 private equity company, represented by Bill Landman  
21 and Rich Aljian. They have over the years put in  
22 approximately \$3 billion of their private investors'  
23 money at work. They currently have a billion dollars  
24 of investments that they find for their investors and  
25 they place and that their investors rely upon them to

1 place and to safeguard their money and to make money.  
2 I say that because this is a unique property. It was  
3 picked out, the location, for its location, because it  
4 would succeed. It was picked out because it was the  
5 area in the state that was the least underutilized for  
6 gaming, and an area that CMS and we and the other  
7 people in this room believe, and I believe our  
8 competitors believe, will be wildly successful. Hence  
9 the amount of negative comments we're receiving from  
10 our competitors.

11           We recognize that we have two hurdles to  
12 pass. We've had them from day one. The number of  
13 rooms and the well-established resort. We knew that  
14 when this site was picked. And we are absolutely  
15 convinced that we meet those hurdles. That's our job  
16 today to present that, because you pointed out, Mr.  
17 Chairman, the issue here is suitability and  
18 eligibility, and then desirability, if you will. I  
19 think we have the desirability down cold.

20           I want to address the suitability or the  
21 eligibility first. Let's talk about the rooms,  
22 because we're not going to try anything under a basket  
23 or give you a convoluted legal argument. The argument  
24 is very, very, very simple. The statute says that you  
25 must have 275 guest rooms. It does not say hotel

1 rooms. The word hotel is --- runs through the  
2 statute, it runs through your regulations. It is a  
3 common word. Legislature did not use the word hotel  
4 rooms when it wrote this statute, nor did it use it  
5 when it amended it earlier this year. It did not say  
6 hotel rooms. It said guest rooms. We have 30 RVs  
7 which are guest rooms. They're available for rent.  
8 We are renting them, we have rented them. They are an  
9 amenity that people like, that people like to rent.  
10 And we are not the pioneers on this. We are neither  
11 the pioneers on the RVs being a market, nor are we the  
12 pioneers for the RVs being guest rooms. This is a  
13 concept that, at least to my memory, was borne out of  
14 the Disney thoughts and the hoteliers and the guest  
15 room providers around Disney, Wilderness --- Fort  
16 Wilderness, that came up with years ago. A friend of  
17 mine used to go down to Disney with his kids and would  
18 rent a trailer. Why would he do that? So, his kids  
19 could be in the trailer, so they could use it as a  
20 base to travel, so they could have milk and food in  
21 the icebox refrigerator so they could cook breakfast  
22 in the morning, so he could open the door and let his  
23 kids out the front, rather than being in a hotel room.  
24                   It's also a concept that is used in the  
25 casino industry. One of the casino experts that we're

1 going to present to you today is Andrew Klebanow from  
2 Gaming Market Advisors, and with him Jim Perry.  
3 Andrew and Jim. He will testify and tell the Board of  
4 two casinos, one in Mississippi --- or one in  
5 Minnesota and one in Louisiana that uses the same  
6 concept, renting out RVs. And we believe that this  
7 will be wildly popular for the reasons I just stated.  
8 Think about it. If you are going to come to the ---  
9 get to the Harrisburg area and use our facility as a  
10 hub with a family, you have two choices, you can put  
11 your family in a hotel room where when you come back  
12 from the evening from maybe seeing Gettysburg, maybe  
13 going to Hershey, you're in a hotel room. You have  
14 one TV, you have a bathroom, you have a room. Maybe  
15 you rent another room for your kids. Whereas with the  
16 RV, you have --- the RV sleeps six. Put your kids in  
17 the back with a DVD to watch, you could use the  
18 amenities that we have in the facility, a very popular  
19 kids club that they already operate there. You can  
20 put cereals in for the breakfast. You and your wives,  
21 in this case, can sit in the front of the RV, you can  
22 go outside and sit outside in the area, watch the ---  
23 what's going on in the park area that we have,  
24 badminton, a multi-purpose field. They have a very  
25 extensive volley ball leagues that are

1 well-established in the area, have been going on for  
2 years, badminton and croquette areas, outdoor swimming  
3 pool, an indoor swimming pool. The facility, itself,  
4 had ballrooms. Does over a hundred weddings a year at  
5 this facility. And convention space, they have rooms  
6 for business meetings and events, Bar Mitzvahs,  
7 weddings and the like. Three bars already. Outdoor  
8 decks that they've built. And they've positioned this  
9 place as a regional market and it had been operating  
10 as a regional market. And while you're in the RV with  
11 your family, you can enjoy that amenity. You don't  
12 have to be in a hotel room, you don't have to have  
13 your kids sleeping in the bed next to you or on the  
14 floor as I've done many times or renting a second  
15 room.

16                   The hotel, itself, has been around since,  
17 I believe --- parts of it, since the early '70s.  
18 Since the '80s it's been run by a very successful  
19 hotel company that has developed and operated, I  
20 think, 225 hotels, called GF Management. Ken  
21 Kochenour is here and Don Richardson --- or Dan  
22 Richardson will be addressing you, who is the general  
23 manager. They operate 225 hotels around the county in  
24 27 states. Again, hoteliers who picked this site. I  
25 add to this, CMS is very involved in the financing of



1 hotels. And again, because of the location, location,  
2 location.

3                   Why do I say all this? And why do I  
4 emphasize success? Because that's what this Gaming  
5 Act is about. It's simple. This Act was not passed  
6 to make people wealthy who own casinos or operate  
7 casinos or have an opportunity to own or operate  
8 casinos. The Act was passed for taxes, revenues and  
9 jobs. And everybody in this room knows that. And  
10 that's what these casinos have done and that's what  
11 this Board has done. It's created and helped put  
12 together casinos that have been very successful and  
13 are creating jobs, taxes and revenue. This facility  
14 will do that with the minimal, minimal amount of  
15 invasion of any other market. Every time I pop up the  
16 website for the Pennsylvania Gaming Control Board, I'm  
17 struck by the blue State of Pennsylvania with the  
18 yellow dots where the casinos are. All you have to do  
19 is look at that, and you see casinos over here,  
20 casinos over there and one in the middle. This is an  
21 underutilized market. It's \$1.6 million. You'll hear  
22 testimony today, we're going to present John Glassey.  
23 John, where are you? John Glassey, who's a three  
24 decades marketing and operator of casinos. A man who  
25 came up and was one of a handful of people who started

1 and opened Foxwoods and conceived the idea of Foxwoods  
2 in Connecticut when they had the market to people when  
3 they had to build roads and bring people into that  
4 group. You'll hear from Kerry Smith, who is again a  
5 three decades operator, a person who's opened  
6 innumerable casinos, had worked for the Trump  
7 Organizations for years, worked for a couple --- a  
8 number of publically-traded companies. Both of these  
9 men have been involved in casinos that have catered to  
10 the RV market.

11                   Now, the RV market, as opposed to the  
12 rooms aspect of it, the guest rooms aspect of it, is  
13 also a good market. Circus-Circus uses it  
14 extensively. It uses it in Las Vegas. It's now  
15 unwinding that somewhat because of --- because the  
16 phenomena of RVs is that you can only use it where  
17 land is inexpensive. We have a large flexible site  
18 here, 22 acres. We can do a lot on this site. We  
19 plan to have another 30 RV sites, so that people who  
20 bring in RVs can park and set up. We will have  
21 complete setups for people who bring their own RVs in  
22 and do not rent our own facilities. And we intend to  
23 have relationships with all the campgrounds and RVs  
24 around the state. Pennsylvania, there's eight percent  
25 of the population owns RVs, and it's a great

1 demographic. It's older people with discretionary  
2 money, who have time and money. It's the perfect  
3 demographic who are looking for things to do as they  
4 travel and see sites and/or come to a resort such as  
5 this.

6                   This is a well-established --- let's go  
7 to the second question which is a well-established  
8 resort. Since the '80s when CF Management took over  
9 the management of this operation, they have positioned  
10 this as a resort. Hence all the facilities that they  
11 have going. Now, I thought back what kind of  
12 facilities would anyone question that the hotel  
13 casinos in Atlantic City are resorts? No. What do  
14 they have? They have pools, restaurants, bars. One  
15 of them used to have a bowling alley. And they have a  
16 fitness room. Well, what does this have, fitness  
17 rooms, badminton, croquet, horseshoes, large  
18 multi-purpose field, large picnic area, indoor/outdoor  
19 pool and all the aforementioned ballrooms and meeting  
20 rooms and convention space and so on. Much more than  
21 typical resorts in Atlantic City and other places  
22 have. And I don't think anybody's really --- even our  
23 opponents are really questioning that more. What  
24 they're doing is having some snickering about the ---  
25 about the RVs, and that's where I think they're dead

1 wrong. They're dead wrong on the law, because the  
2 law, again, is simple. I don't have to take 20  
3 minutes to argue some convoluted legal argument. The  
4 law says guest rooms. These are guest rooms.

5           The second thing is the market. They  
6 know it's a good market. It's a great market. It's  
7 been found to be a great market in Laughlin, even  
8 Borgata, Boyd knows it's a good market. Sam's Boyd  
9 Town, it's run by the Borgata folks, has been wildly  
10 successful for it. Laughlin is wildly successful for  
11 it. Lake Charles, other places. That would be one  
12 facet of our market. It's not going to be an  
13 overwhelming part of it. Because we have the travel  
14 and tourism. We have the local market. We have the  
15 business market. We already have pretty much captured  
16 that weddings and special events market. And this  
17 will be another facet of that market, that will aid to  
18 make this place even more successful and more of a  
19 central Pennsylvania regional resort. All of us,  
20 probably most of the folks I'm talking to, spent last  
21 night in Harrisburg. There's nothing to do here in  
22 the evening, except for a few bars, some nice  
23 restaurants. This will be a place that someone can  
24 pop over to in ten minutes and have entertainment, be  
25 in a casino area and have a lot of fun.

1           Other people are going to produce and  
2 have --- testify to you are Adrienne Eiss from ---  
3 he's from Orth-Rodgers who works for --- has extensive  
4 experience with traffic analysis, provides work for DO  
5 --- for PennDOT, and will talk about traffic. Again,  
6 we have five four-lane major highways converging on  
7 this area. So traffic is not a problem for us. I'm  
8 going to have Mark Petrella and Tom O'Connor from SOSH  
9 Architecture Firm which is certainly the premiere  
10 architecture, casino architecture firm in Atlantic  
11 City, who's done work with Disney, has designed any  
12 number of casinos, and will walk you through what the  
13 casino design is. Dan Keating, who you all know who's  
14 going to be our construction manager and builder. And  
15 I think I mentioned Andrew Klebanow and Jim Perry  
16 before. All those people will present to you on the  
17 --- both the eligibility issue and the suitability  
18 issue. The team that we have to date, Kerry Smith,  
19 who I've personally known for about 30 years is a  
20 whiz. He's kind of --- he's the perfect steady any  
21 kind of guy who can open the casinos, open lots of  
22 casinos, knows how to get them open, knows how to put  
23 together a team, knows how to comply, is state of the  
24 art with electronics and is well known throughout the  
25 industry as a superior both table game and slot game

1 operator.

2                   So I come back to kind of where I  
3 started. Location, location, location. And why this  
4 place? And the answer is success. And when I say  
5 success, I mean, to do what the Act was meant to do,  
6 which is create casinos that will be vibrant, that  
7 will spin off jobs, that will spin off taxes, and that  
8 will spin off revenues into the surrounding  
9 businesses. This will do it. I don't think any of  
10 the competition will do it. I don't think any of the  
11 competition believes that they can match this place  
12 for location. And I know the people who put other  
13 people's money at risk and who've done it for years  
14 and years and years very, very successfully believe  
15 it. And I know a hotel company that's, as I said,  
16 built and operated 225 hotels believes it. And I know  
17 that veteran casino operators and marketers believe  
18 it.

19                   We're going to have a little bit  
20 different presentation and it's going to be more  
21 straight from the shoulder, because again, it's pretty  
22 simple, a pretty simple decision. Do we fit the  
23 statute without a bunch of frills and lawyer mumbo  
24 jumbo? Yes, it's a guest room. Do we have --- are we  
25 a well-established resort? Yes. Do we have all those

1 amenities that a resort would have plus a lot more?  
2 Yes. Will this add a facet to that resort and make  
3 this --- allow this thing to rocket? I think, yes. I  
4 think it's a fairly simple decision and I hope you'll  
5 have the same conclusion when we're done. With that,  
6 I'm going to put on a bit of a --- I'm going to ask  
7 Michael to put on a bit of a video. And I'll pass the  
8 ball. Thank you.

9 VIDEO PRESENTATION PLAYS

10 ATTORNEY DONNELLY:

11 With that, I'd like to introduce Rich  
12 Aljian from CMS. Rich?

13 MR. ALJIAN:

14 Yeah. Good afternoon. My name is  
15 Richard Aljian, A-L-J-I-A-N. And I'm a partner in  
16 Penn Harris and the managing director for CMS  
17 Companies Real Estate Funds. CMS has developed a  
18 phenomenal team of real estate professionals with  
19 expertise across many real estate sectors. Our  
20 investment philosophy has remained consistent over the  
21 years and allows us the flexibility to move from one  
22 real estate sector to the next, depending upon our  
23 research, the economy and prevailing real estate  
24 trends. CMS also has a long track record in investing  
25 in operating businesses.

1 Bill Landman is my partner in both Penn  
2 Harris and at CMS where Bill's keen eye for private  
3 equity opportunities over the past 24 years has earned  
4 him a phenomenal track record that has crossed many  
5 operating business sectors. Bill and I routinely  
6 combine our strengths across operating businesses and  
7 real estate opportunities. And the West Shore Casino  
8 Resort is one such example. CMS Companies is a  
9 multi-faceted private equity investment firm. And for  
10 over 40 years, CMS has assisted high net worth  
11 individuals and families invest and grow their wealth.  
12 Over the past 20 years, a total of \$3.5 billion of  
13 investor equity has been raised from these close  
14 relationships and invested in real estate and business  
15 opportunities. Our investors are private and they  
16 share our investment philosophy of investing in  
17 opportunities that yield a superior risk-adjusted  
18 return.

19 During my 15 years with CMS, I've led a  
20 team to invest in apartments, hospitality, retail,  
21 office and many other development projects. Our  
22 apartment portfolio controls in excess of 15,000  
23 apartment units nationally and our apartment  
24 management company currently manages over 8,000  
25 apartment units. One of our core strengths is in the



1 hospitality sector. Since 2000, we've acquired a  
2 total of 34 full-service hotels and our portfolio  
3 today consists of 23 hotels that are flagged with  
4 major franchises, such as Hilton, Marriott,  
5 InterContinental and Starwood. Hospitality is an  
6 excellent example of an investment that has its roots  
7 in real estate, but is an operating business that  
8 requires specialized management.

9           CMS has developed a great degree of  
10 expertise in the hospitality industry. Our real  
11 estate and private equity funds target value at  
12 opportunities. And by that I mean, in addition to the  
13 acquisition costs of a hotel, for instance, our  
14 typical investment also will include an \$8 million to  
15 as much as a \$22 million renovation to reposition the  
16 hotel asset. We look for opportunities to create  
17 value and we understand good hotel investment when it  
18 arises. And we have the skills and experience to  
19 operate successfully in this hospitality sector.

20           We've long been aware of the excellent  
21 potential gaming can bring to the hospitality industry  
22 in Pennsylvania, and we enthusiastically endorse the  
23 concept of a Category 3 License as a way to provide a  
24 terrific new amenity to a resort hotel. As the Board  
25 is aware, CMS has raised a dedicated \$60 million

1 gaming fund for both Penn Harris and Valley Forge  
2 Category 3 opportunities with an allocation of  
3 approximately \$30 million to each location. We  
4 continue to wait for the State Supreme Court ruling on  
5 the appeal of the Valley Forge license. And the CMS  
6 Gaming Fund has also filed for admission as a minority  
7 limited partner to the Valley Forge Partnership. With  
8 respect to Penn Harris, we are --- CMS Gaming Fund is  
9 a majority equity owner and a general partner. And  
10 I'd like to be clear that these investments are not  
11 dependent, nor are they contingent upon one another or  
12 the outcome of the licensing.

13           Our search for a suitable Category 3  
14 location began more than three years ago. We  
15 developed a list of every hotel within the  
16 Commonwealth that contained 275 rooms or more. And in  
17 order to narrow the scope, we took into account  
18 population base, demographics and radius restrictions  
19 to other gaming venues. All which led back to the  
20 single most important factor that John had mentioned  
21 many times is location. What we found was a very  
22 small spectrum of hotels that are ideally suited for  
23 gaming. And after narrowing our scope further, and  
24 running initial due diligence we partnered with the  
25 owners of the Crowne Plaza located in Wyomissing.

1 After finalizing third-party reports and discussions  
2 with the municipality, we filed for Application on  
3 July 7th, 2009. The partnership was fully prepared to  
4 proceed, however when new legislation amended the  
5 gaming law in increasing the number of slots and  
6 adding table games, it became clear that although the  
7 Wyomissing site was large enough to accommodate the  
8 original 500 slot limit, it could not accommodate the  
9 full complement of slots and table games.

10           At that point, we determined to seek an  
11 alternative location that would provide easy access to  
12 a broad cross-section of the population and we  
13 immediately refocused on the Holiday Inn Harrisburg  
14 West. We contacted Ken Kochenour, who has owned the  
15 Holiday Inn since 1988. And we commenced our due  
16 diligence and concluded that the demographics of the  
17 area were excellent. And equally important, the size  
18 and the location of the site was perfectly suited for  
19 construction of a gaming facility.

20           The Holiday Inn is situated on a 22 and a  
21 half acre parcel with great visibility off of Carlisle  
22 Pike and Route 581. The access ramp of 581 appears as  
23 if it were constructed specifically to handle higher  
24 volumes of traffic directly into and out of our site.  
25 Concerns regarding ingress and egress were resolved

1 with the completion of comprehensive traffic study of  
2 the area. Initial discussions with the township  
3 officials proved that although there would be hurdles,  
4 we would be dealing with an experienced municipality  
5 as evidenced by the development of a bustling retail  
6 quarter created just west of our site on Carlisle  
7 Pike. We also commissioned a detailed gaming study  
8 that highlighted the terrific potential of the region  
9 as an underserved market for gaming, particularly to  
10 the south and west of our site.

11           We believe the long-term success of any  
12 gaming facility in the Commonwealth is heavily  
13 contingent upon its location. And during the course  
14 of this presentation, you will hear from our team that  
15 the location and size of the proposed West Shore  
16 Casino Resort are perhaps its two biggest advantages.  
17 For us, the bottom line is clear, there is not a site  
18 in Pennsylvania that is better suited for a Category 3  
19 License. We have teamed with SOSH Architects and  
20 Keating Construction for the design and construction  
21 of the gaming facility. And we have taken a design  
22 approach that does not simply reduce the total square  
23 footage of a typical Category 1 or Category 2  
24 facility. Rather we believe that this category of  
25 license must take on a new design and feel in order to

1 accommodate the gamer who will frequent the facility.

2           One of the highlighted features of the  
3 existing hotel is the Deck Bar and the Hardware Bar.  
4 And our design will demolish both of those features  
5 and rebuild to better incorporate into a themed  
6 casino. The hotel itself will receive an upgrade with  
7 possible future expansion. And the hotel has many  
8 other resort amenities that our next presenter will  
9 further discuss.

10           Total project cost is estimated to be  
11 around \$75 million. And we will use a combination of  
12 debt and equity. And the equity that we have applied  
13 to this comes from both the CMS Gaming Fund and the  
14 CMS Value Real Estate 2 Fund. Design and cost  
15 estimates are now at a stage that within a short  
16 period of time after the award of a license, the  
17 facility would be under construction. And Dan Keating  
18 will speak more about his experience and timing to  
19 complete such a facility.

20           I started my presentation discussing a  
21 real estate and business experience and when it comes  
22 to the operation of successful hotels, Ken Kochenour  
23 and GF Management may be best the owner and operator  
24 in the Commonwealth, and we're delighted to have him  
25 on our team. Ken has built GF Management from his

1 initial investment in the Holiday Inn in 1988 to an  
2 operator of 100 hotels currently today. I can speak  
3 from personal experience on this issue, because Ken  
4 and GF Management currently oversee two hotels within  
5 the CMS portfolio. We're confident that Ken and his  
6 team will bring best practices to the West Shore  
7 Casino Resort. Rounding out the team, no  
8 introduction, John Donnelly and Michael Sklar. And  
9 they bring tremendous skill and a wealth of experience  
10 of the gaming industry to this project.

11           At this point, I'd like to turn over the  
12 presentation to Dan Richardson. And Dan is the  
13 general manager of the Holiday Inn and in his  
14 presentation, he will detail a little bit more about  
15 the hotel's existing amenities.

16           ATTORNEY DONNELLY:

17           Thank you, Rich.

18           MR. RICHARDSON:

19           Good afternoon, Mr. Chairman, members of  
20 the Board. My name is Dan Richardson,  
21 R-I-C-H-A-R-D-S-O-N. I'm the general manager of the  
22 hotel resort currently operating as the Holiday Inn  
23 Harrisburg West. I'm pleased to have the opportunity  
24 today to speak to you regarding this facility on  
25 behalf of the Penn Harris team. The entire complex,

1 as already mentioned, sits on a 22 and a half acre  
2 site located on the commercial corridor of Carlisle  
3 Pike, Hampden Township, Cumberland County, eight miles  
4 from where we sit today. The hotel was opened in  
5 1970, purchased in 1988 by Mechanicsburg GF Investors,  
6 which today is solely owned by Ken Kochenour who also  
7 grew up south of here in York County. Today Ken's  
8 company, GF Management currently operates more than  
9 115 hotels across the county, and as John Donnelly  
10 alluded to, several hundred management contracts over  
11 the last two decades. The Holiday Inn Harrisburg West  
12 was Ken's first hotel, a property he has continually  
13 owned for 22 years. Under this leadership our  
14 property had maintained an impressive track record of  
15 growth and profitability and today we continue to  
16 build on the success.

17           Today the resort complex consists of 219  
18 guest rooms under the Holiday Inn franchise, 20 guest  
19 rooms in The Lodge, our independent brand and 36 to  
20 clarify, RV guest rooms for a total of 275 guest rooms  
21 on the property. Renovations to our hotel guest rooms  
22 were completed in 2008. These included new bathroom  
23 upgrades, bedding and décor packages. All public and  
24 catering spaces totaled more than 16,000 square feet  
25 of space were improved in 2006. Most recently new

1 state of the art air-conditioning units were installed  
2 in our guest rooms and our wireless internet capacity  
3 was doubled to reach across the vast 22 acres.  
4 Likewise, outside significant landscaping upgrades  
5 were added this year to our outdoor tented courtyard  
6 and wedding chapel area. The complex currently  
7 employs 196 people, a great majority who live in the  
8 surrounding area.

9           At the outset, I want to confirm for the  
10 Board there will be a change in our franchise status.  
11 On January 1st, 2011, our hotel resort will join the  
12 Carlton Hotel Group, a leading international hotel  
13 company whose brands include Park Inn, Radisson Hotel,  
14 Radisson Resorts and Country Inn and Suites. We  
15 mutually agreed with Holiday Inn to end our  
16 relationship based on Holiday Inn's strategy to no  
17 longer include exterior corridor properties going  
18 forward. To be clear, the decision not to renew was  
19 based on the overall strategy of Holiday Inn and never  
20 on our levels of guest satisfaction or franchise  
21 contribution. Our property maintains extremely high  
22 levels of measured guest satisfaction. Recently  
23 earning the coveted 2010 Trip Advisor Certificate of  
24 Excellence. In January, we'll become a Park Inn. To  
25 clarify for the Board, this is a midscale lateral



1 conversion. The Park Inn is an established and  
2 award-winning brand in Europe which is now expanding  
3 to the U.S. We're excited by this new beginning as we  
4 believe it allows us to continue to enjoy the many  
5 advantages of being part of a major franchise and we  
6 also believe that the Park Inn brand provides us with  
7 the best opportunity to further grow our resort  
8 business. There's absolutely no question that our  
9 facility is a resort hotel. Not just a resort, but a  
10 well-run profitable resort well positioned to meet the  
11 needs of our guests.

12           By example, our leisure and individual  
13 group guest space has grown to 65 percent of our  
14 business. Our average night stay is a leader in the  
15 market at 2.4 nights per stay. And our estimates  
16 indicate that 70 percent of our guests this year in  
17 2010 have traveled here from other states to enjoy our  
18 hospitality. According to PKF Consulting's annual  
19 report, trends in the hotel industry, a resort is  
20 defined as a hotel usually in a suburban or isolated  
21 rural location with special recreational facilities.  
22 The Holiday Inn Harrisburg West squarely fits within  
23 this definition. We offer a full range of  
24 recreational amenities which conform to those set  
25 forth in the Gaming Board's regulations. Our

1 amenities include, as John has mentioned, an indoor  
2 pool, an outdoor seasonal pool, five lighted  
3 volleyball courts, badminton and croquet areas, a  
4 miniature golf course, horseshoe pits, a  
5 multi-purpose event field, large picnic grove  
6 facility, fitness center, convention space, meeting  
7 rooms, banquet facilities and a 24-hour business  
8 center.

9           As you can see, this is not a new idea or  
10 practice at our hotel. To the contrary, as evidenced  
11 by ownership's decision back in the early '90s to  
12 build a 14,000 square foot plus entertainment complex,  
13 complete with indoor and outdoor decks, tiki bars,  
14 restaurant and California fireplaces. The reality is  
15 we've long sought to capture more and more of the  
16 resort based leisure and group business traveling into  
17 south central Pennsylvania. Likewise, we focus on the  
18 number of families who stay with us, adding family  
19 packages along the way. We've increased outdoor  
20 games, activities and even our ever-popular weekend  
21 hay wagon rides to promote longer and additional  
22 family stays. We have continuously increased use of  
23 our large picnic facility and multi-use ball field,  
24 adding events like our 4th of July fireworks  
25 celebration, Beef and Brews, annual pig roast, as well

1 as localized spring and fall car show events on the  
2 property. At the same time, we've created our kids  
3 club, hiring seasonal activities director for the  
4 express purpose of attracting families by providing a  
5 full range of fun things for kids to do from morning  
6 to night. Here at our resort, we understand the  
7 importance of keeping the children safe and have  
8 created programs and hired personnel specifically to  
9 address this need. We are committed to keeping  
10 children safe by providing enjoyable activities during  
11 the stay here. This commitment will continue  
12 absolutely going forward.

13           While our amenities provide additional  
14 business opportunities for our hotel, we've also  
15 enjoyed a thriving wedding and social catering  
16 business for over 20 years. The resort hosts over a  
17 hundred wedding receptions and ceremonies a year, all  
18 held in our beautiful ballrooms or even at times  
19 outdoors in our landscaped courtyard, or even in our  
20 scenic picnic groves. As I've noted and testified, we  
21 host picnics, reunions, corporate outings and even  
22 team building events through the year, as well as  
23 seasonal events in support of the Carlisle and Hershey  
24 Car Shows, 4th of July celebrations and winter skiing  
25 packages. Upon request, we even offer guests guided

1 shuttle tours of the region and we enjoy serving as  
2 the concierge to central Pennsylvania for our guests  
3 that stay with us.

4           This year, as mentioned, we added the RV  
5 experience. To date, we've rented 27 of these guest  
6 rooms so far. Guests can and do take advantage of  
7 this opportunity to stay in one of the 36 brand new  
8 fully-equipped recreational vehicles located on our  
9 property, all the while enjoying all the amenities of  
10 a full-service resort literally at their doorstep. We  
11 provide the necessary hookups, offer daily  
12 housekeeping and provide picnic tables and seating to  
13 round out the experience.

14           The addition of gaming would be a natural  
15 expansion of the ever-growing package of resort  
16 amenities and service we offer. As my testimony  
17 indicates, since the early '90s, we have a consistent  
18 track record of expanding the hotel's amenities to  
19 successfully position ourselves as a full-service  
20 resort. Since the potential of gaming at the site  
21 became public this year, there has been a consistent  
22 and positive buzz about gaming around the hotel, both  
23 from our overnight and local guests alike. They're  
24 enthusiastic about the project and they tell me almost  
25 daily gaming would add another reason for them to

1 return to the hotel.

2           The additional influx of guests and  
3 revenue to the hotel and resort from gaming would  
4 allow us to add obviously additional jobs, continue to  
5 expand our food and banquet outlets and look to build  
6 additional hotel rooms to accommodate the expected  
7 growth.

8           I'd like to tell you a little bit about  
9 the nature and extent of our community involvement,  
10 something I'm particularly proud of. Ownership and  
11 management have been deeply involved in the community  
12 since purchasing the property. This involvement has  
13 grown to where today the complex raises tens of  
14 thousands of dollars annually for local and national  
15 charities. While we contribute both in man hours, we  
16 also donate with our ability to draw large crowds and  
17 donations through fundraising events. Those include  
18 concerts with national recording artists, charity  
19 picnics, fees from our mini-golf course and even  
20 proceeds from food and beverage sales in our  
21 restaurants. Among the charities and organizations  
22 which we currently contribute to are Big Brothers and  
23 Sisters of the Capital Region, Saint Jude's Research  
24 Hospital, the Leukemia Society of America, locally  
25 Fisher House and the Bethesda Mission.

1                   Our resort already enjoys great success.  
2 While not on the grand scale of world-class resort, we  
3 nevertheless over the years have created a property  
4 whose vast amenities and service attract guests from  
5 all over the mid-Atlantic. As you've seen from my  
6 slides, these are real people, enjoying real  
7 activities from pictures that we've taken over the  
8 years that we know will return again and again,  
9 because they really love and enjoy the resort I'm  
10 general manager of. Resort gaming would provide  
11 another reason and amenity to attract additional  
12 guests as a perfect compliment to our existing hotel.  
13 Success breeds success.

14                   Finally, in closing let me say to the  
15 Board that I'm resident of Hampden Township. My wife  
16 Sally and I are raising our family here in Hampden  
17 Township. My children attend school in Hampden  
18 Township and we both work in Hampden Township. I'm  
19 both excited and proud to be part of this venture in  
20 the way that I am, as it will bring critically needed  
21 jobs and added tax revenue to us, the residents of  
22 Cumberland County.

23                   At this point, I'm going the presentation  
24 turn it over Tom O'Connor, principal at SOSH  
25 Architects, the company in charge of our design and

1 plans for the resort. Thank you, Mr. Chairman.

2 MR. O'CONNOR:

3 Good afternoon, Mr. Chairman. Good  
4 afternoon, Board members. My name is Tom O'Connor, O,  
5 apostrophe, C-O-N-N-O-R. I'm one of the founding  
6 members of SOSH Architects. The firm was founded in  
7 1979. Currently today we've grown to more than 45  
8 design professionals with offices both in New York  
9 City, New York and Atlantic City, New Jersey. The  
10 firm specializes in, what you would basically call,  
11 gaming, hospitality and entertainment architecture,  
12 interior design and master planning. Our initial  
13 casino project was for Caesars in Atlantic City in  
14 1986.

15 And since that time, we've been fortunate  
16 to work for some of the better known casino clients  
17 across the country. Clients have included Harrah's,  
18 Showboat, Bally's, Trump Entertainment, Tropicana,  
19 Eighth Wonder and currently Parx Casino in  
20 Philadelphia. In terms of our hotel clients, we've  
21 been fortunate to work with Marriot, Hilton, Sofitel,  
22 Starwood, Novotel and Hyatt. And in terms of our  
23 entertainment clients, we have done work with Disney  
24 Regional Entertainment, Hard Rock Seminole and ESPN  
25 Zone New York City.

1                   Finally, we've also been lucky enough to  
2 work with a number of Native American gaming clients  
3 across the country, including the Mohegans, the  
4 Mashantucket Pequots, the Senecas in New York, the  
5 Hard Rock Seminoles in Florida, as I had mentioned and  
6 out west we're working with the Cabazons, Spotlight 29  
7 Band and the Gila River Nation.

8                   I'd like to preview a couple of our more  
9 recent projects. The first one you're looking at is  
10 Harrah's Casino Racino in Philadelphia. One of the  
11 first gaming properties to open in Pennsylvania. The  
12 property had a budget of \$350 million. Currently  
13 3,000 slot machines, about a 120 table games were  
14 recently added, a five-eighth mile racetrack, four to  
15 five retail dining venues and entertainment venues on  
16 the property as well as a special events center.

17                   The next project is Eighth Wonder Black  
18 Rock. Eighth Wonder was the client. The project was  
19 Black Rock Resort and Casino in Kazakhstan. It's a  
20 five-year phased \$450 million project. The initial  
21 phase will include a 2,000 slot casino, a 500-room  
22 hotel, a theatre, several retail dining and  
23 entertainment venues and eventually we'll add on a  
24 convention facility, a boutique, high roller casino  
25 and high roller hotel adjacent to the main property.



1           The next project that you --- we will be  
2 showing you is the Disney ESPN Zone at Times Square.  
3 This was a \$45 million project, about 30,000 square  
4 feet on three levels at 42nd and Broadway. It is the  
5 home broadcasting location for ABC Monday Night  
6 Football.

7           The next project is a retail dining and  
8 entertainment project we did at Trump Taj Mahal known  
9 as Spice Road. This was a \$35 million two-phase  
10 retail dining and entertainment connector, serving to  
11 bridge the distance between the original Taj Mahal  
12 property and the new executive tower at Trump Taj  
13 Mahal.

14           The final project that we'll be looking  
15 at today is a project that we've been working on for  
16 several years and will continue. It's the Fantasy  
17 Springs Golf Resort Casino in Palms Springs,  
18 California. The current project has a 500-hotel room,  
19 a 4,000 seat event center, 2,000 slot casino, 16 lanes  
20 of bowling. We have prepared a master plan for the  
21 property that will add on a new casino, two new 500-  
22 hotel room towers, four to five dining venues, a golf  
23 casino resort and the last piece is a retail town  
24 center that's being developed adjacent to the main  
25 casino property.

1 I think at this point, what we'd like to  
2 do is let you preview and animation that further  
3 explains --- or give you an introduction rather to  
4 West Shore Casino Resort.

5 VIDEO PRESENTATION PLAYS

6 In closing, before I introduce my  
7 associate, Mark Petrella, I would just like to comment  
8 briefly on some of what you saw in that animation.  
9 Basically you saw a lot of the elements of a resort  
10 casino. The whole mission statement of a resort  
11 casino is extended stay, starting with the hotel room,  
12 and then layering on fine dining, entertainment,  
13 recreation, activities, swimming, fitness centers, the  
14 buzz words are the R in resort. It's recreation,  
15 relaxation and renovation. I'd like to turn the  
16 podium over to my associate, Mark Petrella. Mark's  
17 going to walk you through the property in greater  
18 detail. Thank you.

19 MR. PETRELLA:

20 Thank you, Tom. My name is Mark  
21 Petrella, P-E-T-R-E-L-L-A. I'm an associate partner  
22 with SOSH Architects. We're going to start with the  
23 site. The site is accessed directly from Carlisle  
24 Pike with very convenient access to and from the  
25 Harrisburg Expressway. It's a large site,

1 approximately 22 acres, that can and does accommodate  
2 the amenities that make a true resort. We have the  
3 pools, the outdoor pavilions, picnic areas and various  
4 forms of recreation. The site is also large enough to  
5 accommodate all parking. So, parking would not be an  
6 issue here, as over 900 cars are parked onsite.

7           The rear of the site borders a  
8 residential zone to the west. Now, the township  
9 zoning ordinance requires a minimum of 20 feet  
10 landscaped buffer between our commercial property and  
11 the adjacent residential zone. Our plan provides a  
12 100-foot buffer, five times greater than what the  
13 township requires. Furthermore, the more intense use  
14 of the site, the casino, which is at the bottom right  
15 of that image, is located at the front of the site  
16 away from the residential zone.

17           The site is zoned commercial, in which  
18 the hotel has a permitted use by right. The casino  
19 will be considered a permissible accessory use to the  
20 hotel. A letter of determination was issued by the  
21 zoning officer and documents this, which was submitted  
22 to the Board. The proposed plan conforms to all bulk  
23 and zoning --- bulk and area zoning requirements, such  
24 as setbacks, building height and lot coverage.

25           Buchart Horn, a respected local

1 multi-discipline engineering firm that has done  
2 various work in the area was commissioned to analyze  
3 the site to determine the feasibility of the project  
4 from a site design and utilities standpoint. This  
5 involved one, analyzing the current usage of the  
6 utilities. Two, identifying the service locations and  
7 their capacities. And three, estimating the demands  
8 on these utilities for the proposed use. Across the  
9 board, they're finding were that the existing  
10 utilities' infrastructures are adequate to serve the  
11 project.

12                   Orth-Rodgers Associates, a respected  
13 traffic consultant, also analyzed the project and made  
14 recommendations for improving the vehicular ingress  
15 and egress of the site. One of the recommendations  
16 was implantation of a right turn deceleration lane in  
17 to the site from Carlisle Pike. This is indicated as  
18 item ten on the --- at the bottom of the slide you see  
19 there. This could extend to the off-ramp of the  
20 Harrisburg Expressway. The second recommendation was  
21 to widen the exit onto Carlisle Pike from the site to  
22 accommodate three exit lanes. Two of which would be  
23 left-turn lanes, a third would allow patrons to exit  
24 the site across Carlisle Pike or make a right-hand  
25 turn onto Carlisle Pike. All three lanes would

1 provide sufficient car stacking space on our site.  
2 Details of their study will be discussed later in the  
3 presentation.

4           Entering the site, the existing hotel  
5 faces you which is indicated as number one on the  
6 slide, and the casino is to the right, item number  
7 three on the slide. There are two porte cochere  
8 entrances to best accommodate the patrons. One for  
9 the hotel to the left and one for the casino to the  
10 right. Vehicular circulation is well defined leading  
11 to each of them. Service access to the building is  
12 located on the backside facing the expressway tucked  
13 away from public view. The backside of the building  
14 also provides access to additional parking below the  
15 casino. This location was most logical to take  
16 advantage of the natural slope of the site.

17           The casino addition and the wings of the  
18 hotel create a protected outdoor recreation space for  
19 the pool, miniature golf course and volleyball courts.  
20 Should the future need for more hotel rooms arise, the  
21 plan would be to reconstruct the wing of the hotel,  
22 indicated as item 12 in the center of the image, into  
23 a mid-rise.

24           Unique to this project is the  
25 incorporation of the RV World. Thirty-six (36)

1 permanent RVs are offered for hotel guests with as  
2 well as up to 30 spaces for hookups for guests driving  
3 in. The rear parcel of the site accommodates the  
4 majority of the RV World. The clubhouse provides  
5 indoor meeting and activity space for the guests. And  
6 as I previous mentioned, we are providing that 100-  
7 foot landscaped buffer to the adjacent residential  
8 area to the left.

9           Looking at the floor plan of the new  
10 development, the existing hotel lobby is to the left  
11 indicated as number one in the slide. The existing  
12 Legends Bar and Grill, number two on the slide, will  
13 be reconfigured to allow an interior patron promenade  
14 to the casino. The Hardware Bar, number three on the  
15 slide, will be recreated with an upscale theme similar  
16 to the casino. Since the Hardwar Bar is expected to  
17 continue as a popular gathering spot, you know, direct  
18 entrance from the exterior is provided for these  
19 patrons.

20           The concept for the casino plan was to  
21 provide a central element that would energize the  
22 casino floor. This is accomplished by a bar lounge  
23 with a live performance component. The bar is on the  
24 entrance access to the casino, as highlighted with a  
25 360-degree video column that could be used for

1 promotional events as well as TV broadcasts. Natural  
2 materials of indigenous stone, wood, cork wall  
3 covering and other materials with high recycled  
4 content would be used.

5           Looking back at the casino floor plan,  
6 table games are situated around the bar so that the  
7 energy of the performance and activity radiates to the  
8 tables engaging those patrons as well. Another  
9 benefit to placing the table games in the center of  
10 the room is that they are low, which will open up  
11 views across the room to ensure that the center of  
12 activity is visible from all parts of the casino.  
13 Slot machines are placed around the perimeter with  
14 ample circulation space, not tightly packed as is done  
15 in some casinos.

16           In the upper left-hand corner of the site  
17 plan is the Grab-N-Go food and beverage venue with a  
18 small seating area. Just to the right of that there  
19 are glass doors that give direct access for the casino  
20 and the food venue to the outdoor deck overlooking the  
21 recreation space.

22           Opposite corner, bottom right, indicated  
23 as number seven on the plan, is the promotions area.  
24 The cage is located at the back wall, indicated as  
25 number 11 in the center of the plan, with convenient

1 back of house access. The back of house space at this  
2 floor includes offices for the Gaming Control Board  
3 and state police for a quick and easy access to the  
4 casino floor. Looking at the building section, this  
5 is cut through the casino with a back of house space  
6 to the right. As you can see, we have accommodated  
7 additional parking below, as noted earlier, large  
8 enough for 79 cars.

9           You've noticed from our earlier  
10 renderings, that the casino building is not a  
11 flat-roofed structure, but has sloped roofs to  
12 complement the architecture of the existing hotel.  
13 This allows high ceilings within the casino where the  
14 bar is located. Pitched roofs also create attic  
15 spaces for mechanical equipment. This is important so  
16 the view from motorists on the adjacent elevated  
17 highway would not be across a roof scape of unsightly  
18 mechanical units.

19           Two floors of administration space are  
20 provided with the second floor overlooking the casino.  
21 It had become more common to design sustainable green  
22 buildings. Although LEED certification would not be  
23 attainable for this project, the intent is to design  
24 in the spirit of LEED, incorporating those sustainable  
25 design principles, such as solar panels that you see



1 here and natural day lighting in the spaces where it  
2 is desirable.

3           This project had the characteristics of a  
4 true resort casino within an abundance of those  
5 amenities that promote extended stay of its guests.  
6 This will be a facility that many will want to visit  
7 for relaxation, recreation and rejuvenation.

8           On any given project after you have dealt  
9 with the architects, it's time to deal with the  
10 contractors. So, at this time I would like to  
11 introduce Daniel Keating of Keating Building  
12 Corporation.

13                   MR. KEATING:

14           Thank you. Thank you, Mark. My name is  
15 Daniel Keating, K-E-A-T-I-N-G. And I would like to  
16 thank the Board for letting me visit with you yet  
17 again to continue the drama. So, as that billboard  
18 was --- I started my company in 1976 and actually we  
19 have completed more than 1,000 projects in the State  
20 of Pennsylvania and have worked in 48 of the 67  
21 counties completing several billion dollars' worth of  
22 work. We have had significant experience in the  
23 gaming industry. Most recently, in the State of  
24 Pennsylvania on a host of casino projects that have  
25 been interesting, challenging. And as always I'd like

1 to take the opportunity to thank the Board for helping  
2 us in some difficult times work out some issues that  
3 made all of them very successful for the State of  
4 Pennsylvania. So, I thank you for the help that  
5 you've given my firm and to the subcontractors who we  
6 have worked with for so many years who have been part  
7 of this process and for the thousands of men and women  
8 who have been on these jobsites. All of whom continue  
9 to look for work in this industry. They follow what  
10 we're doing closely and are most interested in this  
11 particular project, as am I.

12                   Feel free to move that if you want.  
13 Again, our history in the industry. We have  
14 consistently ranked in the top contractors in the  
15 United States. I have over 35 years experience. Most  
16 the people in my organization have been with me since  
17 I started the company. We're a leader in the issues  
18 of diversity, not just because it's a popular thing to  
19 do in today's age, but because it is the future of the  
20 construction industry. We believe in the training and  
21 the programs that go with that that hopefully will  
22 lead our industry and to next era of more  
23 construction.

24                   We've had the opportunity, as I said  
25 earlier, certainly Hollywood Casino, Mohegan Sun, on

1 both projects that were done, Rivers Casino, which you  
2 know very well, and SugarHouse which was just  
3 completed, opened and running well.

4           So, you've heard the architect discuss  
5 the project. The project is a very manageable  
6 construction program. It's an existing building. We  
7 have some new space to add. We have space to  
8 renovate. We look to a construction process that's  
9 approximately nine months. Again, it's an extremely  
10 manageable program, labor intensive. We see a  
11 creation of about 350 jobs from the beginning to the  
12 end in all of the various activities on the site. And  
13 we're very, very anxious to get at it. I'd be happy  
14 to answer any questions, if you have any, in a minute.  
15 But again, I say thank you. And I hope that we're  
16 looked upon favorably in this presentation.

17           MR. SMITH:

18           Good afternoon, Mr. Chairman and members  
19 of the Board. My name is Kerry Smith. That's  
20 K-E-R-R-Y S-M-I-T-H. The partners of the West Shore  
21 Casino have selected me to be their general manager  
22 and oversee not only the construction phase but the  
23 day-to-day operations if the license is granted. I've  
24 been in the gaming industry for three decades,  
25 starting as a valet and reaching the position of chief

1 operating officer.

2           I started my career in slot operations  
3 predominantly. And in 1997 became senior vice  
4 presidents of casino operations for Resorts  
5 International in Atlantic City. I have  
6 multi-jurisdictional experience and for the past 15  
7 years I've been involved in startup casinos or  
8 complete renovations throughout the U.S. and the  
9 Caribbean. I've worked in multi jurisdictions in  
10 Nevada, Mississippi, Colorado and different portions.  
11 And I have experience in the RV market, having worked  
12 with Circus-Circus in Las Vegas and in Laughlin. So,  
13 I'm very familiar with the snow bird term. I have a  
14 broad-based knowledge of casino operations, and more  
15 importantly hands-on experience in understanding in  
16 how to put together a team to open a successful casino  
17 and operate it on a daily basis. Having worked my way  
18 up the ladder has provided me the understanding of  
19 what is expected to operate and build a compliant  
20 casino and the support for the success of the  
21 operation. Over my career, I have managed large and  
22 small casinos and even multi-casino floors. And have  
23 been very successful in maximizing the win per square  
24 foot.

25           In building large and small casinos it

1 requires knowledgeable and experienced executive with  
2 operational opening experience to ensure its success.  
3 I currently hold a casino license issued to me by the  
4 Board. Next slide. Through my years, I've developed  
5 a compendium for job creation for casino operations  
6 and have determined that we will generate in excess of  
7 300 positions with an average salary of \$40,000 per  
8 year with benefits. These departments are what is  
9 needed to construct a casino and operate it on a daily  
10 basis. We will backfill these jobs through job fairs  
11 within the communities. And with the economic  
12 conditions are many qualified and attractive  
13 candidates from the industry that could backfill any  
14 positions needed if we could not fill them locally.  
15 When operating a casino, there are many amenities that  
16 accompany a casino and generate a significant spinoff  
17 of jobs associated and supported by the vendors that  
18 supply goods and services to run a casino on a daily  
19 basis.

20                   We are an equal-opportunity employer and  
21 will commit to working directly with the community and  
22 the state to ensure we internally monitor and manage,  
23 everyone is treated with respect and dignity and  
24 provided the same access to any position that we  
25 offer.

1           We recognize and understand how to put in  
2 place programs that ensure that minorities, women and  
3 businesses owned by such receive the same  
4 opportunities.

5           Underage gambling and problem gambling is  
6 a critically important to the Board, the community and  
7 our industry as a whole. As Dan previously stated,  
8 our resort already has created the kids club, a  
9 program providing safe and enjoyable activities for  
10 children and young adults. Our casino is designed to  
11 have limited entrance points allowing us to control  
12 our access. And I will focus on a well-structured  
13 plan to address these most important regulations and  
14 will ensure that it is an important part of our  
15 training program for all employees. Signage and  
16 documentation will be posted throughout the facility  
17 regarding the required age and problem gambling  
18 issues.

19           Penn Harris is very committed to the  
20 community and will form the Penn Harris Foundation,  
21 which we will donate one percent of our annual pre-tax  
22 income to benefit the Hamilton Township residents  
23 through this foundation.

24           We will continue to work with the  
25 community to host events that are both beneficial to

1 the community and the West Shore Casino as a partner  
2 to co-market not just the resort but the area as a  
3 whole.

4           The site has ease of access to major  
5 highways with little impact to local roads. The  
6 22-acre site provides ample buffering to the local  
7 neighborhoods and has a significant amount of parking  
8 for the casino.

9           I truly believe this boutique casino and  
10 resort property can become a regional destination for  
11 all to enjoy in the central part of the state. We do  
12 not expect to cannibalize the existing casino business  
13 and will create significant revenue for the community  
14 and the Commonwealth.

15           In this diagram, which you've seen, it  
16 clearly shows the resort amenities and it requires ---  
17 it does not require a long bus trip or a walk to the  
18 casino. As previously stated, our casino will have  
19 limited entrance or greeting points and will be  
20 monitored and controlled by trained personnel that  
21 have a complete understanding of the procedures for  
22 identifying and determining who is permitted to enter  
23 the casino. We will utilize nametags, hotel keys,  
24 membership identification bracelets to track guests'  
25 access within the boundaries of the casino. We can

1 also incorporate time-swiped magnetic cards and  
2 technology that has been in issue for years --- in use  
3 for years, excuse me. These wristbands or other  
4 similar devices can be programmed with the start times  
5 and will calculate the appropriate end time. The  
6 device will flag security to the patron's location at  
7 the appropriate end time and he or she will be  
8 escorted off the gaming area.

9           Having worked at Circus-Circus in Nevada  
10 in the gaming market for several years, we catered to  
11 the RV market where the snowbirds, as we refer to  
12 those guest, and we targeted a large portion of our  
13 marketing dollars toward that segment and found them  
14 to be very loyal to our property and also to the  
15 businesses that supported the RV enthusiast. I thank  
16 you for allowing me to introduce myself and I will  
17 turn it over to John Glassey.

18           MR. GLASSEY:

19           Thank you, Kerry. My name is John  
20 Glassey, G-L-A-S-S-E-Y. I've been in the gaming and  
21 hospitality industries now for 31 years in three  
22 distinct different roles. The first ten years I was  
23 on the supply side of the business manufacturing and  
24 designing everything from gaming chips to surveillance  
25 systems. After ten years of working throughout the



1 east coast and the Caribbean, I went to the  
2 operational side to go inside. I worked for Merv  
3 Griffin's Resorts in Atlantic City as vice president  
4 of marketing and entertainment. I was one of the  
5 first five people to be brought into Connecticut at  
6 what at that time was nothing but gravel and we became  
7 and built Foxwoods, which for the first two years that  
8 we were in operation, we were singularly the most  
9 successful casino hotel operation in the world.

10           After working in Foxwoods I went on to  
11 open a property in Biloxi, several other Native  
12 American facilities throughout North America and  
13 Canada and then ended up in Melbourne, Australia,  
14 where I worked for year opening what is still the most  
15 successful operation in Australia, the Crown Casino in  
16 Melbourne.

17           After ten years of getting on and off  
18 airplanes and flying all over the place, I came back  
19 and decided to open up my own consulting agency where  
20 I essentially did due diligence or feasibility studies  
21 or became a troubleshooter for many publically-traded  
22 companies, including Credit Suisse Bank. I worked for  
23 Carl Icahn. And I worked for many Native American  
24 groups now as they tried to shift their economic focus  
25 from solely gambling to some other enterprises on

1 reservation systems.

2           All in all, it's always hospitality or  
3 entertainment or gaming. All of those things have  
4 brought me to this day where I am now looking at  
5 another situation which has the same three basic  
6 components that you find in all of those enterprises.  
7 Are there people available that will patronize this  
8 particular enterprise, whatever it might be? Are  
9 there people that both live there or people that visit  
10 there? We have had to encounter that, particularly in  
11 Indian reservations, which very often are in very,  
12 very secluded areas. We've also had to confront it in  
13 the City of Atlantic City which was on an island and  
14 had no way to get customers, obviously, from the sea  
15 side, so we had to find people --- ways to get people  
16 onto an island that only had three roadways to get  
17 millions of people in per year. The second thing that  
18 you do is, okay, what is the infrastructure once you  
19 get the people there? Is there infrastructure? Are  
20 there access points? Are there ways to move people  
21 around both on the site specific and in the area in  
22 general? And the third issue that we always look at  
23 is we say, okay, what's the hook? What is the way  
24 that the people come to you? What is the way that the  
25 people will not only come there once but will come

1 back? Very often it is rather easy to get people to  
2 give you a trial, to come one time. The trick is to  
3 make them want to come back on their own a second  
4 time, a third time, a fourth time. That is what makes  
5 brand loyalty to an operation.

6           We've identified five market groups that  
7 we think serve the West Shore location very well. Are  
8 there leisure travelers in this area? Unquestionably  
9 there's a number of leisure travelers in this area.  
10 Are there business travelers? Due to the state  
11 capitol being here, all the agencies and all the  
12 different boards that operate out of this particular  
13 area, there is a need for many business travelers to  
14 come to this area specifically and also to pass  
15 through here because of the roadway system to go to  
16 other parts of Pennsylvania and to the other parts of  
17 the northeast, so that they can do their business.  
18 This is a place that sees a lot of business travel  
19 going back and forth on the highway system.

20           Thirdly, is the population base here. As  
21 the people from gaming market advisors will tell you,  
22 this has a very substantial residential market within  
23 this region. This is not a desolate situation. This  
24 isn't like when we went to Mystic, Connecticut, where  
25 it was about an hour before you could really run into

1 people when you got out of Mystic, Connecticut. This  
2 location has right in the very near future here, near  
3 proximity, you have 700,000 people. If you just take  
4 that circle out a bit further, you're up to over a  
5 million, a 1.6 million. If you go further out, you're  
6 to 2 to 3 million. An enormous amount of people,  
7 almost like a dream for a marketing person because  
8 there are so many people both in the two, the leisure  
9 and the business traveler groups and in the base  
10 population that is here already.

11           Now, from my standpoint one of the things  
12 that attracted me to this project is that there is an  
13 existing resort business. As the management of the  
14 property told you, they have a 70 percent occupancy  
15 rate. They've been there for a couple of decades. I  
16 can tell you that they have --- they must have a good  
17 product there because being the father of a  
18 27-year-old girl currently looking for a place to have  
19 her wedding, I know if you put a wedding in place that  
20 people trust you, that people know they have a quality  
21 product there. They have a hundred weddings there a  
22 year. That's an extraordinary number of weddings for  
23 this type of resort. This place has a database. They  
24 have a history. You can tap into that. I can't tell  
25 you what a luxury that seems like. When we opened

1 Foxwoods, we had no history, no database. We opened  
2 Gold Shore in Biloxi, Mississippi, no history, no  
3 database. This place has a track record and this has  
4 a very good track record, so you have something to  
5 work off of.

6           As Kerry mentioned and as John mentioned  
7 in the opening, one of the things that has not really  
8 been tapped in this segment of the world in terms of  
9 the gambling market is the RV customer. The RV  
10 customers are already recognized on the west coast in  
11 Las Vegas, in Laughlin, people coming down,  
12 particularly out of the British Columbia area,  
13 Vancouver and going down through Spokane, down into  
14 the warmer climates during the winters, the snowbirds.  
15 It is in sections of the center, as Andrew Klebanow  
16 will talk about, in Minneapolis and in Louisiana. The  
17 RV market is working and it is a very nice niche  
18 market. That is what this place is going to try to  
19 capture. When eight percent of the households of  
20 America have recreational vehicles, and I'm one of  
21 them, you know that it is a significant segment of the  
22 market. Is it the number one market? No. But it is  
23 a significant niche market.

24           The details to those broad statements are  
25 those numbers that are up on the screen right now.

1 7.9 million leisure trips in this region of  
2 Pennsylvania. That makes it the number two  
3 destination within the State of Pennsylvania. People  
4 come to this area and they come to this area for very  
5 good reasons that you're all well aware of. The  
6 business trips, 4.3 million business trips are  
7 calculated by the different travel agencies as people  
8 that come to this area, most of them staying  
9 overnight. The day --- the leisure trip market has  
10 two segments, the day-trip market, ones that come, do  
11 their business, do whatever they're going to do for  
12 the day and go home. Then they have that overnight  
13 stay. West Shore has been successful in drawing out  
14 those people that stay 2.4 nights. That means those  
15 people are moving about the entire region. That means  
16 it has an economic impact to the entire region, not  
17 just to a single building. It has reasons to bring  
18 people here. It has reasons to keep people here. It  
19 is very different than in typical casino hotel that  
20 has a capture and keep thought process. Get them in  
21 the building and keep them here. Make them do all of  
22 their business here. This region, and particularly  
23 this resort lends itself to the other side of that.  
24 Let's get them, we'll get our share, but let's share  
25 it with everybody in this region. And this gives you

1 a great opportunity to do that. In this area with  
2 --- the 70 percent occupancy proves that they're  
3 already doing that and they're doing that well  
4 interfacing with the community. The 1.6 million  
5 regional residents obviously go back and forth to this  
6 property. This property has all of these volleyball  
7 tournaments and the kickball tournaments and things of  
8 that nature going on. That is all fueled by locals.  
9 And if the locals already identify with this property,  
10 this property is a part of the local community.

11           The thing that I found interesting doing  
12 my research about the area is that of all of ---  
13 there's 450 campgrounds in the State of Pennsylvania.  
14 There are 20 right in this backyard. There are over  
15 2,000 hookup sites for people with recreational  
16 vehicles right here, right in this particular region  
17 all within a very quick drive to West Shore's  
18 location. The reason is obvious and that is look at  
19 the roadway system and the infrastructure system that  
20 you have in this area. I can tell you when Foxwoods  
21 was started, a two-lane road was we had to bring in  
22 upwards of 15,000 people per day at Foxwoods. We were  
23 between Boston and New York. They were coming to us.  
24 When we started Mountaineer Park in Weirton, West  
25 Virginia, a two-lane road. And as I said earlier, in

1 Atlantic City, you have an island, so you only can get  
2 the people on coming over those three bridges into the  
3 town. That creates a tremendous amount of challenges.  
4 In this case, you have people moving in all directions  
5 around you on a constant basis. Riding around the  
6 area this morning, I was looking at the ease at which  
7 we moved around from different sections of this  
8 region. I did it again this morning, just driving  
9 around looking at how easily accessible this site is  
10 to this area. Generally speaking if you look at the  
11 PennDOT numbers, there about 300,000 cars a day moving  
12 around these highways. 300,000 every single day. An  
13 incredible opportunity for this particular site.

14                   In this particular region, as I said,  
15 we're number two now. The region now, meaning that  
16 there are upwards of over 12,000 hotel rooms,  
17 according to how you want to call them hotel rooms,  
18 guest rooms, in this particular area, plus 2,000 sites  
19 for RV parks. The day trippers --- or the overnight  
20 trippers for the leisure stay here 3.1 days. That  
21 means everybody can get a chance to get a piece of  
22 this pie. Everybody has an opportunity now that you  
23 can do something. Disney thought this out a few years  
24 ago. They have plenty of activities for the children  
25 every day. They wanted to make sure they had certain



1 things for the adults. They also wanted a place where  
2 the parents could get a respite during the day. After  
3 dragging your kid around for about three hours, you  
4 need a nap. You need a break. And that's what Fort  
5 Wilderness was designed for. So, that they would go  
6 back in the afternoon, you catch a nap, get a snack,  
7 go for a swim in the pool, do any of those types of  
8 things. Disney people are smart people. They've  
9 already figured this out, and now other people are  
10 using the Disney model.

11                   This township has besides the things that  
12 everybody knows, people know about Hershey and  
13 Gettysburg and Lancaster, I mean, --- I'm impressed  
14 with how many people know this area as a car area.  
15 How many car shows that are here. How many times that  
16 people --- I do work with the Speed Channel on  
17 television and everyone at the Speed Channel knows  
18 about Carlisle and Hershey. Everyone. It is like  
19 that's their backyard. This is their nirvana of the  
20 car shows and trade shows. They come up here.  
21 There's also a lot of those people traveling on the  
22 highways that aren't necessarily coming here, but  
23 they're going by here. They're going up to Penn State  
24 for football games. They're going up to the NASCAR  
25 races at Poconos. They're going up to New York.

1 They're going to leaf peeping up in New England during  
2 the leaf peeping season. They're doing all these  
3 things that crisscross --- this is the crossroads of a  
4 significant population of the entire east. Of the  
5 entire east. That's why intercepting those people,  
6 getting them to stop here, giving them another reason  
7 to use this region is of utmost importance to the  
8 region in general but to this property and to the  
9 mission of what the Gaming Control Board is trying to  
10 do.

11                   The brands that I see up there,  
12 Gettysburg, when you talk about Gettysburg, when you  
13 talk about Hershey Park, they are known all over the  
14 country. They are not just things here that dominate  
15 this area for those of you who live in this area or  
16 those of you from Pennsylvania. If you're in Florida,  
17 you know about Hershey Park. Everybody in the  
18 country, God willing, knows about Gettysburg and  
19 understands what's going on --- what went on in  
20 Gettysburg and how important that is to the history of  
21 this country. These types of attractions that are  
22 here have reasons to bring people in from way outside  
23 this area, to bring in revenues from people from other  
24 states, to recapture some of the money from  
25 Pennsylvania that is now going to other sites.

1 I just wanted to highlight for a second  
2 the --- what they're saying of the people who are now  
3 coming to this region. We essentially break them down  
4 into the three groups. The Gen-Xers, the young  
5 people, 30 to 45. They're the ones with a lot of  
6 energy, a lot of them are the ones with the children  
7 who are going out and trying to travel. They are a  
8 large segment of this population. They're not quite  
9 as large in the revenue base because they have other  
10 priorities in their lives. The group that overlays  
11 very well with this region and overlays very well with  
12 what the behaviors are within the casino operations is  
13 that second group, the boomer group. Unfortunately a  
14 group that I'm getting ready to get out of.  
15 Unfortunately, I'm going over --- I'm tipping over the  
16 end of the line. Thirty-eight (38) percent of the  
17 people that come here are in that boomers group, the  
18 people that were born after our parents came home  
19 after World War II. But we're the ones that spend the  
20 most money, and that's because a lot of us are  
21 empty-nesters. A lot of us --- some of us are still  
22 paying for weddings and college education, but that  
23 will end, too. In a few more years, we'll all be in  
24 the situation where we have a little more  
25 discretionary money. We're the kind of guys like John

1 Donnelly, who go to car shows and go out with a bunch  
2 of his buddies, all very rich lawyers I'm sure, every  
3 one of them. They go out there. They're the guys  
4 that are moving about in the area and spending money.  
5 There again, a great demographic for this particular  
6 region. Seniors are very often characterized as the  
7 only people who go to casinos. Certainly not a true  
8 story. And I always laugh when the people depict the  
9 Palms in Las Vegas which is known as the hip young  
10 place, et cetera, et cetera. If you go to the Palms  
11 at two o'clock in the afternoon, that's who you see in  
12 the Palms, those people over 65, which unfortunately  
13 in two more years I'll be there. But that group goes  
14 to this real hip, swinging place. They do have an  
15 element to the gaming market, but they are not the  
16 predominant player. The predominant players within  
17 the gambling world are the people in that second  
18 category, the 46 year old, the 65 year old. In almost  
19 every database you analyze will come up that. I'm  
20 sure Andrew can testify to that effect.

21                   There are so many reasons to come here.  
22 Every time that I look for another layer, I say, okay,  
23 what was going to be the hook for West Shore, what  
24 else could we do, why were people coming here. I kept  
25 going to different sites and finding different things

1 about the traffic loads, the admissions of people  
2 going in, people going into Lancaster, going into the  
3 outlet centers. There's a tremendous population, a  
4 lot of movement and a lot of people who already have  
5 identified this place. Maybe the biggest activity  
6 that this place will do will cause them to come back a  
7 second time or a third time. That will give you all  
8 that incremental income to bring those people in.

9           So, that we clearly identify who the RV  
10 people are, I just want to make sure that --- and I'm  
11 in that group, so I can identify with this group.  
12 Unfortunately, I'm not 49 years old, I am married, I  
13 am not an empty-nester. One of the kids came back.  
14 They keep coming back. The annual household income  
15 \$68,000. You know, all know how they always come  
16 back. I can see you smiling. Because traveling in  
17 RVs tends to be a little less expensive than doing the  
18 airline and the hotel and the rental car business, you  
19 end up going out more often. You do more trips. As  
20 you can see that, 25 percent of them travel three,  
21 four and five days. If they're in an area for three,  
22 four or five days, they're going to sample everything  
23 else in the region. That's a key factor for this  
24 region. Almost a quarter of them go at least seven  
25 days at a time. They travel 500 miles. That means

1 the people that we have an opportunity to bring to  
2 this region and to put money into the taxes for the  
3 State of Pennsylvania, could very well be 500 miles  
4 away from here, 700 miles away from here, these  
5 people, because they're traveling for long periods of  
6 time.

7           The other side benefit, the hidden  
8 benefit, is a lot of our people --- RV people don't  
9 just travel in that high tourist season in the summer,  
10 the 50 percent that travel in June, July and August.  
11 Twenty (20) percent of them travel in that fall and 20  
12 percent in the spring. It means you spread the  
13 business out, so that when you are at capacity, you  
14 just move them to a different month or a different  
15 week. It makes the highs and lows much more smooth  
16 and more even keel.

17           The reason people go are the reasons that  
18 they would come here. They like to get away for a  
19 couple days. This is a nice area to get away to.  
20 They like to go and spend some time with family and  
21 friends, especially when you're in an RV, you get a  
22 chance to spend far more time with your friends and  
23 family when you're in the RV when you're traveling,  
24 when you're having your meal inside the RV. They love  
25 to tackle --- attend historical sites. It doesn't get

1 any better than this area here. They like to go to  
2 sporting events, outdoor events, craft shows, all  
3 those types of things. Curiously, when they interview  
4 RV people, they ask them --- they said, what did you  
5 do on your most enjoyable trip. Twenty-four (24)  
6 percent actually, 24 percent, said on their most  
7 enjoyable trip, they visited a casino. So, they are a  
8 group that enjoys going for a little adult  
9 entertainment. They like to go in and play the slot  
10 machines or cards, or at least they like to go to a  
11 bar where there's a little a bit of music and they can  
12 enjoy themselves and relax a bit.

13           The last section on that slide says that  
14 27 to 61 percent. I can give you living testimony  
15 that I know that when I plan my trips with family and  
16 friends, most of the friends now going out on trips,  
17 we save significant money, means we can go more often.  
18 We go for many more of these little three-day trips.  
19 We grab three days, three days, three days. It's a  
20 nice way to get away from things.

21           The role of RVs in Pennsylvania cannot be  
22 overstated. The show that they have in Hershey with  
23 RVs, of all trade shows not just RV shows, of all  
24 trade shows in the country, that show ranks in the top  
25 ten. It's number eight. That's how big that show is.

1 The revenue of production fees in this state from RVs,  
2 \$771 million a year. It has a major impact in this  
3 community. As I said earlier, 450 private campgrounds  
4 in this state, another 200 public, and there are 20  
5 right here in our backyard with 2,000 hookups. Some  
6 of those are the type that you pull in and hook up to,  
7 some are little cabins, some are pop-ups that you can  
8 go into. That is a part of the fabric of this region.  
9 And it's one of the reasons why this has been included  
10 as part of the market group that West Shore wants to  
11 go after.

12                   With that, to further explain the  
13 transportation modes and activities of what's going  
14 on, I'd like to introduce Adrienne Eiss.

15                   MS. EISS:

16                   Good afternoon, my name's Adrienne Eiss  
17 with Ortho-Rodgers & Associates.

18                   CHAIRMAN:

19                   Spell your name, please?

20                   MS. EISS:

21                   The name is spelled E-I-S-S.

22 Orth-Rodgers is a full service transportation,  
23 engineering and planning firm founded in 1977 in  
24 Pennsylvania. We have six offices, including three in  
25 Pennsylvania, in Mechanicsburg, Pittsburgh and



1 Malvern, an office in New Jersey and offices in Las  
2 Vegas and Carson City, Nevada. We serve public  
3 clients such as state departments of transportation,  
4 including PennDOT, county and municipal governments,  
5 parking authorities, planning organizations. We also  
6 serve as consulting transportation engineers to the  
7 private sector for land development, hospitals and  
8 universities, corporate and commercial owners and  
9 developers. Again, we provide full range of  
10 transportation related services, traffic impact  
11 studies, parking operations and safety studies and  
12 design of highways, bridges and traffic signal  
13 systems. We have considerable experience with traffic  
14 studies for gaming venues going back for about ten  
15 years shown on this slide. Our most recent casino  
16 studies were for the Foxwoods in Connecticut, for the  
17 Philadelphia Entertainment Partners Foxwoods location  
18 in south Philadelphia and we performed all the traffic  
19 studies and the traffic design for the Harrah's  
20 Racetrack and Casino in Chester.

21                   The traffic impact study that we  
22 performed for the Penn Harris Gaming Casino was  
23 conducted in accordance with PennDOT criteria. We  
24 studied three intersections on Carlisle Pike, the  
25 Holiday Inn driveway, and then the next signalized

1 intersections to the east and west, that's at Jeffrey  
2 Road and the Harrisburg Expressway ramps. We  
3 performed manual turn movement counts at each  
4 intersection during the Friday p.m. peak and the  
5 Saturday afternoon peaks. We set road tube counters  
6 across Carlisle Pike for a full week to get 24 hour  
7 traffic patterns and day of the week traffic patterns.  
8 And these counts establish existing traffic  
9 conditions. Then in order to determine the amount of  
10 traffic that would be generated by the casino, we used  
11 actual traffic counts of trips generated by an  
12 existing Pennsylvania casino. That's the Hollywood  
13 Casino. We applied the peak hour trip rate per  
14 position from the actual counts to 1,000 gaming  
15 positions at the West Shore Casino Resort. That would  
16 be 600 slots and 400 gaming positions for table games.  
17 We also added traffic for the 36 additional guest  
18 rooms. The peak hour trip rates per room based on he  
19 traffic counts that we did at the Holiday Inn  
20 driveway.

21                   The new traffic generated by the casino  
22 resort was distributed to the roadways based on  
23 information from the market study by Gaming Market  
24 Advisors on the proportion of gaming trips that would  
25 be coming from the different areas. We then analyzed

1 each of the study intersections for the p.m. peak hour  
2 and the Saturday peak hour in year 2013 and 2018, both  
3 without and again with the casino to determine what  
4 traffic improvements are needed. We coordinated with  
5 the architect, SOSH, to incorporate driveway  
6 improvements into their site plan.

7           As several members of the team have  
8 already commented on, the roadways at work provides  
9 excellent access to the West Shore Casino from all  
10 directions using interstate highways. Travelers who  
11 are on Route 81, Route 83, the turnpike, Route 15 can  
12 all reach the casino using the Harrisburg Expressway,  
13 Route 581, which interchanges with Carlisle Pike just  
14 to the east of the site. The great majority of all  
15 casino traffic will arrive via one of those major  
16 highways. In fact, 70 percent of all casino traffic  
17 will be on Carlisle Pike for just a thousand feet  
18 between the casino driveway and the Harrisburg  
19 Expressway ramp intersection. The impact of casino  
20 traffic on the local area road network will be  
21 minimal.

22           The comparison of future conditions with  
23 and without the casino are summarized on this slide,  
24 and the measure is level of service for delay at the  
25 intersections. The three intersections as shown, you

1 see that the first, the intersection to the left at  
2 Jeffrey Road and the casino driveway intersection will  
3 operate at good levels of service, both in the p.m.  
4 peak and the Saturday peak. The intersection of  
5 Carlisle Pike with the Harrisburg Expressway ramps  
6 will operate at good levels of service on Saturday.  
7 And in the p.m. peak there is an increase of delay and  
8 that intersection will operate at level of service E.  
9 However, the traffic operation does meet PennDOT  
10 criteria for a highway permit. Regarding the  
11 expressway intersection level of service, everyone  
12 knows that there's some congestion at that  
13 intersection today. Traffic binds are high because  
14 it's the hub for all traffic traveling to and from  
15 this area. A regional study has already been  
16 conducted that lays out a road map for improvements to  
17 regional intersections and developed associated costs  
18 for those improvements. However, there is no funding  
19 for those improvements, and they are 10 to 20 years  
20 away, if then. A casino would provide a revenue  
21 stream that can enable road improvements to actually  
22 be constructed.

23                   Our study recommended some traffic  
24 improvements to be constructed as part of the West  
25 Shore Casino Resort Development and they're listed

1 here. SOSH also described these. They include a  
2 right-turn deceleration lane on Carlisle Pike for the  
3 driveway, to widen the driveway to provide sufficient  
4 exiting capacity, including a double left turn lane to  
5 turn towards the expressway, modify the traffic signal  
6 operation at that intersection. And then finally, as  
7 with all projects, Americans with Disability Act  
8 improvements for the pedestrian crossings. And with  
9 these improvements, all intersections meet PennDOT  
10 level of service criteria for mitigation of traffic  
11 impact.

12 Our next speaker is Andrew Klebanow,  
13 Gaming Market Advisors.

14 MR. KLEBANOW:

15 Good afternoon. My name is Andrew  
16 Klebanow, K-L-E-B-A-N-O-W. I am principal of Gaming  
17 Market Advisors, a hospitality and gaming consulting  
18 firm.

19 MR. PERRY:

20 Good afternoon. My name is Jim Perry.  
21 I understand you all heard at lunch from my father,  
22 the other Jim Perry, earlier. I'm going to talk to  
23 you a little bit about this project. It's P-E-R-R-Y.

24 MR. KLEBANOW:

25 Thank you. Jim is a senior analyst at

1 Gaming Market Advisors. Basically I'd like to tell  
2 you a bit about my firm, Gaming Market Advisors, has  
3 offices in Las Vegas and Denver. We conduct market  
4 analysis and feasibility work of both domestic  
5 international and Native American markets in the U.S.,  
6 Canada and Asia. Our primary consulting services  
7 include gaming market assessments, hotel, casino  
8 feasibility studies. We do expansion and relocation  
9 analyses exclusive for hotel casinos. We do master  
10 planning and master planning recommendations, again  
11 exclusive to casinos, marketing plan and business plan  
12 development, player awards program design, marketing  
13 audits, primary market research. We maintain a  
14 research --- a qualitative market research facility in  
15 our Las Vegas office and operations and financial  
16 analysis and marketing audits exclusive to the gaming  
17 industry.

18                   Our recent clients, we have done work for  
19 Bay Harbor, a parent company for Planet Hollywood. We  
20 did the original feasibility work for the casino they  
21 proposed in Philadelphia. We do work for Boyd Gaming  
22 Corporation on an ongoing basis. We did the original  
23 financial forecasting for the Echelon Las Vegas and  
24 the expansion analysis for their Blue Chip property in  
25 Michigan City, Indiana and the Paradise Casino in

1 Peoria, Illinois. We've done work for Jacobs  
2 Entertainment, for their casinos in Colorado. They  
3 also maintain a casino in West Virginia. We've done  
4 work for Delaware North for their West Virginia  
5 property. We've also done work for casinos along the  
6 Indiana, Ohio border and casino projects within Ohio  
7 to measure the impact that those casinos will have on  
8 West Virginia/Indiana gaming operations. We represent  
9 the Mohegan Sun in their proposal to build a casino in  
10 Kansas City, Kansas. And most recently we did work  
11 for Paragon Gaming Corporation for a development in  
12 Vancouver, British Columbia. So, we are very familiar  
13 with domestic gaming market, this region in  
14 particular, having done a lot of work in the area.

15           The consulting team that worked on this  
16 project, myself. I've worked in this industry for  
17 about 30 years. I graduated from New York University  
18 with a BA. I've been in the food and beverage for the  
19 first 15 years in casino operations, earned my  
20 Master's at Cornell University at the School of Hotel  
21 Administration. And since graduating I've held  
22 positions at a number of gaming organizations as  
23 director of marketing at the Hacienda Hotel and  
24 Casino, director of marketing at Alliance Gaming  
25 Corporation which is now Bally Technologies. I was

1 vice president and general manager for the Santa Fe  
2 Hotel and Casino in Las Vegas and I was the vice  
3 president of marketing at Sands Town Hotel and  
4 Gambling Hall, a strategic business unit of Boyd  
5 Gaming Corporation. I resigned my position in 2001 to  
6 form my own consulting firm and rebranded the company  
7 as Gaming Market Advisors in 2005.

8           And also my business partner, Steve  
9 Galloway is a former vice president at the Innovation  
10 Group and Steve has conducted over 200 feasibility  
11 studies before partnering with me. We've developed  
12 some very sound methodologies. Methodologies that are  
13 respected by banks and lending institutions and hedge  
14 funds.

15           There are a number of approaches that we  
16 could have taken for this project. We could have done  
17 a basic market carve-out analysis in which we carve  
18 out the region and then look at drive times and get an  
19 understanding of various levels of attraction for one  
20 property to another. We could have done bench market  
21 analysis. But given the amount of information that we  
22 have in the Pennsylvania marketplace, we opted for  
23 developing a gravity model. I'm sure you're all  
24 familiar with the gravity model and have heard this  
25 type of model explained to you by other gaming



1 developers. It's the most accurate model one could  
2 use to forecast future gaming revenues if you have  
3 enough information and fortunately in Pennsylvania, we  
4 have a tremendous amount of information regarding  
5 current marketing performance. The gravity model is  
6 based on Newton's law of gravitation. The law simply  
7 states that not every particle in the universe  
8 attracts every particle with a force that is directly  
9 proportional to the product of the masses and  
10 inversely proportional to the square of the distance  
11 between them. We have a formula that's a basic  
12 formula that we use in our financial forecasting  
13 model. I'm not going to bore you with it, except to  
14 day that it's an accurate measure of determining  
15 future market performance, if you have enough  
16 information. And we certainly do here.

17                   So, the results of our model have  
18 indicated this. The daytrip market --- thank you.  
19 Looking broadly at the six markets to the left which  
20 have then been subdivided in approximately 1,000  
21 submarkets. We broke these markets down to either the  
22 ZIP Code or block group level, and applied levels of  
23 attraction factors to each of those in varying levels  
24 of propensity. Propensity the number of times --- the  
25 propensity of a given population to gamble at a casino

1 at least once a year, which actually varies between 18  
2 percent and 36 percent. And so in this case, on  
3 average 34 percent of adults will have a propensity to  
4 visit a casino at least one time a year. The daytrip  
5 market is estimated for this casino to be \$71 million.  
6 We also have an outer-market capture rate of  
7 approximately \$1.8 million. That includes those  
8 people who are driving along area highways and have an  
9 impulse to stop and gamble. Not a terribly big market  
10 but a market nonetheless. So, the total of the  
11 daytrip market we estimate at \$72.8 million a year, in  
12 the first stabilized year of operation, which we're  
13 forecasting at 2013.

14 We also took a look at the hotel and the  
15 potential at the hotel to contribute to gaming demand.

16 At this point, I'd like to turn it over  
17 this portion over to Jim.

18 MR. PERRY:

19 As part of this study, we considered two  
20 main segments of hotel demand. That which already  
21 exists or late in the market demand which the hotel's  
22 already capturing today. As everyone mentioned  
23 before, it's a very well-established hotel doing  
24 strong occupancy rates. Then we looked at gaming  
25 demand, which will be generated by players within the

1 casino's database. And in order to quantify that  
2 demand, we took a look at the total gaming visits  
3 generated by each of the six market segments and  
4 determined what percentage of those visits could be  
5 captured overnight. And these percentages are based  
6 on anything from --- are experience with casino  
7 databases around the country. We see databases all  
8 the time and are very familiar with these numbers. In  
9 total, we estimate that they'll be just under 16,000  
10 room nets of demand generated by the casino segment.  
11 Now combining that with the 16,000 room nets demands  
12 from the casino segment will approximate 22 percent of  
13 total demand. Well, gaming revenue generated by those  
14 hotel guests is included in the gravity model, the  
15 remaining 54,000 room nets demands from the latent  
16 market will likely contribute additional levels of  
17 gaming area. In order to estimate that, we estimated  
18 the casino would capture about 30 percent of those  
19 guests, or 35 percent of those guests based on  
20 national propensity to game and other figures. With  
21 an average win per room of \$55 generating \$3 million  
22 in incremental gaming revenue from that market.

23                   And then I'm going to let Andrew tell you  
24 about the breakdown of our revenue projections.

25                   MR. KLEBANOW:

1                    Looking at the chart on top, and you see  
2 that we have daytrip market revenue of \$72.8 million,  
3 non-casino hotel demand, just in the \$3 million, for a  
4 total forecast of gaming revenue of \$75.8 million.  
5 Looking down at the chart below, you can see that in  
6 2013, the first stabilized year of operations, we are  
7 forecasting a win per unit per day of \$277 and a win  
8 per table per day of \$831.

9                    I want to comment one more --- two more  
10 aspects of this revenue model that we built. We were  
11 asked, well, why didn't you look at the 1,000 or so  
12 hotel rooms that we have in this market. What's the  
13 potential gaming revenue that can be derived from  
14 those 1,000 hotel rooms that you have in the greater  
15 Harrisburg area? Here's what we know after ten years  
16 of doing feasibility studies and 30 years of analyzing  
17 consumer behavior in the gaming industry, the further  
18 away you locate those hotel rooms from a casino, the  
19 less likely you will be able to capture those people  
20 staying overnight. So, our best source of transient  
21 gaming revenue --- transient demand gaming revenue  
22 would be the hotel that is connected or is pertinent  
23 to the casino. You're going to get the most gaming  
24 revenue from those people. Now, if you had other  
25 hotel properties sharing the parking lot, you would

1 get a certain portion, albeit a little bit less, but  
2 people staying in those hotels clustered round the  
3 casino. However, once a customer is removed from the  
4 casino property and they have to get in their car and  
5 drive to the casino, the capture rate, the propensity  
6 of those people to visit a casino drops precipitously.

7           And I mention this for two reasons. We  
8 did not include this in this model because we always  
9 take a conservative approach to our gaming revenue  
10 forecasts. And I would not ask a client to take these  
11 revenues to a lender, borrow money, incur debt on what  
12 I consider speculative revenue projections. Again,  
13 those thousand rooms while attractive and while they  
14 will contribute a modest amount of gaming revenue,  
15 creative to this project, it's not one I would want to  
16 borrow money on. And I mention that for a second  
17 reason because the other two reports that I read on  
18 the other two projects depend in large part on  
19 capturing a sizeable amount of gaming revenue from  
20 hotels that are not connected to the gaming facilities  
21 and that require people to get into cars and drive.  
22 And that's a concern to me. You know, these resorts,  
23 particularly Gettysburg, are family-oriented resorts,  
24 and families have children. So, you decide to go to a  
25 casino, leave the hotel, what do you do with the kids?

1 Leave them in the hotel room? Leave them in the car?  
2 Not a popular thing to do. So, we are --- again, I  
3 was reluctant to use that 1,000 room projection in  
4 this model and we stand --- we remain very confident  
5 that this market can contribute \$76. --- \$75.8 million  
6 in gaming revenue.

7           The other comment is the RV concept.  
8 When we looked at the RV concept, first introduced to  
9 it, we were trying to find and get an understanding of  
10 the kind of gaming behavior that one could expect from  
11 people staying in a rentable RV unit at a hotel casino  
12 project. And what we found was, since we travel to 50  
13 to 75 casinos a year, were two very similar projects.  
14 One in Kinder, Louisiana, The Grand Casino Resort in  
15 Coushatta, Louisiana and The Grand Casino in Hinckley,  
16 Minnesota, both developed by Lakes Entertainment for  
17 Indian tribes and then after the Management Agreement  
18 was turned over to the tribes. And both these  
19 projects have unique mix of lodging unit. They have  
20 hotel towers. They have limited-service hotels. And  
21 they also have mobile homes, single-wide, double-wide  
22 mobile homes that have been located around the  
23 property with porches and picnic areas built around  
24 these facilities. And we asked, you know, the  
25 managers of these properties, you know, what is the

1 gaming behavior of these people. Very good. In fact,  
2 they find that both families and seniors are attracted  
3 to these properties because they like the idea of  
4 being able to pull up with their car to these  
5 facilities, you know, unload their campers and  
6 refrigerated good and put them in the refrigerator and  
7 they have a place to stay, to eat and when they want  
8 to gamble they hop on the shuttle bus and go to the  
9 casino. So, we found that a gaming profile of people  
10 staying in these RV units to be very similar to one we  
11 could expect to see in these RV units that are going  
12 on in the project. So, we were --- we're pleased to  
13 say that the gaming behavior is very similar that one  
14 could expect of the ones staying in a hotel. So,  
15 those are the results of our analysis.

16 I'd like to now introduce Michael Sklar.

17 ATTORNEY SKLAR:

18 Thank you, Andrew. Michael Sklar,  
19 S-K-L-A-R. Good afternoon, Chairman, members of the  
20 Board. I would like to address the eligibility  
21 criteria under Section 1305 of the Gaming Act.  
22 There's three criteria under 1305. The first criteria  
23 neither Penn Harris nor its affiliates have applied  
24 for a Category 1 or a Category 2 License. The second  
25 criteria, the proposed West Shore Casino is located

1 more than 15 linear miles from any licensed facility.  
2 The third criteria is that Penn Harris is a --- the  
3 West Shore Casino, proposed casino, is a  
4 well-established resort containing 275 guest rooms  
5 under common ownership at the time of Application  
6 having substantial year-round recreational guest  
7 amenities. And let's walk through each of the four  
8 elements necessary to qualify as a well-established  
9 resort.

10                   So, the first is the 275 guest rooms. As  
11 you heard Dan Richardson testify, the resort is  
12 comprised of 239 hotel rooms and 36 recreational  
13 vehicle guestrooms. As you know, the Gaming Act does  
14 not define what a guestroom is but the Board's  
15 regulations do. And the regs provide that a guestroom  
16 is a room or a group of rooms, including timeshare  
17 units. Nowhere in the Gaming Act or the regulations  
18 is there a requirement that the guestrooms be located  
19 in a hotel. Now, what is critical to focus on is the  
20 specific words that the legislature chose to use here,  
21 guestroom. They certainly could have said hotel rooms  
22 or they could have said that the guestrooms must be  
23 contained in a hotel room, but they didn't. And the  
24 legislature was certainly familiar with the term hotel  
25 room, it's used throughout the Pennsylvania Statutes



1 in different places and it's also used in the Gaming  
2 Act, most recently when the Act was amended in  
3 January. They included a definition of hotel and  
4 there was significant amendments made to Section 1305.  
5 Critically the point is they never changed this  
6 requirement on guestrooms. It remained 275  
7 guestrooms, never touched that terminology at all. As  
8 you know, the Gaming Act was modeled closely after the  
9 New Jersey Gaming Act. And in the New Jersey Act, it  
10 requires that sleeping units be contained and be  
11 housed in a hotel. And again, the legislature was  
12 fully cognizant of the terminology that was used  
13 elsewhere and they chose to use the term guestroom.  
14 And Commissioner Trujillo, as a lawyer, you certainly  
15 know that it's a well-established and fundamental  
16 statutory principal that when the General Assembly  
17 selects certain words it's chosen them purposely and  
18 you have to give meaning to the words that they  
19 specifically chose. So, here the legislature used  
20 guestroom as opposed to hotel room, and I think that  
21 clearly demonstrates that they intended to include a  
22 place for accommodation beyond just a room in a hotel.  
23 And as I said from the beginning, Penn Harris provides  
24 accommodations for its guests in 239 hotel guestrooms  
25 and 36 recreational vehicle guestrooms.

1           The next element under 1305 is common  
2 ownership. Penn Harris is the equitable owner of the  
3 275 guestrooms. The 36 recreational vehicle guest  
4 rooms are owned and titled in the name of Penn Harris  
5 Gaming, LP, which is the Applicant before you today.  
6 The 239 hotel guestrooms are owned a hundred percent  
7 by Mechanicsburg GF Investors, LP, which is, in turn,  
8 a hundred percent owned by Kenneth Kochenour. And  
9 Mechanicsburg GF is a partner in the Penn Harris  
10 application.

11           Pursuant to a contribution agreement,  
12 which essentially is a purchase agreement, that's the  
13 way we structured our transaction, Mechanicsburg GF is  
14 obligated to contribute the hotel and all of the other  
15 real property to Penn Harris upon written notice from  
16 Penn Harris. This obligation is not contingent,  
17 conditioned upon the issuance of a Category 3 License  
18 by the Board. And significantly, if closing does not  
19 occur by a specific date, there is a substantial  
20 penalty that Penn Harris must pay to Mechanicsburg GF.  
21 I want to point out there is --- in the contribution  
22 agreement there are two conditions that exist right  
23 now. One is the approval of the Pennsylvania Liquor  
24 Control Board to transfer the Liquor License from the  
25 existing holder to Penn Harris. Second is the

1 approval of the transfer of the franchise agreement to  
2 Penn Harris. Both of those conditions have been  
3 waived. We'll provide an amendment that memorializes  
4 the waiver of those two conditions. So, I want to be  
5 crystal clear, this obligation of Mechanicsburg GF is  
6 unconditional. Whenever Penn Harris provides written  
7 notice, Mechanicsburg GF is obligated to close and  
8 transfer the real property to Penn Harris. And I know  
9 the Board is familiar with this structure. It's  
10 substantially similar to what Valley Forge did. And  
11 in that case, the Board concluded that Valley Forge  
12 was the equitable owner.

13           One last point. There's been some  
14 contention that Mechanicsburg GF is not the owner of  
15 the resort because of a Cumberland County Hotel Tax  
16 Registration Form filing. And that form lists another  
17 entity, Central Pennsylvania Hospitality, which is a  
18 hundred percent owned by Kenneth Kochenour, as the  
19 owner. The fact is that Central Pennsylvania is the  
20 operator of the resort and the --- we've provided  
21 deeds to the Board staff which clearly demonstrates  
22 that the title is held by Mechanicsburg GF.

23           The third element under 1305 is having  
24 the guestrooms at the time of the application. As  
25 you're well aware, application submission is a

1 process, and it's set forth in the Board's  
2 regulations. There's a date that's fixed for the  
3 actual submission of the application. Board staff  
4 receives it, reviews it, they issue deficiency letters  
5 over a period of time and request for additional  
6 information are made. BIE conducts interviews,  
7 requests additional information. The Applicant  
8 provides supplemental information and is provided an  
9 opportunity to cure deficiencies. In the Valley Forge  
10 Adjudication that the Board issued, they memorialized  
11 this application submission procedure. And as you  
12 know, the Board --- what you concluded was the issue  
13 of whether Valley Forge's equitable ownership, through  
14 equitable conversion, should be applied retroactive to  
15 the June 27th, 2007 application date. The Board is  
16 inclined to act in a manner consistent with its past  
17 practice of allowing applicants, in this industry in  
18 the Commonwealth to amend their application when  
19 deficiencies exist, including eligibility --- when  
20 eligibility deficiencies are noted. Here the Board  
21 established a deemed complete date of August 2nd,  
22 2010, which, as you know, is the point in time where  
23 application must be complete. As of August 2nd Penn  
24 Harris had 275 guestrooms under common ownership  
25 available for rental.

1           The last element is having substantial  
2 year-round recreational guest amenities. You heard  
3 Dan Richardson say that the property has served as a  
4 regional resort destination for the past 20 years.  
5 You also heard Dan go through in detail each of the  
6 amenities that are currently offered at the property.  
7 And these are exactly the types of amenities that are  
8 described in the Board's regulations.

9           You also heard Dan describe the guest mix  
10 at the resort, and these are the types of statistics  
11 that you would typically see at a resort hotel. And  
12 you also heard Dan describe the activities and events  
13 that are hosted, hundred-plus weddings, picnics,  
14 corporate outings, team building events. Again, these  
15 are exactly the type of events that are hosted at a  
16 resort hotel. So, we come back to the beginning and  
17 we believe that the clear and convincing evidence  
18 demonstrates that Penn Harris satisfies each of the  
19 eligibility criteria under Section 1305 of the Act.

20           And next, I want to move into our  
21 comparative evidence.

22           CHAIRMAN:

23           Mr. Sklar, ---

24           ATTORNEY SKLAR:

25           Sure.

1                   CHAIRMAN:

2                   --- I just wanted to state that you have  
3 exceeded your two-hour allotment. I'm going to give  
4 you another ten minutes to wrap up. So if you could  
5 breeze through the last comparative analysis, and then  
6 we'll get on with questions.

7                   ATTORNEY SKLAR:

8                   Okay. Thank you.

9                   CHAIRMAN:

10                  Sure.

11                  ATTORNEY SKLAR:

12                  In contrast to West Shore, Nemaocolin ---  
13 I'm going to deal with Nemaocolin first. Nemaocolin is  
14 located in an extremely isolated, rural location that  
15 is sparsely populated. It's nearly 20 miles from the  
16 nearest major highway. Also in contrast to West  
17 Shore, which --- and you've heard it described, the  
18 --- we intend to fully integrate our casino floor into  
19 the existing hotel. The Nemaocolin guests will have to  
20 make a 1.2-mile trip to the proposed casino location.  
21 And I would ask John Glassey just to briefly comment,  
22 based on his experience, on this type of setup.

23                  MR. GLASSEY:

24                  Movement of customers within a complex is  
25 difficult, particularly with the age group that is

1 your predominant customer, somewhere between the ages  
2 of 45 and 65. They don't like to move about too  
3 frequently. That's one of the reasons why very few  
4 casinos move off of the first floor up to the second  
5 floor. And if they try to move people on the outdoors  
6 during inclement weather, it is rare that you're going  
7 to find a successful operation under those  
8 circumstances. And the tertiary issue that very often  
9 happens, in a situation like that, if one member of a  
10 party, if a family, a man and woman are out for the  
11 evening and one of the two people want to go back to  
12 the room, that means both of them will go back. They  
13 rarely will send someone back on a shuttle and leave  
14 the other one there. So that is not conducive to  
15 extending the experience within the casino.

16 ATTORNEY SKLAR:

17 Okay. The next slide. In contrast to  
18 West Shore, which has presented consistent and  
19 conservative revenue projections, Nemaquin's revenue  
20 projections have changed. You see on the slide, when  
21 they first submitted their application, they were at  
22 \$189 in win per unit. Now they're at \$244. And you  
23 see the statistics up on the chart. The only thing  
24 that's changed is that they're going to have a hundred  
25 additional slot machines and 28 table games.

1           The next slide. This is the assumptions  
2 that are made by Nemaocolin's market study consultant,  
3 and it breaks down the components of their revenue  
4 projections.

5           The next slide. This one I think is  
6 critical. I'm going to ask John to comment on it. It  
7 shows the breakdown of their daytrip market by the  
8 drive time. John, can you explain?

9           MR. GLASSEY:

10           This is in contrast to the type of  
11 information we received from Andrew and from Jim. And  
12 the circle --- as you go further out from the circle,  
13 generally speaking, the lower the revenue that is  
14 going to be the contributory factor to the bottom  
15 line. And in this case they're saying that the people  
16 that are the furthest away are going to bring the most  
17 amount of money. That would be okay if they were  
18 coming that frequently. But the further away they go,  
19 as Andrew said, it drops off dramatically in how  
20 frequently they come and whether or not they will  
21 drive, in fact, three or four hours. This is contrary  
22 to the industry practices.

23           ATTORNEY SKLAR:

24           And the next slide just shows a pie  
25 chart, breaking down what the segmentation is by the



1 drive time.

2                   The next slide shows the breakdown of  
3 their revenue that they anticipate generating from the  
4 overnight guests. And John, if you could  
5 briefly ---.

6                   MR. GLASSEY:

7                   The thing that jumps out on this slide is  
8 the average room rate of \$400. Particularly in  
9 today's world, there are very, very few places where  
10 there's anyone that's generating \$400 a room night.  
11 In some of the finest properties in the Las Vegas  
12 market, with all types of amenities, very large  
13 suites, it's very common to find room rates under  
14 \$200. So a projection based on a \$400 room rate right  
15 now would be very aggressive.

16                   ATTORNEY SKLAR:

17                   And the last slide on Nemacolin is a  
18 chart that compares Nemacolin to Greenbrier. And  
19 John, if you could ---.

20                   MR. GLASSEY:

21                   On Greenbrier, that opened in July, is a  
22 property that is obviously very similar to Nemacolin.  
23 In fact, it's a gorgeous resort, great facility, great  
24 grounds, all of the right bells and whistles.  
25 Unfortunately, they are not generating very much

1 revenue. You can see the table revenue and the slot  
2 revenue for the first five months that they've been  
3 open. People are just not going there. It's such a  
4 long distance to get there. It's so isolated. And  
5 take that and compare that with the projections based  
6 upon another resort, which is in the same category.  
7 It just shows you the differences in the projections.

8 ATTORNEY SKLAR:

9 Next, on Gettysburg, you've seen this  
10 chart before. While not as far a trip as Nemaquin,  
11 Gettysburg guests will have to trek a quarter mile to  
12 the casino, which again, in the winter months, in the  
13 heat of the summer, I think is a tall order.

14 Next, in contrast to Penn Harris, whose  
15 sole focus will be the West Shore Casino Resort, Penn  
16 National, the proposed operator of the Gettysburg  
17 Casino, has many different interests. And this map  
18 shows that within approximately 60 miles of Gettysburg  
19 Penn National has three gaming facilities, Charles  
20 Town, Perryville and Penn National at Hollywood. They  
21 wholly own each of these facilities and operate each  
22 of them. They have substantial investment,  
23 approximately a billion dollars in invested capital in  
24 these facilities. And I think simple logic tells you  
25 where they're going to drive their business, and all

1 you need to do is follow the money. They're going to  
2 drive it to the places where they have the significant  
3 investment, and not to a facility where they're just  
4 collecting a management fee.

5           The last few slides, and we'll move  
6 through these quickly, I think that Gettysburg knows  
7 that the previous map --- they know that this is the  
8 case. And when you're in Pennsylvania, and  
9 Pennsylvania's the audience, you've heard over and  
10 over that Gettysburg is going to be able to capture  
11 the Maryland customer and recapture the Pennsylvania  
12 gaming patron going down to Maryland and West  
13 Virginia. When they're down in Maryland, they have  
14 told the Maryland Gaming Commission, their investors,  
15 that they're going to be able to capture the  
16 Pennsylvania customer and keep the Maryland gaming  
17 patron in Maryland. And basically, it's talking out  
18 of both sides of their mouth depending on who the  
19 particular audience is.

20           And now move to Bushkill. As you know,  
21 Bushkill is located in close proximity to three  
22 existing licensed facilities, and as we've emphasized  
23 throughout our presentation, it really is all about  
24 location. And this slide demonstrates Bushkill is in  
25 the wrong location. Again, in contrast to the

1 consistent figures that have been presented by Penn  
2 Harris, Bushkill's numbers have changed. You see the  
3 job creation from when they were before you in 2008,  
4 its job creation has increased 670 percent. And  
5 finally with their revenue projections, you see here  
6 in a stabilized year, they've jumped, in win per unit,  
7 from \$157 to \$513. And as sort of a gut check, the  
8 last column shows what Mount Airy, 15 miles away, is  
9 currently doing at \$167 in win per unit. John, do you  
10 just want to briefly comment on this?

11 MR. GLASSEY:

12 If they could, in fact, generate \$513, it  
13 would make them in the elite category of North  
14 America. That is a very high number on a win per unit  
15 basis, very high.

16 ATTORNEY SKLAR:

17 And John, just one last thing. Just  
18 going back very quickly to the Nemaquin where the  
19 original projections back in 2006 were at 189, and  
20 then they jumped to 241, and they're increasing the  
21 slot machines by 100, what's ---?

22 MR. GLASSEY:

23 The industry standard is when you add  
24 greater capacity, the win per unit obviously goes down  
25 because you have --- the same patrons are being spread

1 out over more machines. One of your goals is to  
2 recapture back to that same gaming level within a  
3 three year period. Hopefully within the first year,  
4 you get back to that win per unit that you started  
5 before you expanded. But to jump it way above the  
6 line by adding gaming units, is just not something  
7 that happens in the gaming industry.

8 ATTORNEY SKLAR:

9 That's all we have. Thank you.

10 CHAIRMAN:

11 With that, I will take questions from the  
12 Board. Commissioner Coy, do you have anything?

13 MR. COY:

14 Not right now, no.

15 CHAIRMAN:

16 Okay. Commissioner McCabe?

17 MR. MCCABE:

18 I just have a couple. One is for Dan  
19 Keating. Your nine-month plan, did you take into  
20 consideration if you had to --- if you found asbestos  
21 in the roof and in the ceiling when you were doing  
22 remodeling, would that extend the time that you have  
23 to build?

24 MR. KEATING:

25 It might. I don't know that we've

1 discovered any asbestos at all in the evaluations  
2 we've done to date. And the architect who's here  
3 might be able to address that, but we haven't seen  
4 any, nor have we been led to believe there's any  
5 asbestos or materials to concern us.

6 MR. MCCABE:

7 Okay. One of the concerns I know that's  
8 been presented to us in our paperwork is that there  
9 possibly may be some there.

10 MR. KEATING:

11 Well, let me tell you this, because as  
12 you also know, we are in the environmental business as  
13 well, and asbestos five years ago and asbestos today  
14 are two different things. It's a commodity item, and  
15 I would not look at it to be an overwhelming factor,  
16 as I know the job to do.

17 MR. MCCABE:

18 This is for the Holiday Inn people, I  
19 guess. Why are you losing the Holiday Inn flag, and  
20 how is that going to affect the license?

21 MR. KOCHENOUR:

22 The gaming license, or the ---?

23 MR. MCCABE:

24 For the casino.

25 MR. KOCHENOUR:

1 I don't think it's going to have any  
2 impact. As I testified, Holiday Inn made a strategic  
3 decision, which we knew was coming, to move out  
4 exterior corridor properties as part of their overall  
5 brain strategy. We're clearly an exterior corridor  
6 property for most of our rooms. We then went and  
7 looked around and found a comparable, what we call a  
8 mid-scale with food and beverage brand, which was  
9 identical or similar to the Holiday Inn brand, and  
10 that is so we're making it --- as I stated in  
11 testimony, we are making a lateral franchise move on  
12 the conversion side.

13 MR. MCCABE:

14 What's been the current occupancy rate  
15 for the RVs?

16 MR. KOCHENOUR:

17 Again, this is an infancy stage for us.  
18 As I stated in my testimony, we've rented 27 RVs to  
19 date. I'm not sure if that answers the question to  
20 the Board, or if you need me to amplify that at all.

21 MR. MCCABE:

22 You say you had 27?

23 MR. KOCHENOUR:

24 We rented 27.

25 CHAIRMAN:

1 Let me be real specific on that.

2 MR. KOCHENOUR:

3 Sure.

4 CHAIRMAN:

5 How many RV nights have you had as  
6 potential rentals since the day you put them in? In  
7 other words, how many were put into service times how  
8 many nights gives you how many potential nights they  
9 could have been rented?

10 MR. KOCHENOUR:

11 I'll have to do the math real quick, but  
12 36 units since the beginning of August 'til today, so.

13 CHAIRMAN:

14 So, that's what? Four months; August,  
15 September, October, November, so 36 times 120. Never  
16 under pressure. So, almost 4,000 nights, maybe?

17 MR. KOCHENOUR:

18 Correct.

19 CHAIRMAN:

20 How many rentals have you had?

21 MR. KOCHENOUR:

22 Twenty-seven. (27)

23 CHAIRMAN:

24 Twenty-seven (27) out of those 4,000  
25 potential nights? If you want to say something, go



1 ahead.

2 MR. ALJIAN:

3 I think part of that also is that under  
4 the Holiday Inn franchise, and the marketing that Dan  
5 does with his team, we can't actively go on the  
6 website under the Holiday Inn brand and market these  
7 RVs. So, what Dan's been able to do is pick up at  
8 least 100 percent and more occupied. There's been a  
9 couple of car shows; he's then offered, and some were  
10 filled. We do have these RVs, and he's been  
11 successful in doing that. And this isn't really  
12 different. We own a number of hotels, and we have one  
13 hotel down in Scottsdale where we have casinos. These  
14 are villa units that are two bedrooms, full kitchen,  
15 and they have a very low occupancy rate. But during  
16 the high season, they're highly occupied. So, I would  
17 say for much of the season, there are minimal  
18 occupancy for that one segment of the total hotel.  
19 And I would say the same thing for these RVs, and as  
20 Dan mentioned, it is in its infancy.

21 MR. MCCABE:

22 Of those 27 nights, how many problems  
23 have you had? We all know that one reporter that went  
24 there that one night and you had to change RVs for  
25 him. How many other complaints, or how many times did

1 the generators go out, or did you have to change rooms  
2 for these people?

3 MR. KOCHENOUR:

4 Again, clearly understand that I'm under  
5 oath; this is the first time when an RV unit --- that  
6 we had to move a guest from one room to the other.  
7 Because it is obviously a new product for us, we have  
8 been measuring guest satisfaction levels continuously.  
9 Especially with the small sampling, the 27, we've been  
10 able to meet with most guests after they've spent  
11 their time in the RV. We measure, obviously, our  
12 satisfaction by being very satisfied, having an issue  
13 that may have impacted your service or your stay with  
14 us, and then significant issue that would impact your  
15 stay. The stay that you're talking about was the only  
16 time that we had that we would consider one of our  
17 guest rooms a significant impact to stay. By  
18 contrast, in November, I've had at least 12 other  
19 instances in my hotel --- not on the RV side, but on  
20 the hotel side --- where I've also had guests that  
21 have had significant impacts to their stay. Things  
22 happen in my business. Sometimes they're  
23 controllable; sometimes they're uncontrollable. But  
24 the point, I think, that was made in the article was  
25 we had people there. We had trained people who knew

1 what they were doing, and we immediately addressed the  
2 guest's concerns as we were made aware of them; the  
3 same thing on the RV side as we do on the hotel side.

4 MR. MCCABE:

5 To further explore the RVs a bit, are  
6 there existing hookups for the water, for the  
7 waste ---

8 MR. KOCHENOUR:

9 Yes.

10 MR. MCCABE:

11 --- for the TVs? Each one of them has  
12 their own hookup?

13 MR. KOCHENOUR:

14 I'll have to go through that  
15 individually, but I'll try to hit the points in if I  
16 miss something ---. Every one of them, since day one,  
17 was fully equipped, ready to go.

18 MR. ALJIAN:

19 They're self-contained.

20 MR. KOCHENOUR:

21 Right.

22 MR. MCCABE:

23 Well, I'm very familiar --- I spent a lot  
24 of time in RVs.

25 MR. ALJIAN:

1           At this point in time, there are no  
2 hookups.

3           MR. MCCABE:

4           So, you don't have any --- they're not  
5 hooked up?

6           MR. ALJIAN:

7           There's no super capacity. We have  
8 electric that's provided via generators. I think the  
9 eventual plan would be to have actual electric hookup,  
10 just like any RV park would have. At this point in  
11 time, RV units are self-contained with water and heat  
12 via the generators.

13          MR. MCCABE:

14          How many of them have two TV sets? Mr.  
15 Donnelly kind of indicated that the kids can go in the  
16 back and watch a CD, and then the parents can go in  
17 the front and watch sports. Do you have satellite TV  
18 for these RVs, or are they ---?

19          MR. KOCHENOUR:

20          Again, we have several different types of  
21 units depending on the guest preference. We have 12  
22 units which have a digital TV in them.

23          MR. MCCABE:

24          How many have more than one TV?

25          MR. KOCHENOUR:

1           To the best of my knowledge, we have one  
2 TV in those units.

3           MR. MCCABE:

4           Okay. They're small.

5           MR. KOCHENOUR:

6           Yeah.

7           MR. MCCABE:

8           They're not the big coach ones; the  
9 smaller ones?

10          MR. ALJIAN:

11          They're class C, right?

12          MR. KOCHENOUR:

13          Right, which is typical to the RVs.

14          MR. MCCABE:

15          That's all I'm going to ask.

16          CHAIRMAN:

17          Mr. Sojka?

18          MR. SOJKA:

19                 I naturally have a few. Mr. Donnelly, I  
20 was impressed with your comment about how a family  
21 unit might come in and have their breakfast cereal and  
22 go out and sniff the air, and whatnot. What's the  
23 difference between kids in cars and kids in RVs?

24          ATTORNEY DONNELLY:

25                 Well, no one's talking about leaving the

1 family kids in that car as some of the problems have  
2 been experienced in Pennsylvania with people coming  
3 and gambling and leaving kids there, and we're not  
4 suggesting that. I do know, from what I've learned  
5 about this property while I've been involved, is that  
6 they have a very active, almost a --- I call it a day  
7 camp --- provisions going now where that might have  
8 been --- when I did mine as a day camp, they ---.

9 MR. SOJKA:

10 A kids club?

11 ATTORNEY DONNELLY:

12 Yeah, it's a kids club, and they can  
13 swim, and they have activities.

14 MR. SOJKA:

15 I'm assuming they got that, and let me  
16 just jump ahead in the interest of time. Would you  
17 propose putting signage out saying, do not leave your  
18 children in the RV when you're out using many of our  
19 other amenities? Would you have patrol going around  
20 looking to see if there were kids in the RVs?

21 ATTORNEY DONNELLY:

22 I'll give you an honest answer. I'm not  
23 sure, but I kind of don't think so. I don't think if  
24 someone were in a hotel room, that anyone would say,  
25 you can't leave your kids in the hotel room; lock that

1 hotel room and leave them watching TV and go somewhere  
2 else. People do it all the time, and I would assume  
3 that parents would --- and they do that in the guest  
4 room RV, yeah. I would think it would be the same  
5 thing.

6 MR. MCCABE:

7 I want to bring up a point because I saw  
8 this happen once, and it was terrible. If there's a  
9 fire in there and the kids are left alone, those RVs  
10 go up like that. And it's a little bit different  
11 because in an RV, you've got a generator running; if  
12 it's in the wintertime, if the generator goes down,  
13 the kids don't have heat. I know one of my concerns  
14 with RVs and leaving kids in them; it's a little bit  
15 more dangerous than leaving them in a hotel room.

16 ATTORNEY DONNELLY:

17 Well, all those problems can be solved,  
18 that's for sure, if it is a problem.

19 ATTORNEY SKLAR:

20 We would certainly have signage up  
21 saying, don't leave ---.

22 ATTORNEY DONNELLY:

23 Just like we do with the other ones now.

24 ATTORNEY SKLAR:

25 Absolutely, and we will have security

1 patrols going through the back RV area.

2 MR. SOJKA:

3 That's good. I just wanted you to be  
4 aware that we're thinking about those things. What's  
5 a themed RV?

6 ATTORNEY DONNELLY:

7 One of the concepts that we had was that  
8 the pinnacle RVs and trailers is Airstream; tricked  
9 out, completely done Airstream; some big mobile homes  
10 like celebrities use, mobile buses. And the idea,  
11 ultimately --- one of the ideas, and I think will  
12 work, one of the marketing ideas one of the marketing  
13 people came up with, was to ask Airstream to have  
14 state-of-the-art trailer there on an annual basis, and  
15 to rent that as a sales promotion for them. We think  
16 that would draw people who are interested. It's like  
17 a Mercedes; draw people to the RV. And also one of  
18 the concepts is, again, hitting the demographic; doing  
19 the Lucy Desi type thing, with a '50s throwback kind  
20 of a trailer. And some other marketing things that  
21 will, again, back to what Dan said and has to do with  
22 the room nights --- because we knew this question was  
23 going to be asked --- but we can't advertise this  
24 right now because of Holiday Inn. So, people don't  
25 know and they learn that people who are just stopped



1 there and stay in an RV, or when it's filled to  
2 capacity, the flow-over. But we're very confident  
3 that once we can advertise it, it'll be popular.

4 MR. SOJKA:

5 I've got to ask for a speculation on your  
6 part now, but what do you think the presence of this  
7 niche market, a bunch of RVs, either owned by you or  
8 brought in by their own owners, what impact do you  
9 think that will have on either drive-by day trip  
10 people or people who might be contemplating a room in  
11 the hotel. Do you think they would pay any attention  
12 to that? Would it be negative, or would it be  
13 positive?

14 ATTORNEY DONNELLY:

15 Well, the hookups are going to be --- to  
16 the extent that anyone would think it's negative, the  
17 hookups are going to be in the back property in an  
18 area that will be away from this facility, and we're  
19 talking about 30. The other ones, so far, I asked  
20 Dan; I don't think it's any --- well, you tell me. Is  
21 there any impact on occupancy that you're aware of,  
22 any negative impact?

23 MR. RICHARDSON:

24 Nope, none whatsoever.

25 MR. SOJKA:

1                   Okay. So, you're saying it's neutral?

2                   MR. RICHARDSON:

3                   Yes.

4                   ATTORNEY DONNELLY:

5                   I think once we can advertise it, it'll  
6 be positive. Right now, I defer to Dan whether he's  
7 been able to measure any impact one way or another.

8                   MR. ALJIAN:

9                   Some of the negative press that came out,  
10 even at the public input hearing, was the term,  
11 trailer trash, which a lot of people took notice to.

12                   MR. SOJKA:

13                   I did hear that, yes.

14                   MR. ALJIAN:

15                   And John Glassey went through the  
16 demographics of who we believe will be attracted to  
17 this location, and they're anything but trailer trash.  
18 And that's something that I ---.

19                   ATTORNEY DONNELLY:

20                   Yeah. That's a pejorative term we don't  
21 need to get into.

22                   MR. ALJIAN:

23                   Exactly.

24                   MR. SOJKA:

25                   How's the crime in the area, and

1 specifically on the site?

2 ATTORNEY DONNELLY:

3 I think Dan has to answer that.

4 MR. RICHARDSON:

5 Yeah. We work very, very well with  
6 Hampden Township, great relationship. We've had no  
7 instances of what I would call serious or major crime;  
8 you know, no ---.

9 MR. SOJKA:

10 Public disturbances, though?

11 MR. RICHARDSON:

12 Sure, absolutely.

13 MR. SOJKA:

14 Would you describe that property as a  
15 place where there might be more public disturbances  
16 than there would be in say, a two mile radius around  
17 it?

18 MR. ALJIAN:

19 I can battle a little bit, and Dan can  
20 follow up, but I think the nature of the bar, and the  
21 nature of the guests of the Hardware Bar and the Deck  
22 Bar, definitely attribute to the incidences that have  
23 been reported, and part of the plan is to upgrade and  
24 control that, and theme that into the casino. It's  
25 not a full upgrade where we're excluding the guests

1 that have enjoyed the Hardware Bar, but over the  
2 years, it's had a little bit of a negative reputation  
3 at times.

4 MR. SOJKA:

5 Yeah, I understand that you're actually  
6 going to work to keep the Hardware Bar open because we  
7 heard it said today that they have a clientele, and  
8 you don't want to lose it.

9 MR. ALJIAN:

10 Exactly.

11 MR. SOJKA:

12 Is that not a contradictory statement?

13 MR. ALJIAN:

14 Well, I think the upgrading of the bar  
15 will also attract upgraded patrons on that ---.

16 MR. SOJKA:

17 It might displace that.

18 MR. ALJIAN:

19 It may very well displace that, but I  
20 think that the theme of the Hardware Bar, it's a name  
21 that people in Harrisburg have grown to know over the  
22 past 20, 25 years.

23 MR. SOJKA:

24 Yeah. You mentioned that you would be  
25 the concierge to central Pennsylvania. Does that

1 really mean like a concierge in a uniform that you tip  
2 to get your hotel reservation somewhere else, or does  
3 it mean a rack of brochures?

4 MR. ALJIAN:

5 That's where that came up. We saw the  
6 rack of brochures in the reception area, but Dan can  
7 expand on how they actually do help their guests.

8 MR. RICHARDSON:

9 I'm extremely proud of what we've done,  
10 as was mentioned in my testimony. Our guests  
11 recognize us for our excellence. One of the things  
12 that we do is we have dedicated van drivers, people  
13 that have been trained, to take people out on trips.  
14 We also keep Mapquesting of all directions to all the  
15 major sites. We take the time and effort to make sure  
16 that our guest, who stays with us often and who stays  
17 for the first time, really feel welcome. Does that  
18 answer the question?

19 MR. SOJKA:

20 It does, and you're suggesting it's  
21 active in that aspect?

22 MR. RICHARDSON:

23 It's very personal.

24 MR. SOJKA:

25 Okay. I'm trying to run through these

1 things quickly. Would you be particularly concerned  
2 going into that niche market, and I realize it's not  
3 your whole market, but RV sales, nationally, have been  
4 slumping badly since the fuel concerns of the last  
5 couple of years. And if we look down the road, it  
6 doesn't appear to be any more attractive.  
7 Construction of RVs is off. Do you worry, long-term,  
8 that RVs may in general become less popular than they  
9 are now, with fuel concerns?

10 MR. ALJIAN:

11 I can start off, and I think the other  
12 panel members can pick up, but when we started this  
13 presentation, we said, do we limit the scope of the RV  
14 patron to the casino and the guest? Because it is one  
15 segment of the total population who will be attracted  
16 to the casino. And we're not clear exactly what that  
17 percentage will be, but again, that's one demographic,  
18 one slice of the total pie.

19 MR. SOJKA:

20 Right.

21 MR. ALJIAN:

22 So, that was one way to go. And then  
23 John and everyone agreed, we need to hit this right up  
24 and say as much as we can about the RVs; let's educate  
25 everyone as to what the demographics are of RV owners,

1 and who might actually come to the casino via RVs, or  
2 stay in. So, we spent a lot of time on that.

3 MR. SOJKA:

4 That's good. I'm glad. While we're  
5 talking, then, about the energy issue in general, I  
6 don't want to sound overly green here, but it's hard  
7 for me to imagine that if you had your RV park full in  
8 the winter, and everybody's got their heater going,  
9 and their generator going, and their stove going,  
10 that's about as energy inefficient a way to put people  
11 on a spot as I could imagine, short of giving them a  
12 coal stove and a hibachi. Does that bother you at  
13 all? Is it out of sync with --- because I heard you  
14 talking about a leaves building, and it wouldn't  
15 qualify. But this seems, to me, to fly right in the  
16 face of any kind of energy conservation or anything.  
17 Is it a problem?

18 MR. ALJIAN:

19 That would be a problem, and I go back to  
20 the example of where there are resorts that have  
21 certain guest rooms available for certain seasons.  
22 And I don't know what the occupancy, or how many  
23 patrons would come with their own RVs to hook up in  
24 the dead of winter in Harrisburg, but I would doubt  
25 that there would be many.

1                   ATTORNEY SKLAR:

2                   But one thing, just to be clear; if we're  
3 fortunate enough to get the license, it's going to be  
4 hookups --- we're going to be tapping into the  
5 electrical system. We're not going to be running  
6 generators ---.

7                   MR. SOJKA:

8                   The generators would be gone; you'd still  
9 have to have the individual heating units. I don't  
10 think you can do that in an RV with a centralized  
11 hookup, can you?

12                   MR. ALJIAN:

13                   They would run electric heat off of the  
14 electric panel.

15                   MR. SOJKA:

16                   Okay.

17                   MR. ALJIAN:

18                   So, it would be a hookup.

19                   MR. SOJKA:

20                   Okay. Well, that would cut that down, so  
21 that's a good answer to that. Mentioned there's a  
22 fire issue possibly, too. In the gravitational model,  
23 when you're calculating the propensity, that's a big  
24 issue. What do you use? Do you use a survey to  
25 calculate the propensity? Because I'm trying to run



1 along quickly here.

2 MR. KLEBANOW:

3 Yeah, propensity is a --- my name's  
4 Andrew Klebanow, K-L-E-B-A-N-O-W, principal of Gaming  
5 Market Advisors. When we look at propensity and the  
6 gravity model, that's something that can vary. Here's  
7 what we know about propensities in this region based  
8 on Harrah's profile of U.S. gambler. We know that  
9 propensity is ranged around 30 percent.

10 MR. SOJKA:

11 But determined how?

12 MR. KLEBANOW:

13 The thing that determined the propensity  
14 is the distance to the casino, availability of gaming  
15 to the region, history of the market to the  
16 casino ---.

17 MR. SOJKA:

18 That's what affects the propensity. I  
19 want to know how you measure it. How do you get that  
20 30 percent number? Do you call people? Do you have  
21 them fill out a card?

22 MR. KLEBANOW:

23 Harrah's has done surveys on them  
24 already. They've done research on it. So, we rely on  
25 base research, quantitative research into markets. As

1 an example, in Las Vegas, local Las Vegas where I  
2 live, 70 percent of the adult population visits a  
3 casino at least once a year. We just know that  
4 because the Las Vegas Visitors and Convention  
5 Authority does that research for us. So, we have it  
6 based on ---.

7 MR. SOJKA:

8 Okay. And I guess where I'm still  
9 puzzled is --- because every one of the applicants has  
10 talked about the gravitational model; you're the only  
11 ones that have been kind enough to actually give us  
12 the formula and the breakdown. And I'm a little  
13 puzzled because I think the key variable in there is  
14 this propensity number, and you're telling me, well,  
15 we sort of know this. I mean, if we're in Vegas, it's  
16 70; if we're here, it's something else; and the  
17 farther away you go, the lower it goes. That's not  
18 satisfying. I want to know how they get that.

19 MR. PERRY:

20 Jim Perry once again. I wish I had a  
21 better answer for you, but it's really just by doing  
22 hundreds of models like you see here all over the  
23 country. Knowing the studies, we have researched with  
24 our sister firm, who's a market research firm based in  
25 California, that sits down and does focus groups all

1 over the country.

2 MR. SOJKA:

3 Focus groups. That would be a way.

4 MR. PERRY:

5 Right, but we don't do that specific for  
6 each project that we do, but we do have access to that  
7 information when it's done.

8 MR. SOJKA:

9 But I'm gathering that industry-wide,  
10 there is maybe, and since you're really established  
11 professionals, you're a little vague about how a key  
12 variable is actually determined, and I think maybe  
13 that's explaining a little bit why you all point  
14 fingers at each other and say, well, you know,  
15 gravitational models, but ---.

16 MR. PERRY:

17 It does give us a nice excuse.

18 MR. SOJKA:

19 Just curious about that. I was also  
20 curious with Kerry Smith about whether or not --- what  
21 I'm trying to do is get a handle on the  
22 management/ownership package altogether. And Kerry,  
23 are you going to be, essentially, the operator?  
24 You're going to be responsible for pulling the team  
25 together, for making gaming work, and you're going to

1 be employed by this entity; is that right?

2 MR. SMITH:

3 Yes, that's correct.

4 MR. SOJKA:

5 Not your own personal experience or the  
6 experience of the people you're going to bring around  
7 you, but what's the depth of management? If Kerry  
8 Smith gets the influenza and can't come to work for a  
9 week, is there the equivalent of a company that's got  
10 other people that could be plugged in or anything? Or  
11 is this going to be an on-site, specifically put  
12 together operation no deeper than you?

13 MR. SMITH:

14 Well, this will be an on-site management  
15 staff with the directors of each of the departments  
16 that can manage their daily operations. So, if Kerry  
17 Smith was not there for the course of a week, that  
18 operations would continue to run, and they would be  
19 specialized to manage those particular departments.

20 MR. SOJKA:

21 Okay. And that's it? You're not running  
22 any other gaming operations anywhere?

23 MR. SMITH:

24 No. No, I don't.

25 MR. SOJKA:

1 This is specific to this place?

2 MR. SMITH:

3 Correct.

4 MR. SOJKA:

5 And that's a perfectly good model. I  
6 just wanted to make sure I understand it. I'm taking  
7 too much time. The final thing, I wondered --- I was  
8 at the public access hearing, and I thought I heard a  
9 fairly significant pushback by the neighbors. We've  
10 had the responses, and we've quantitated them, and  
11 they're in here. Do you have any plans, if you would  
12 get this license, as to how you would maybe  
13 proactively attempt to get the neighbors to be a  
14 little bit more receptive to what you're planning to  
15 do?

16 ATTORNEY SKLAR:

17 I think that we've made tremendous  
18 strides in reaching out to the community, and what we  
19 have found is that there is substantial support for  
20 our project. I'm not going to sugarcoat it; there's  
21 clearly people who are opposed, and they just don't  
22 want a casino in their backyard. It's just a fact of  
23 life. But clearly, their response that we've received  
24 is very positive, and we've submitted a significant  
25 number of public comments that evidence that opinion.

1                   MR. SOJKA:

2                   Because you, unlike some of the others,  
3 you do have neighbors right up against you. I've  
4 taken enough time, Mr. Chairman. Thank you.

5                   CHAIRMAN:

6                   You're welcome, and your questions are  
7 always enlightening. Mr. Trujillo?

8                   MR. TRUJILLO:

9                   Thank you, Mr. Chairman. I have to  
10 confess that the hotel and the guest room issue is, in  
11 fact, a lawyer's delight, so I guess I'd better start  
12 with that. I guess what I'd like to start --- and by  
13 the way, I also want to say, I personally am very  
14 intrigued by the model because I recognize that  
15 Pennsylvania, without quoting Jim Carville, there's a  
16 lot of folks who do things much differently than  
17 perhaps some of us do, and that there's a --- I  
18 understand what kind of market there is here. So, I'm  
19 actually very intrigued by the model, but I'm more  
20 intrigued by the transient RV model than I am about  
21 the permanent RV model.

22                   So, what I'd like to do is go to the  
23 definition section of the statute which defines not  
24 guest room, but hotel. And hotel is defined, skip  
25 one, except as provided here under paragraph two, and

1 it says, when the term is used in Section 1305, paren,  
2 relating to Category 3 slot machine license, close  
3 paren, or 1407d, paren, relating to Pennsylvania  
4 gaming economic development and tourism fund, close  
5 paren, comma, a building or buildings in which members  
6 of the public may, for a consideration, obtain  
7 sleeping accommodations.

8           So, obviously then, that's relating us  
9 back to 1305, and then 1305a speaks to a well-  
10 established resort hotel having no fewer than 275  
11 rooms under common ownership, dot dot dot. Does that  
12 relationship to the definition section, where hotel is  
13 defined, not put us then squarely back in the  
14 legislature anticipating that a guest room is, in  
15 fact, a guest room at a hotel?

16           ATTORNEY SKLAR:

17           I think that the answer is they could  
18 have easily amended the word, guest rooms. If their  
19 intent was to say that the guest rooms have to be  
20 hotel rooms, they would have just changed --- it's a  
21 simple striking of the word in 1305, striking guest  
22 and replacing it with hotel. I think it's really as  
23 simple as that.

24           MR. TRUJILLO:

25           And so your point, and as I view your

1 application, it is --- and I appreciate the candor in  
2 terms of what you literally contemplated, and then the  
3 legislation changed. There's nothing wrong, from a  
4 definition or for a jurisdictional standpoint, wanting  
5 to fit within the language of the statutes. So, I  
6 don't hold that against anybody, but I just want to be  
7 clear; is it your position, then, that we as the Board  
8 have sufficient room under the statute to find that  
9 the guest rooms in the recreational rooms, and your  
10 application, when completed, gives us the ability to  
11 find you eligible, and therefore, once we find you  
12 eligible, then we can move on to our suitability and  
13 other issues? Is that an accurate ---?

14 ATTORNEY SKLAR:

15 Exactly.

16 MR. TRUJILLO:

17 Okay. And so, if we go, then, to the  
18 recreational vehicles, I guess one thing I did want to  
19 have a sense of, and I believe Mr. Smith spoke about  
20 his --- and one of the first questions I had was, RV  
21 comps. And I know that there was some discussion. I  
22 believe somebody spoke about one in Louisiana, but the  
23 first one I think Mr. Smith spoke about, or at least  
24 was on the PowerPoint slide, related to Circus Circus.  
25 I guess what I'd like to know, and I haven't seen



1 anything in the record beyond those two things, is how  
2 many RVs were on-site, or are on-site, at Circus  
3 Circus, and how are other properties with RVs doing  
4 with casinos? And by the way, I don't think this is  
5 even close to a conflict, but I think some of you  
6 know, I did have an association a few years ago with  
7 Planet Hollywood. I don't think you and I ever dealt  
8 with each other, but if anybody has a problem with me  
9 participating, please let me know. But I just want to  
10 make sure that that was out there. I think Mr. Sklar,  
11 you're aware of that; and Mr. Donnelly, you're aware  
12 of that.

13 MR. KLEBANOW:

14 Regarding the gaming behavior of people  
15 who are transient travelers in RVs visiting a casino  
16 property, the short answer is, it depends; all right?  
17 So, if you have an RV traveler who's coming from  
18 Michigan, who's a snow birder going to Laughlin for  
19 the winter, the gaming activities are less than  
20 someone going to a casino for the weekend. They're on  
21 a very fixed budget; they're going there with a fixed  
22 amount of budget, and they want to get through the  
23 winter. So, the gaming profile is less than someone  
24 who is getting in an RV and driving someplace for the  
25 weekend. Our model did not break out RV travelers,

1 transient RV travelers. What we did is the gravity  
2 model examined the entire daytrip market. Now, will  
3 there be people who are traveling from outside the  
4 market? We believe our model accounted for that, but  
5 there certainly may be people from outside the outer  
6 markets; people who are just traveling from Canada,  
7 Florida, and see an RV park with a casino, and they  
8 will stop in and play. The model did not capture  
9 that. So, the short answer; the profile of a  
10 transient RV customer is just depending on that type  
11 of RV customer. Are they going away for six months or  
12 just going out for the weekend? The shorter the stay,  
13 the higher the gaming revenue can be generated from  
14 them. And those people are completely different from  
15 people renting a lodging unit that happens to be an RV  
16 unit. We treated those people like the hotel guests.

17 MR. TRUJILLO:

18 And I assume the intriguing part to you  
19 of an RV transient traveler is the \$68,000 annual  
20 income, and having the ability to have disposable  
21 income?

22 MR. KLEBANOW:

23 Again, the model that we built did not  
24 take into account individual RV types. We just looked  
25 at the daytrip market and the outer market, and came

1 up with estimates in the gravity model.

2 MR. TRUJILLO:

3 Okay. And then so as to the Circus  
4 Circus or the Louisiana --- I'm not sure who can speak  
5 about that ---.

6 MR. KLEBANOW:

7 Well, you're looking at two different  
8 things. Circus Circus has an RV park, or had an RV  
9 park, for 30 years on property off of Las Vegas  
10 Boulevard. Sam's Town Hotel and Gambling Hall, where  
11 I was employed, has to this day an RV park on  
12 property. Those are decidedly different than the  
13 mobile homes that are built as lodging units at the  
14 Coushatta Casino Resort in Kinder, Louisiana, or the  
15 Grand Casino in Hinckley, Minnesota. Those are mobile  
16 homes that are lodging units, and they're people  
17 driving by car; unload the car, the station wagon;  
18 empty the cooler; move into the thing for a few days  
19 because it has a kitchenette, and a porch, and a place  
20 that they can barbeque. So, different customer.

21 MR. TRUJILLO:

22 Okay. But here we have, I think both,  
23 don't we?

24 MR. KLEBANOW:

25 Yep, here you have both.

1                   MR. TRUJILLO:

2                   And because I'm familiar, having at one  
3 point in my life actually lived in one, I'm painfully  
4 familiar with long term residence in small spaces.  
5 So, here we have both the transient RV traveler that  
6 you want to take advantage of, and then the more  
7 permanent one, which I take it really, you're using  
8 that as a jurisdictional hook in order to meet the  
9 statutory requirements. Again, I don't mean that  
10 pejoratively; I just want to understand ---.

11                   MR. KLEBANOW:

12                   The model is true to those lodging units  
13 --- property as lodging units as a room, whether it  
14 happens to be an RV or an exterior quarter room, it's  
15 a room, a rentable unit. We treat it all the same  
16 way.

17                   MR. TRUJILLO:

18                   Fair enough. I understand. I'd like to  
19 know a little bit --- and this relates to financials.  
20 The only financials I saw related to the hotel --- is  
21 CMS or any of its family of companies registered  
22 investment advisors?

23                   MR. ALJIAN:

24                   We are, yes.

25                   MR. TRUJILLO:

1 CMS is, or ---?

2 MR. ALJIAN:

3 CMS Companies is a registered investment  
4 --- yes.

5 MR. TRUJILLO:

6 Okay. And in terms of the assets under  
7 management, what's your assets under management?

8 MR. ALJIAN:

9 In total dollar value ---

10 MR. TRUJILLO:

11 Yes.

12 MR. ALJIAN:

13 --- for instance, the real estate  
14 portfolio today, in total dollar amount, about \$1.4  
15 billion, \$1.3 billion.

16 MR. TRUJILLO:

17 Again, I don't have a lot of information  
18 on CMS, but as I understand it, your primary assets  
19 are not cash, but real estate holdings?

20 MR. ALJIAN:

21 Correct.

22 MR. TRUJILLO:

23 And so, in terms of liquidity, and I saw  
24 the numbers that CMS, and I think CMS 2 and the like,  
25 are participating, I'd like to get the sense from you

1 in where the cash comes from.

2 MR. ALJIAN:

3 The funds that we have in the CMS gaming  
4 fund, the \$60 million fund, we raise all of our funds  
5 from direct relationships with high net-worth  
6 individuals and families. And they subscribe to this  
7 closed-end fund, and we went out with a marketing  
8 period a year ago now, and I think we closed our last  
9 investor, demand note financing, in January. So, what  
10 we do is we call the capital that's been committed by  
11 these individuals when needed. So, in a typical fund,  
12 for instance, \$125 million hospitality fund, we don't  
13 call all that money day one. Our investor signs a  
14 demand note and we say, when we have the investment,  
15 we will give you an appropriate amount of time with  
16 which you will then send us that percentage of money  
17 that we need.

18 This is the same thing, and we have  
19 called, I believe, \$32 million or \$33 million of the  
20 \$60 million, and we have been sitting on that cash for  
21 quite some time now. If we were to get both licenses,  
22 for instance, we would then give appropriate notice in  
23 advance, and those investors would then fund the next  
24 slug of money that we would invest.

25 MR. TRUJILLO:

1           Okay. And I don't remember who it was  
2 that testified about this, but somebody testified that  
3 this region was number two in terms of visitors, and  
4 --- yes, I guess my main question is what area is  
5 number one?

6           DR. GLASSEY:

7           I believe it was Philadelphia.

8           CHAIRMAN:

9           If you go through the region ---?

10          MR. TRUJILLO:

11          Yeah. Thank you. And Mr. Sklar, you  
12 spoke about Penn National's statements as it was  
13 trying to obtain licensing in, I believe, Maryland.  
14 Do you have any transcripts or anything that evidences  
15 the statements made by Penn National as it relates to  
16 obtaining play from Pennsylvania?

17          ATTORNEY SKLAR:

18          As an exhibit to our comparative evidence  
19 memo, I attached the pages from their PowerPoint  
20 presentation to the Maryland Gaming Commission.

21          MR. TRUJILLO:

22          Okay. Thank you. Mr. Smith, I'd like to  
23 hear a little bit more about your gaming background,  
24 and I'd like you to be as specific as possible,  
25 including how many casinos you've been directly

1 responsible for as the general manager, and so as much  
2 detail as possible. I'd like to hear more about your  
3 background.

4 MR. SMITH:

5 As far as the general manager's position,  
6 I have not been a general manager, but I've been the  
7 direct individual that's responsible for casino  
8 operations.

9 MR. TRUJILLO:

10 And where was that?

11 MR. SMITH:

12 Resorts International in Atlantic City.

13 MR. TRUJILLO:

14 And during what time period was that?

15 MR. SMITH:

16 1997 to 2000. I could submit my  
17 resume ---.

18 MR. TRUJILLO:

19 That'd be great. That would be helpful.

20 Thank you.

21 MR. SMITH:

22 Certainly.

23 MR. TRUJILLO:

24 Mr. Chairman, that's all I have.

25 CHAIRMAN:



1 Thank you. Commissioner Ginty?

2 MR. GINTY:

3 Thank you, Mr. Chairman. A couple of  
4 questions. First is, 219 Holiday Inn rooms; 36 RVs;  
5 where are the other 20?

6 MR. ALJIAN:

7 In our project, there are also an  
8 additional 20 hotel rooms that are not part of the  
9 franchise agreement with Holiday Inn. So, I believe  
10 that was built at a different time years ago. It sits  
11 off to the side, and what GF Management has been able  
12 to do is capture the different rates schedule for  
13 those 20 rooms. There is no franchise fee paid to  
14 Holiday Inn on those 20 rooms, so that's the  
15 discrepancy that you see there.

16 MR. GINTY:

17 So, when you showed the diagram ---?

18 MR. ALJIAN:

19 It's part of the total property site and  
20 it's incorporated into our total room count.

21 MR. GINTY:

22 The information I have here that shows  
23 that your average stay is 1.5 nights; is that correct?

24 MR. RICHARDSON:

25 I believe it's 2.4.

1           MR. GINTY:

2           You testified that it was 2.4.

3           ATTORNEY SKLAR:

4           Currently this year, year-to-date, it is  
5 2.4.

6           MR. GINTY:

7           And what I'm showing here, and you have  
8 to understand that it's 1.5.

9           ATTORNEY SKLAR:

10           FIU sent a schedule, and on that  
11 schedule, you're correct; we put 1.5. We went back,  
12 and I asked Dan to look, and the number's actually  
13 2.4.

14           MR. GINTY:

15           And are you projecting it will stay at  
16 2.4, then, or do you anticipate it ---?

17           MR. RICHARDSON:

18           That's a historical number for our  
19 property.

20           MR. GINTY:

21           And are you projecting that'll  
22 increase ---?

23           MR. RICHARDSON:

24           Obviously, if we're granted a license, I  
25 would expect it would.

1           MR. GINTY:

2           Okay. That's higher than the number of  
3 other applicants'.

4           MR. RICHARDSON:

5           Yes, it is.

6           MR. GINTY:

7           Mr. Klebanow --- I hope I pronounced that  
8 close enough --- I'm trying to understand the numbers  
9 so that we can compare one applicant to another. And  
10 as I understand it, in 2013, you're projecting  
11 revenues of \$76 million; is that correct?

12          MR. KLEBANOW:

13          Yes.

14          MR. GINTY:

15          Now, I understand you got there by ---  
16 \$71 million of that is coming from what you termed the  
17 daytrip market?

18          MR. KLEBANOW:

19          Correct. And I'm going to have Jim step  
20 up and comment specifically since he built the model.

21          MR. GINTY:

22          Okay. So, \$71 million is coming from  
23 daytrip market, and I assume daytrip market are people  
24 that'll come, use the casino, and then go home?

25          MR. PERRY:

1 Yes, sir.

2 MR. GINTY:

3 Then you have about \$2 million from what  
4 you call the outer market, and I think you described  
5 as impulse gamers, or ---?

6 MR. PERRY:

7 It's a combination of different things.  
8 In this particular project, it includes the traffic  
9 intercept market, so people that are driving along one  
10 of the many highways that see a casino; that decide  
11 they're going to stop off and play for a little while;  
12 they're tired and they want to get lunch; they'll play  
13 in the casino.

14 MR. GINTY:

15 Why is that different from the daytrip  
16 market?

17 MR. PERRY:

18 Because the daytrip market is specific to  
19 --- and it wasn't included in this presentation, but  
20 in our report, which I believe you guys all have  
21 copies of, there's a market which is --- there's six  
22 geographical market segments, and that is what we used  
23 to quantify the daytrip market.

24 MR. GINTY:

25 So, that leaves \$3 million as coming from

1 overnight guests?

2 MR. PERRY:

3 Yes.

4 MR. GINTY:

5 So, \$3 million of the \$76 million is from  
6 overnight guests?

7 MR. PERRY:

8 Yes, sir.

9 MR. GINTY:

10 That's much lower than what the other  
11 applicants are showing.

12 MR. ALJIAN:

13 I can explain on that a little bit, and  
14 then Andrew can clean up what mess I make. It's been  
15 a huge learning curve for me for the last three years,  
16 and so I speak with Andrew and Jim and other experts  
17 in the industry. I would love to be able to say, show  
18 me what the capture rate is for the hotel guest for  
19 Harrisburg market; show me what the capture rate is  
20 for an RV that is onsite; show me the capture rate for  
21 someone that comes in transient and wants to park and  
22 stay there for 2.4 nights. There are no data points.  
23 There are absolutely no data points. We had a  
24 conversation with Andrew --- show us more revenue;  
25 show us more capture from this hotel in this resort.

1 It's not out there. If we were to present that, there  
2 are no data points that they could point to that would  
3 back that up.

4 Now, when I deal with hotels that we turn  
5 around, we bring in a new marketing team. They have a  
6 lot of ideas, many unproven, and we go with those and  
7 we see which work and what don't. We try to capture  
8 more and more of the market. We also do outreach  
9 programs where they go to corporations and other  
10 things. They do Tourism Board. They have meetings  
11 with them; how can we capture? They go to Convention  
12 Board; capture as much as they can. And that's what  
13 we're going to do here. But unfortunately, I don't  
14 have any data points, and Andrew can talk a little bit  
15 more.

16 ATTORNEY SKLAR:

17 Before you begin, I just want to put this  
18 in context because when we analyze the market studies  
19 from the competitors, and we saw a substantial  
20 component of their overall revenues were coming in a  
21 very ---.

22 MR. GINTY:

23 But, it's pretty consistent; 20 to 23  
24 percent.

25 ATTORNEY SKLAR:

1 I'm not even talking about the capture  
2 rate; I'm talking about the segment coming from  
3 overnight outside of the particular facility that was  
4 the subject. And it we said, well, wait a second;  
5 what are we missing here? And we went back and talked  
6 to Jim and Andrew, and Andrew, why don't you ---.

7 MR. ALJIAN:

8 And before Andy does, so Mike and I did  
9 our own calculation using those metrics, and again,  
10 I'm not the expert, and we said, can we use this? And  
11 basically what we found was in the Greater Harrisburg  
12 Area, there's over 13,000 rooms in the market, times  
13 365 days of the year, times the average number of  
14 guests of 1.5 guests per room. And then we say,  
15 what's the average length of stay; we divide that by  
16 2.4 days. Then we say, okay, what's the capture rate  
17 of that? And we said, is it 20 percent; is it 30  
18 percent? As creating this, let's say 10 percent or 12  
19 percent. And we came up with a number that was  
20 between, depending on what percentage you wanted to  
21 capture between \$8 million to \$14 million. Then we  
22 said, Andrew, can we use this? Other guys are using  
23 this metric.

24 MR. KLEBANOW:

25 And my answer is no. The hotel revenue

1 that we show in our report is coming from the Holiday  
2 Inn Hotel and all the associated rooms. There are  
3 1,300 rooms in this market. If I was to try to  
4 quantify the gaming revenue associated with those  
5 rooms, and those rooms that were not pertinent to the  
6 property, across the street from the property within  
7 reasonable walking distance from the property, I found  
8 myself groping for revenue, and I'm not in a position  
9 to do that. I just don't think it's appropriate for  
10 me as an independent consultant to find revenue in  
11 places that I would not normally look. And while yes,  
12 we have a sizable room supply in this market, and yes,  
13 certain people will come up at night and gamble in the  
14 casino. Again, as he said, I have no data points to  
15 go to, to say, what's a reasonable capture rate from  
16 these 1,300 rooms in this market? And for me to  
17 speculate, it would be nothing more than speculation.  
18 And my reports are prepared for lending institutions  
19 and for yourselves so you can forecast future tax  
20 revenue. And I'm just not going to grope for revenue  
21 and try to obtain a number.

22 MR. GINTY:

23 Here's the quandary. We have Category 1s  
24 and Category 2s, which appropriately labeled as, I  
25 think the term is convenience gaming. Category 3 is



1 resort gaming, and there has to be a difference. And  
2 if you're getting --- I can't do the math --- 90  
3 percent of your revenues from what would be basically  
4 convenience gaming, I think you can be putting  
5 yourself at a disadvantage.

6 MR. ALJIAN:

7 And we've already submitted the gaming  
8 report. We very well couldn't go back and amend that  
9 after hearing and reading the other game reports. But  
10 we could use the same metrics and revise our report  
11 and say, here's an example of what we believe we could  
12 capture. That might be something that might be  
13 appropriate, if we're trying to capture exactly what  
14 it is from the tourists, or from the resort patron.

15 MR. GINTY:

16 It would be helpful to me if you would  
17 --- and I can't talk for my colleagues --- but if you  
18 could look at what the other applicants did, and you  
19 don't have to agree with what they did, but using  
20 whatever percentage, or however they speculate it, and  
21 give us what you think your number was. If you want  
22 to do ---.

23 MR. KLEBANOW:

24 The short answer; yeah, I don't agree  
25 with what they did. I don't think the assumptions

1 they made regarding all the hotels in that market,  
2 from the 13-room Frontier Inn to the Comfort Inn on  
3 the other side of town --- I don't think all those  
4 hotels can be dealt with equally; you have different  
5 types of people staying in these hotels; you have  
6 people on extreme budgets; you have people on limited  
7 budgets; and you have people with families. So, it's  
8 wrong to assume that they'll all behave the same way.  
9 And the fact is, once they are in a hotel room and  
10 it's evening, it's unlikely they're going to get in  
11 the car and drive to a casino simply because of  
12 the ---.

13 MR. GINTY:

14 But I'm talking about the people that are  
15 going to be staying with you. So, they don't have to  
16 drive there?

17 MR. KLEBANOW:

18 Yep.

19 MR. GINTY:

20 They can walk into the casino?

21 MR. KLEBANOW:

22 Yes.

23 MR. ALJIAN:

24 We could submit a matrix using a number  
25 of capture based upon any number of radii that we use

1 in terms of how far out we go in the Harrisburg market  
2 and break that down. And then, again, to Andrew's  
3 point, when I speak with lenders on other real estate  
4 properties, we have other income; what's in other  
5 income? And I can explain it over and over again, and  
6 yet the lender will go, that's great; I'm going to use  
7 my own number for other income because that might be  
8 too high, or you can't capture it. But I can't  
9 finance on that, and that's Andrew's point of how he  
10 does his study as well.

11 MR. GINTY:

12 I'm going to get off this. You're  
13 showing a relatively high occupancy rate; you're  
14 showing a relatively high stay night. And I think,  
15 again, some of your competing applicants made some  
16 calculation somewhere, or however they came up with  
17 it, that people that are in those rooms are going to  
18 gamble 100 bucks or 125 bucks; they're able to come up  
19 with a number. \$3 million is very low, and I think it  
20 puts you at a disadvantage.

21 MR. ALJIAN:

22 We used the number \$55, and again, I go  
23 back to Gaming Market Advisors with their expertise,  
24 and I was hopeful that it would be a lot more than  
25 that, and I saw the presentations yesterday and this

1 morning, and I saw that everybody was looking for a  
2 much higher patron spend per visit.

3 MR. GINTY:

4 Are you able to explain, and I very much  
5 appreciate the other fact that you're being honest  
6 about it ---.

7 MR. KLEBANOW:

8 And I'm obligated to the financial  
9 institutions that rely on these numbers to come up  
10 with conservative number. I would like to see this  
11 revenue be exceeded; that would be good. I just can't  
12 rationalize it in a spreadsheet.

13 MR. GINTY:

14 That's all I have, Mr. Chairman. Thank  
15 you.

16 CHAIRMAN:

17 Commissioner Angeli.

18 MR. ANGELI:

19 Simple questions. I get a little bit  
20 confused when we talk about the RV and the visits.  
21 This is designed for the RVs to be in place there for  
22 people to lease just as a hotel room. Are you  
23 planning space somewhere on this compound for visiting  
24 RVs, too?

25 MR. ALJIAN:

1 Correct.

2 MR. ANGELI:

3 Okay. And you have the space on the  
4 current design ---?

5 MR. ALJIAN:

6 Yeah, in the architect's plan in the  
7 handout, you will see that there was 30 additional  
8 spaces for RV hookups.

9 MR. ANGELI:

10 Okay. And I know you'll address this,  
11 but it got a little confusing here for me; is all of  
12 the property under ownership now under some kind of  
13 contractual agreement, or some document that meets the  
14 standards of our people here?

15 ATTORNEY SKLAR:

16 Yes.

17 MR. ANGELI:

18 Okay. Do you own the RVs?

19 ATTORNEY SKLAR:

20 Yes.

21 MR. ALJIAN:

22 Penn Harris Gaming.

23 MR. ANGELI:

24 Pardon?

25 MR. ALJIAN:

1 Penn Harris.

2 MR. ANGELI:

3 Penn Harris, you own the --- they're not  
4 leased?

5 MR. ALJIAN:

6 Yes. I have 36 titles in my desk drawer.

7 MR. ANGELI:

8 Okay. But they're not there? They're  
9 not on the property, no?

10 MR. ALJIAN:

11 The RVs are all there since August ---.

12 MR. ANGELI:

13 All of them are?

14 MR. ALJIAN:

15 All 36 have been there since August 2nd.

16 MR. ANGELI:

17 Okay. I thought just --- I'm miscounting  
18 your design, that's all. In your aerial view, I can  
19 only count 20; that's what I was looking at. That's  
20 all I have. Thank you.

21 CHAIRMAN:

22 Commissioner Coy?

23 MR. COY:

24 Just one or two questions, given the time  
25 situation. I was curious, because I think it's a good

1 idea, about the formation of the charitable  
2 foundation. Just expand on that a little more. I  
3 think all I heard you say was that it would be used  
4 for Hampden Township residents. Is there more?

5 ATTORNEY SKLAR:

6 We signed a commitment letter, and if  
7 we're issued a license to establish a foundation, and  
8 it will be 501C3, there will be three Board members,  
9 two of which we'll appoint; one of which the Hampden  
10 Township Commissioners will appoint. And the charter  
11 will specify that the funds will be used for the  
12 benefit of Hampden Township residents.

13 MR. COY:

14 Okay. But I guess what I was getting at  
15 is, use for what? Scholarships for students, or what?  
16 I'm just trying to --- or you're leaving it open, I  
17 guess?

18 MR. ALJIAN:

19 Leaving it open, but it would be more for  
20 community services, parks, recreation, that sort of  
21 thing. The problem would be, for instance, I made a  
22 suggestion for the football team needs new equipment;  
23 then you start getting into board education issues  
24 with how that's used. So, I think it would be more  
25 for recreational.

1                   ATTORNEY SKLAR:

2                   Purposefully, we want to keep it broad  
3 because we want to listen to what the residents need,  
4 where they know certainly a lot better than we do.  
5 So, we want to keep it as broad as we can.

6                   MR. COY:

7                   Right. Right. I appreciate that. And  
8 one comment, especially with regard to something that  
9 Commissioner Sojka said earlier in terms of how to get  
10 friendlier neighbors, or how to convince some of the  
11 neighbors to be more supportive; I think you've got to  
12 talk about the taxes, and the amount of dollars that  
13 will go to local municipality, and what it means to  
14 them. All of our applicants, and all of our  
15 licensees, somewhere most of our current licensees do  
16 a pretty good job with this. They talk about this  
17 openly, and they say, here's what is provided, and  
18 your taxes will not go up by this amount because of  
19 this. And I just commend that to you as something you  
20 might want to focus on and let the local township  
21 residents know what this means to them, potentially.  
22 I've always found that lower taxes make people happy.  
23 Thank you.

24                   CHAIRMAN:

25                   Thank you. I have a couple of questions.



1 Could you pull up the chart where you have the diagram  
2 of the facility? And this is back to Commissioner  
3 Angeli's point. Tell you what; while we're waiting  
4 for that, I'll go on to some other questions. The  
5 local political support; we had seen from the other  
6 applicants where they had Township Commissioners,  
7 County Commissioners, solicitors, list of local, state  
8 reps, state senators, showing their support with  
9 letters or their names. Is there any local political  
10 support that you have?

11 MR. ALJIAN:

12 We've met with Township officials  
13 numerous times, and I think we have developed a good  
14 working relationship with them. We've also gone to  
15 the Cumberland County Chamber, and asked them to come  
16 out and support. At this point in time, I would say  
17 that everyone we've met with is trying to stay as  
18 neutral as they can, and want to know more and want to  
19 learn more because they've asked a number of questions  
20 that deal with us, and also the Board, to help them  
21 understand, for instance, zoning, parking issues, and  
22 what this really means to the municipality. The  
23 dialogue has been excellent, and one that we're hoping  
24 to continue. But to this point, we have not been able  
25 to get anyone's say, we are a hundred percent for this

1 and we're going to come out publicly and say so.

2 CHAIRMAN:

3 Okay. Fair enough. On the jobs, we went  
4 through this earlier today, and I think I saw your  
5 diagram, your PowerPoint say that there were 300 new  
6 jobs being created. Did I see that correctly?

7 MR. SMITH:

8 Yes.

9 CHAIRMAN:

10 Could you come up? Are those all full-  
11 time jobs?

12 MR. SMITH:

13 Yes.

14 CHAIRMAN:

15 And I also saw on that chart that the  
16 average salary, I believe, was about \$40,000, which  
17 included benefits?

18 MR. SMITH:

19 Correct.

20 CHAIRMAN:

21 So, give or take benefits being 20  
22 percent of salary, so somewhere in the low to mid 30s,  
23 and then benefits on top of that to equal \$40,000?

24 MR. SMITH:

25 That's correct.

1                   CHAIRMAN:

2                   Okay. What type of benefits are we  
3 talking about?

4                   ATTORNEY SKLAR:

5                   Health, 401(k), dental, the normal type  
6 of --- I think that's the universe of the benefits.

7                   CHAIRMAN:

8                   Okay. I don't think I heard much  
9 discussion on the patron of the amenities issue, or  
10 did I just miss that? And we heard other presenters  
11 over the last two days talk about what a conundrum  
12 that was for them. And specifically, Nemacolin, which  
13 quite frankly is a premier resort which probably has  
14 more amenities than any other applicant, and they  
15 profess to have issues with dealing with how they  
16 track that, and what kind of a negative or tamping  
17 down of their patron that specific issue will cause.  
18 I don't think --- and again, I may have missed it ---  
19 but I don't think I heard any of you talk about how  
20 you will deal with that.

21                   MR. ALJIAN:

22                   We didn't really delve into that in this  
23 presentation, and I was present yesterday for  
24 Gettysburg, and this morning. Just about every  
25 example they gave of situations that they thought they

1 could either create memberships, or how that fee could  
2 be applied, how we could be controlling things; Jim  
3 did go into that a little bit. I'm not sure who went  
4 through it. We would have to develop the same thing  
5 with the Board's guidance.

6 CHAIRMAN:

7 But again, I guess back to Commissioner  
8 Ginty's point, if the vast majority of your clientele  
9 is coming from --- I guess the patron or the  
10 amenities, that would be the room charge, I guess. I  
11 didn't get a sense that you guys had a handle on that.

12 ATTORNEY SKLAR:

13 I think that a critical component of the  
14 patron, the amenities, is going to be the membership  
15 part of it; that there's only so many guests who are  
16 going to stay at the hotel; there's only so many  
17 guests who are going to come to the restaurants. And  
18 in order to make this economically feasible, the  
19 membership component, I think, is going to have to  
20 play a critical role in generating guests.

21 CHAIRMAN:

22 And the membership would be in what?

23 ATTORNEY SKLAR:

24 We would have membership to all of the  
25 general recreational membership, and we would break it

1 out with specific components for the miniature golf  
2 course, for the volleyball, for the fitness center,  
3 for the pools. So, we would have a menu of  
4 memberships at different price points, depending on  
5 how inclusive of the use of the amenities.

6 MR. ALJIAN:

7 Right. And Dan just pointed out to me  
8 that also, not only do you have hotel guests that are  
9 at the resort, you also have the weddings, the  
10 meetings, all those patrons would then qualify, I  
11 believe, since they're using the facility, to have  
12 entry into the casino.

13 CHAIRMAN:

14 Well, except that if you have wedding  
15 guests or convention guests, it's really the people  
16 that are putting on the wedding, not me as a guest,  
17 that is --- I'm not spending any money; I'm coming as  
18 a guest of the person who's paying for the wedding.  
19 And if I'm a conventioneer, again, maybe I have a  
20 hotel room, but the person who's throwing the  
21 convention is putting out the cash, not me.

22 MR. RICHARDSON:

23 I think that's certainly true, but I also  
24 think you have to understand that we have, with our  
25 bars and other options, people are spending money

1 morning, noon, day, and night above and beyond what  
2 they're being provided for by the host.

3 CHAIRMAN:

4 Okay. Fine. Can we, and I hate to be a  
5 nudge about this, do you have a better diagram of the  
6 facility? Yeah, let's use that one. It's just a  
7 little bigger. Back to Commissioner Angeli's point,  
8 on that diagram right there, where are the current RVs  
9 located? Why don't you start with that question;  
10 where are the current RVs located in? I think I know  
11 because I was out there at the facility, but you tell  
12 me.

13 MR. ALJIAN:

14 Let's go back to the other slide as well,  
15 but there are a number of them around the multi-use  
16 field, currently.

17 CHAIRMAN:

18 So, back by Number Eight?

19 MR. ALJIAN:

20 Correct.

21 CHAIRMAN:

22 Okay.

23 MR. ALJIAN:

24 And then the remainder are secured on the  
25 back six-acre parcel that was denoted on here for the

1 RV world area. There's a clearing. So, if we go back  
2 a couple of slides to the larger, the top left corner  
3 right now is heavily wooded, and we cleared a section  
4 and parked the RVs, and when they're needed --- if we  
5 need more than what we already have available near the  
6 multi-use field, we'll bring them out. But right now,  
7 they're situated back there.

8 CHAIRMAN:

9 Okay. And so the RV park will be back in  
10 that back left corner?

11 MR. ALJIAN:

12 Correct. And there also will be units  
13 --- and again, this design, we can change this as time  
14 goes on, but we also brought units closer to --- go  
15 forward a couple slides. We have RV units in Number  
16 Seven, so between ---.

17 CHAIRMAN:

18 Hold on. Let me just get focused.  
19 Number Seven up in the left-hand, or the right ---?

20 MR. ALJIAN:

21 Upper right corner, middle right.

22 CHAIRMAN:

23 Okay. I see yes.

24 MR. ALJIAN:

25 So, we also have denoted on here RVs that

1 are permanent RVs, guestrooms, situated there. The  
2 ones that come in and hook up, they'd be in that back  
3 parcel on the previous slide.

4 CHAIRMAN:

5 Okay. And then where are the 900 parking  
6 spots? I guess I see them up there by Number Three in  
7 front of the casino, and then to the left of Number  
8 One. So, again, I can't obviously count that, but I  
9 want to make sure that with the RV park there, there's  
10 still 900 spots that you had talked about before.

11 MR. ALJIAN:

12 Mark can go through the detail, and then  
13 one caveat is that, you know, I've worked with Parkway  
14 Corp. on parking issues in the past, and what we don't  
15 have here is a heavy stacking of cars, where you have  
16 valet, and then you can go two, three, four, five  
17 deep. And typically you can get anywhere from three  
18 to as much as six times as many cars in a certain area  
19 that's designated. So, right now, I believe we have  
20 designated individual parking spaces that are both  
21 valet and also self-park.

22 MR. PETRELLA:

23 All right. To clarify, actually on-site,  
24 there are 938 represented in this plan; 79, as I  
25 indicated before, are under the casino, so



1 underground; the rest are dispersed around the site.  
2 You see a majority of those spaces run across the  
3 front of the casino, adjacent to Carlisle Pike.  
4 There's a large parking lot which exists to the left  
5 of the existing hotel. Then you can see that they do  
6 wrap around the building up towards the multi-purpose  
7 field and down the left side of the property. And if  
8 you advance to that blow up slide of the rear RV world  
9 area, and there's actually a blow up of that as well,  
10 if you advance a couple more slides, I think there's a  
11 --- there's a large parking lot back there, which  
12 would probably be utilized as valet or employee. But  
13 I wanted to clarify that all the spaces represented in  
14 this drawing are standard spaces, and there are no  
15 stacking or tandem spaces for valet. So, there is  
16 potentially more parking available on-site, but right  
17 now, we have 938.

18 CHAIRMAN:

19 Okay. And one last question.  
20 Commissioner McCabe had whispered in my ear; there is  
21 no additional zoning variances or local commission  
22 support that you need to do this facility? In other  
23 words, your plot there, the 22 acres, is currently  
24 zoned with the RVs, and everything that you need, you  
25 have already; is that correct?

1                   ATTORNEY SKLAR:

2                   Not entirely. The zoning code does not  
3 address RVs at all. Recently, Hampden Township passed  
4 a catch-all provision in the zoning code, and we  
5 submitted a conditional use application for the RV  
6 component. And we're discussing with them that  
7 aspect.

8                   CHAIRMAN:

9                   Okay. So, you don't have that  
10 conditional use permit yet?

11                   ATTORNEY SKLAR:

12                   No.

13                   CHAIRMAN:

14                   Okay. Commissioner Sojka?

15                   MR. SOJKA:

16                   Do you have any more, Ken? I am done,  
17 but I thought maybe one or the other of you would ask  
18 these last two questions, again, that I think are  
19 going to help us get to this nagging question we're  
20 all getting to about the resort business. And without  
21 saying one's better than the other, or I would vote  
22 one way or the other, there seem to be after two days  
23 of testimony, two ways to get to and attempt to  
24 satisfy what the statute is asking for. Your theme  
25 today has been location, location, location. That's a

1 very legitimate thing to do in the real estate world,  
2 and when you do that, that means you look for a  
3 location as people who want to put in a gaming  
4 facility. And then you look around and you find  
5 something that either does or could be made to fit the  
6 description of a resort. There's another approach  
7 which says, we have a resort and we'd like another  
8 amenity. Would you agree that if you're doing  
9 location, location, location, it really means that the  
10 gaming is leading; you're looking for a place to put  
11 the gaming, and you found something that you can make  
12 into a resort; is that not right?

13 MR. ALJIAN:

14 I can make an argument that ---.

15 CHAIRMAN:

16 I'm not saying that's wrong.

17 MR. ALJIAN:

18 Well, there could be an amenity that you  
19 want to add to a resort that makes no sense in that  
20 location, and that's another way to look at it as  
21 well.

22 MR. SOJKA:

23 Well then, let me ask what will be my  
24 final question. Maybe this gets all the way back  
25 around it, and that is if, for some reason or other,

1 you don't get the license, what is the future of the  
2 Holiday Inn in that spot?

3 MR. ALJIAN:

4 The future of the Holiday Inn is clear;  
5 it'll continue to run as a hotel, and as Dan has said,  
6 they have their resort amenities, and he's been very  
7 successful on that. If we go back over time, he's  
8 continued to add amenities over time as he's bred more  
9 and more success to that hotel. And in talking with  
10 Dan, he has many, many more ideas that he thinks ---.

11 MR. SOJKA:

12 The RVs would probably come out?

13 MR. ALJIAN:

14 The RVs would probably come out.

15 ATTORNEY SKLAR:

16 But just one clarification. I think we  
17 certainly believe that this is a resort to begin  
18 with ---.

19 MR. SOJKA:

20 Nobody's arguing with that.

21 ATTORNEY SKLAR:

22 I know, but I think the supposition was  
23 that you have a resort and oh, we need an amenity,  
24 versus the ---.

25 MR. SOJKA:

1           We've got a great spot; now let's find  
2 something to ---.

3           ATTORNEY SKLAR:

4           Right. And I think that we believe it's  
5 not Nemaocolin. There is no question about it; that's  
6 a magnificent, ultra luxury resort, no question about  
7 it. This is a mid-market resort, and it's more of a  
8 regional resort, and I think that that ---.

9           MR. SOJKA:

10           But it didn't go looking for a gaming  
11 opportunity; did it? Rather, weren't there people who  
12 were looking for a place to put a gaming operation,  
13 and they found it; isn't that the sequence that was  
14 followed?

15           MR. ALJIAN:

16           If we go back in time, I think the owner  
17 of the hotel at the Holiday Inn had thought about the  
18 gaming license.

19           MR. MCCABE:

20           How does the Holiday Inn advertise this  
21 location?

22           MR. ALJIAN:

23           How does it advertise this location?

24           MR. MCCABE:

25           What I'm saying is, what is its title?

1 Do they say Holiday Inn?

2 MR. ALJIAN:

3 Currently, up until the end of this year,  
4 it'll be advertised as the Holiday Inn. On January  
5 1st, the brand changes, and it will continue to be  
6 advertised.

7 MR. MCCABE:

8 What will the brand change to?

9 MR. ALJIAN:

10 The Park and ---.

11 MR. MCCABE:

12 That's not where I'm going. There's the  
13 Holiday Inn; any idea on how they advertise this?  
14 Holiday Inn Resort?

15 MR. RICHARDSON:

16 If you happen to be, as an example, on  
17 our website this summer, you would have seen resort  
18 package offerings, and that actually has become ---  
19 and I think you and I talked about this, Rich, a  
20 little bit --- has become probably our most exciting  
21 package and our most popular package. We used to lead  
22 years ago with Hershey Park as being kind of our  
23 resort package, and that's what we would lead. But  
24 we've been to the point now, we have so many amenities  
25 over the years, and Ken and I have talked about this

1 and his vision of building this resort, and Ken's got  
2 --- he's just got a really cool knack of looking years  
3 forward and seeing how you need to be positioning  
4 yourself today. So, part of that vision and part of  
5 that discussion was a lot of things, including a  
6 casino as a potential amenity.

7           To your point, I think it's the meeting  
8 of both of those ideas that you said, and we met in  
9 the middle. I'm running a resort, a great resort.  
10 Okay, I don't care what you want to call me; mid-  
11 scale, whatever it might be. Our guests love us; they  
12 have a great time; we're building and growing; we're  
13 leading in our sect; and we're looking for the next  
14 competitive advantage, the next thing to make our  
15 guests so, wow, we want to come back.

16           MR. ALJIAN:

17           The competitive advantage that Dan has in  
18 this bid market segment, and it includes a lot of the  
19 limited service; even though he's a full-service  
20 hotel, because of the exterior corridors and the  
21 Holiday Inn flag, he competes with Hampton Inns and  
22 other type of hotels that --- they don't have any  
23 amenities. They have nothing. That's been his  
24 ability to market the hotel and be successful, and one  
25 of the questions was the occupancy rate that we show

1 on our projections are very high, higher than anyone  
2 else. Actually, I didn't grow our projections over  
3 time. I was taking historical occupancy. The  
4 industry has experienced a downtrend over the last  
5 three years. We get back to where Dan was four years  
6 ago in occupancy a few years out.

7 MR. MCCABE:

8 I want to go back to the point I brought  
9 up. I'm still not clear. And granted, I can accept  
10 that you have a resort package, but is the facility  
11 advertised as a Holiday Inn Resort?

12 MR. RICHARDSON:

13 Yes.

14 MR. MCCABE:

15 That's how Holiday Inn advertises on  
16 their website; a resort?

17 MR. RICHARDSON:

18 Yes, absolutely.

19 CHAIRMAN:

20 Okay. Mr. Trujillo?

21 MR. TRUJILLO:

22 Okay. What time is it?

23 CHAIRMAN:

24 We've done this, and you've been with us  
25 a long time. I think this is the first time that's



1 ever happened. Take your time.

2 MR. SOJKA:

3 Just say you can't go on anymore.

4 MR. TRUJILLO:

5 All right. Okay.

6 CHAIRMAN:

7 Thank you. Mr. Trujillo.

8 MR. TRUJILLO:

9 Thank you. Just, do you have any numbers  
10 of the economic impact? You'd mentioned the RV show  
11 in Hershey; do you have any of the numbers as to that  
12 economic impact of that show? And if not, you can  
13 supplement the record, but I'd be interested in  
14 knowing that.

15 ATTORNEY SKLAR:

16 We can get it for you.

17 MR. TRUJILLO:

18 I'd be interested. Thank you. That's  
19 all I had, Mr. Chairman.

20 CHAIRMAN:

21 Thank you. And with that, we're going to  
22 take a ten minute break. When we come back,  
23 Mountainview Thoroughbred Racing, which is a contester  
24 in intervening in these proceedings, will be at the  
25 dais. Thanks.

1 SHORT BREAK TAKEN

2 CHAIRMAN:

3 I think we all realize that the hour is  
4 late, and I'm going to invoke my privilege as Chair to  
5 keep everybody on the clock. So, as I said before,  
6 you get extra points if you finish early, and you get  
7 demerits if you finish late. Hopefully nobody does  
8 that because we are going to stay on the 15 minutes.  
9 So, let me get back to my agenda. I see we have  
10 representatives from Mountain View Thoroughbred Racing  
11 Association, which is a contesteer and intervenor in  
12 these proceedings, and anybody who is a non-lawyer who  
13 is going to be testifying today, if you could please  
14 stand to be sworn in.

15 -----

16 WITNESSES SWORN EN MASSE

17 -----

18 CHAIRMAN:

19 Thank you. And again, as we stated  
20 before, as you begin your presentation, please state  
21 your name and spell it for our court reporter. And  
22 with that, counselor, I assume you're going to lead  
23 the show here.

24 ATTORNEY KRAUSS:

25 Thank you very much, Mr. Chairman and

1 Commissioners. It's a pleasure to be before you again  
2 tonight. Our presentation was fine, wasn't it? My  
3 name is Robert Krauss; you have my card. K-R-A-U-S-S.  
4 I have the pleasure of representing Penn National  
5 Gaming, which is an intervenor as well as a contestor  
6 in this matter as a Category 1 licensee. It is  
7 obvious we had to intervene because no one was there  
8 to give our side of the story, and while Mr. Donnelly  
9 was very candid and said he didn't want legal mumbo  
10 jumbo, we then had a lot of mumbo jumbo and a lot of  
11 omissions. And we just need to fill in some holes;  
12 we're going to do it with reference to our written  
13 materials where possible so we don't have to repeat  
14 things. And we can expect that that will be  
15 acceptable and appreciated.

16           First of all, Commissioner Trujillo, you  
17 are correct; the key issue is eligibility here. There  
18 are not 275 rooms, and while counsel might have wanted  
19 us to read the law a little bit differently, the  
20 legislature in January of 2010 added the definition,  
21 hotel. And when you put together the definition of  
22 hotel, you put together the 1305 requirement and the  
23 regulations of the Pennsylvania Gaming Control Board,  
24 you get 275 rooms in a hotel because the hotel has to  
25 have the rooms. So, it's the hotel that has to have

1 the rooms.

2                   Now, if you want to say that it doesn't  
3 have to have the rooms, then you don't need guestrooms  
4 because we could have had them outside; could have had  
5 them anywhere else. The point was, when the  
6 legislature adopted 1305, as those of us who were  
7 there at the time remember, it was to promote an  
8 established hotel; not something that became a hotel,  
9 but something that was a hotel, and a hotel that had  
10 275 rooms. That was the deal, and we all knew it.  
11 This hotel does not have 275 rooms; it has 219 or 239.  
12 It does not have 36.

13                   We have affidavits in our paperwork; you  
14 will see we went and we scoured the property. We  
15 found seven at each time of RVs in August. Maybe  
16 they're there today, by the way; don't doubt it. But  
17 they had not been there every day since August 2nd.  
18 But your regulation that you adopted after you had a  
19 hearing; you say, when is it that the hotel has to be  
20 compliant? At the date the law was passed in '04?  
21 The date of application; not the date when the  
22 application was complete, but the date of the  
23 application? Or the date of issuance? And you chose  
24 the middle ground; the date of application. That was  
25 April 7th. On April 7th, they did not have 275 rooms.

1 And I'm not going to dwell on it anymore; it's simple.

2           Let's go on to the other things. Perhaps  
3 the other issue that is as important, or more  
4 important, is this doesn't do anything for the pie for  
5 Pennsylvania. What we're going to tell you in the  
6 next 11 minutes is that all we're doing is moving  
7 revenues out of Penn National, Hollywood Casino at  
8 Penn National, and moving them across the river, and  
9 we add nothing. We add no new jobs; we add no new  
10 revenues; we add no new taxes. What we do is we hurt  
11 a very good facility; we hurt a lot of people; and  
12 you're also going to hear from Todd Mostoller who is  
13 the head of the HBPA at Penn National that it's going  
14 to hurt the horsemen.

15           So, as far as local support, by the way,  
16 the Mechanicsburg Borough Council voted six to one to  
17 vote against support. The overwhelming public  
18 comments have been against, and nearly 900 residents  
19 have petitioned against. Walter, would you like to  
20 speak?

21                   MR. BOGUMIL:

22           My name's Walter Bogumil, B-O-G-U-M-I-L.  
23 Thank you for having me again today, Board, Mr.  
24 Chairman and members. I just want to take you through  
25 some of the demographics that we've looked at, and a

1 lot of people have talked about projections and all  
2 these sort of gravity models, and I want to take you  
3 through some facts about where our customers come from  
4 that we track and know every day. These are people  
5 that have already --- are already our customers that  
6 we track via the player card system that come back to  
7 Penn National on a regular basis.

8           If you look at the map up on the screen,  
9 you'll see a blue outline. That's a 90-minute drive  
10 around our facility today. There's 3.1 million adults  
11 25 years or older in that zone. Go to the next slide,  
12 please. The red area there represents 1.4 million  
13 adults. All of those 1.4 million adults are now going  
14 to be closer to the Mechanicsburg facility than to the  
15 Penn National facility. What that represents today in  
16 real customers that are going to Penn National today  
17 that we generate our tax dollars from, that our jobs  
18 are created by, is 46 percent of Penn National's  
19 revenue, will now be generated from customers that are  
20 going to be closer to the Mechanicsburg site.

21           You've heard time and time again over the  
22 last two days that proximity is a huge driver of  
23 gaming revenue. I think if you look at the Penn  
24 Harris Resort strategy, and you believe that the hotel  
25 rooms are unable to support the facility --- and their

1 numbers state that, and all the other applicants have  
2 stated that over the last few days --- that it would  
3 seem to infer that Penn Harris and Penn National are  
4 going to share this market, and this market's  
5 Harrisburg. That's where our customers are coming  
6 from; it's where the gross preponderance of our  
7 customers come from today and always will come from.  
8 We expect that the vast majority of Penn Harris's  
9 revenue will be generated from existing Penn National  
10 customers.

11 CHAIRMAN:

12 When you say vast majority, what do you  
13 mean?

14 MR. BOGUMIL:

15 We have the potential --- obviously,  
16 we're at risk of losing 46 percent of our business.  
17 We don't know that that is the case. We think that  
18 Penn Harris has actually done a fairly accurate job of  
19 estimating what a revenue impact could be in their  
20 projections. And we also believe that they've done a  
21 fairly accurate job of reflecting the fact that  
22 they're all going to come from the inner market, which  
23 is this red zone right here. There will be no  
24 incremental taxes generated for the Commonwealth and  
25 property tax reduction from this facility. There'll

1 be few incremental jobs generated for the unemployed  
2 people in the Commonwealth today. And this will have  
3 a detrimental impact on the hardworking horsemen at  
4 Penn National today.

5           I want to clarify one item, and that is  
6 the percentage of cannibalization. You've heard all  
7 sorts of numbers over the last couple of days, ranging  
8 from 25 to 11 to 19 to a number out here that could be  
9 as high as 46. What I want to give you is an apples  
10 to apples comparison; this 46 percent of revenue  
11 that's at risk if this facility opens is comparable to  
12 the Mason-Dixon number of approximately eight percent  
13 of Penn National's revenue, which is also comparable  
14 to the 11 percent of revenue from the facilities  
15 yesterday. So, I just want to give a little bit of  
16 apples to apples in saying, this is the percentage of  
17 revenue that Penn National is at risk of losing, not  
18 the percentage of revenue that would necessarily be  
19 attributed from the new facility that would come out  
20 of the existing facility. So, a little bit of  
21 difference in numbers.

22           I believe there was a 25 percent number  
23 floating around yesterday, and that would be the  
24 percentage of revenue that would be generated at the  
25 new facility from Penn National's customers; different



1 than the eight percent that Penn National will lose.  
2 So, if you compare apples to apples here, you're  
3 looking at --- we're at risk of losing eight percent  
4 of our revenue at Penn National from the Mason-Dixon  
5 resort, and 46 percent here. It's over five times the  
6 amount. This is in our back yard; it's in our front  
7 yard; it's our house that they're coming in and trying  
8 to build this facility on.

9           As we waited for the locations of the  
10 Cat 3 to be announced, Penn National's business has  
11 continued to grow. And we've actually gone and done  
12 architectural works and have operational plans, I'm  
13 sure as many of you are aware, to do an expansion at  
14 Penn National. We had a meeting several months ago to  
15 discuss going forward with that expansion, and we just  
16 had to sit and wait to see what was going to happen  
17 with this site, because we can't sit and put more  
18 capital and generate more --- and expand our facility  
19 to the extent that something like this would come in  
20 and just have the chance to detrimentally impact our  
21 existing business today. Thank you very much, Board.

22           ATTORNEY KRAUSS:

23           Thank you, Walter. And Laura, will you  
24 explain who you are and add a little bit?

25           MS. PALAZZO:

1           Sure. My name is Laura Palazzo. I'm the  
2 Vice President and Chief Financial Officer at  
3 Hollywood Casino. It's P-A-L-A-Z-Z-O. I'm here to  
4 briefly speak a little bit, too. What Walter just  
5 spoke about is to the impact on Hollywood Casino, of  
6 the potential revenue that is at risk if this property  
7 were to be given the green light. Based on the  
8 expectation that the majority of the Penn Harris  
9 business would come from our existing market,  
10 currently served by the Hollywood Casino, the  
11 potential revenue loss for our property could result  
12 in loss of up to \$50 million of incremental taxes to  
13 the Commonwealth, paid by Hollywood Casino, as well as  
14 a loss of up to 300 full- and part-time positions  
15 because of that revenue loss at our property.  
16 Obviously, with low revenues, we couldn't support the  
17 positions that we have currently on staff.

18           In addition, the cancellation or the  
19 decision to not proceed with expansion plans at the  
20 property as a result of this could result in the  
21 addition of the loss of 90 full- and part-time  
22 positions that we would have expected to add with  
23 pursuing that expansion.

24           ATTORNEY KRAUSS:

25           Thank you very much. And Todd Mostoller.

1                   MR. MOSTOLLER:

2                   Thank you. My name's Todd Mostoller.  
3 I'm the Executive Director of the Pennsylvania  
4 Horsemen's Benevolent Protective Association. I will  
5 use the acronym HBPA so I don't have to say that again  
6 in the future.

7                   CHAIRMAN:

8                   Could you please spell your name?

9                   MR. MOSTOLLER:

10                  M-O-S-T-O-L-L-E-R. I represent the  
11 Horsemen at both Hollywood Casino at Penn National  
12 Race Course and Presque Isle Downs Casino in Erie.  
13 With my fellow horsemen, I participated in the  
14 drafting in Act 71, which had the legislative intent  
15 to enhance live horse racing, breeding programs, and  
16 employment in the equine industry within the  
17 Commonwealth. I'm here on behalf of the PA HBPA Board  
18 of Directors on our 3,400 members to oppose the  
19 issuance of the Category 3 license to Penn Harris.

20                  We have a number of concerns. The  
21 approval of the Penn Harris application will  
22 contradict the intent of Act 71 in regards to the  
23 horse racing industry. The Penn Harris proposed  
24 location will have the greatest impact on an existing  
25 Cat 1 facility, that being the Hollywood Casino at

1 Penn National Race Course, and any of the other three  
2 Category --- or any of the other Category 3  
3 applicants. This is due to the geographic proximity  
4 and the demographics of the geographic area. If  
5 successful, this ---.

6 MR. TRUJILLO:

7 Are you part of the Mountain View  
8 Thoroughbred Racing Association, the intervenor here?

9 MR. MOSTOLLER:

10 That is the racing association that the  
11 horsemen operate under at Penn National Race Course.

12 MR. TRUJILLO:

13 I understand, but I understood that the  
14 intervenor here and the contestor was Penn National,  
15 not HPBA.

16 ATTORNEY KRAUSS:

17 That is correct. They represent the  
18 horsemen, and therefore they have an integral interest  
19 in it. They have not intervened, but they are our  
20 witness, and I thought we could have witnesses.

21 CHAIRMAN:

22 You can have witnesses. If you want to  
23 do more of a Q and A, Commissioner Trujillo, would  
24 that ---?

25 MR. TRUJILLO:

1           No, I was just confused because I thought  
2 --- but that's fine. No, he can have whatever witness  
3 he wants. I'm just confused.

4           MR. MOSTOLLER:

5           If successful, this proposal will  
6 materially hurt the Penn National Horsemen in a  
7 variety of ways. The table games legislation  
8 consisted of two major changes regarding the  
9 Pennsylvania Race Horse Development Fund. First was a  
10 change in the health and pension provision, and the  
11 calculation and distribution of those dollars. It was  
12 also the creation of \$11.4 million floor to ensure  
13 that the contracts that horsemen had entered into for  
14 their health and pension, that those dollars were  
15 available; that we would not default on those  
16 contracts. Currently, Hollywood Casino at Penn  
17 National Race Course earned 16 percent of the gross  
18 terminal revenue of all Category 1 casinos.  
19 Therefore, we received 16 percent for our health and  
20 pension of the \$11.4 million, which is roughly about  
21 \$1.8 million.

22           If, in fact, there was a 40 percent  
23 reduction in the gross terminal revenue at Hollywood  
24 Casino at Penn National Race Course because of the  
25 competing casino at Penn Harris, that would result in

1 the percentage earned at Hollywood Casino dropping to  
2 10 percent, which would decrease our allocation of the  
3 health and pension dollars to approximately \$1.1  
4 million. Currently, we have contract with Highmark to  
5 ensure 108 eligible members and 237 individuals are  
6 covered under that insurance with yearly premiums of  
7 \$1.3 million. So, we would essentially have a  
8 \$200,000 deficit and would have to default if the 40  
9 percent would materialize.

10           In addition, it would create a \$3 million  
11 shortfall to the State in future budget years, and  
12 this is due to the fact that in the table games  
13 legislation, there was a 17 percent tax that was taken  
14 from the Pennsylvania Race Horse Development Fund.  
15 The liability to the Pennsylvania Race Horse  
16 Development Fund is calculated by multiplying 18  
17 percent of the gross terminal revenue at Category 1  
18 facilities only. So, if \$100 million was transplanted  
19 from Hollywood Casino to another location, it would  
20 basically create \$18 million less being contributed to  
21 the Race Horse Development Fund. Seventeen (17)  
22 percent of the \$18 million is the \$3 million budget  
23 deficit shortfall that the \$50 million tax was  
24 intended to create.

25           It would also create a loss of \$12.2

1 million in purse moneys at Hollywood Casino at Penn  
2 National Race Course. We'd immediately have to cut  
3 purses 31 percent. It would obviously be devastating  
4 to the equine economy at Hollywood Casino at Penn  
5 National Race Course since purses are the sole  
6 revenues available to our horsemen. It would also  
7 continue the erosion of the economic benefits of Act  
8 71; it would be decreasing capital investments for  
9 horsemen and breeders; the racing product would return  
10 to a competitive disadvantage at an average daily  
11 purse of \$136,000 a day. That would put us below  
12 every other race track within the Commonwealth, and  
13 would also put us below the majority of race tracks in  
14 the surrounding states.

15           A large number of horsemen have relocated  
16 to Pennsylvania and have invested millions of dollars,  
17 based on Act 71. This investment, as a result of  
18 business activity, increased. And the total economic  
19 impact of the Pennsylvania equine industry has grown  
20 from \$1.5 billion at the time of passage of Act 71 to  
21 currently over \$3 billion. We firmly believe that it  
22 would be a prudent position --- prudent decision to  
23 allow this to continue expansion.

24           By granting a license to the Penn Harris  
25 site and the resulting negative financial impact on

1 the equine industry at Hollywood Casino at Penn  
2 National Race Course would contradict the legislative  
3 intent of Act 71. As the horsemen at Hollywood Casino  
4 at Penn National Race Course, prior to the issuance of  
5 the last remaining license, we respectfully request  
6 the Board to consider the negative impact on the  
7 equine industry by granting a license that the Penn  
8 Harris site will create. Thank you.

9 ATTORNEY KRAUSS:

10 Thank you, and just one thing I'd like to  
11 bring your attention to: Exhibit Two of the materials  
12 we handed to you, which was an affidavit from the  
13 Treasurer of Cumberland County attaching a tax form  
14 that was filed by the Penn Harris facility, saying  
15 they have 239 rooms under penalties of perjury. And  
16 that was on May 4th. It also has an obligation to  
17 update it, and I can tell you that Mr. Gross was here  
18 until just a little bit ago, and he had ran out of  
19 time. And he would have told you that there has been  
20 no updating done. As a matter of housekeeping, Mr.  
21 Chairman, I would like to move that all of our  
22 exhibits, as well as pleadings before and after this  
23 hearing, be admitted into the record.

24 CHAIRMAN:

25 So moved.



1                   ATTORNEY KRAUSS:

2                   Thank you.

3                   CHAIRMAN:

4                   Thank you very much. Any questions from  
5 the Board? Commissioner Trujillo?

6                   MR. TRUJILLO:

7                   The proposed expansion; what is  
8 contemplated to propose expansion?

9                   MR. BOGUMIL:

10                  The plans call for an attached butler  
11 building off the north wall of the existing facility  
12 that would allow us to add more slot machines and  
13 table games.

14                  MS. PALAZZO:

15                  It would be approximately 500 slot  
16 machines and 20 table games additional.

17                  MR. TRUJILLO:

18                  Okay. Well, if that's the case, then I  
19 am really puzzled by how you can be saying to us that  
20 you're in danger of losing --- if Penn Harris is  
21 granted a license, if you're proposing to expand by  
22 500, how can you be having a net loss that is equal,  
23 in essence, almost 100 percent of their proposed gross  
24 income?

25                  MR. BOGUMIL:

1           Member Trujillo, that's a number that we  
2 believe is at risk. Again, as we testified, and I  
3 believe almost everybody else has testified, proximity  
4 is a huge driver in these local markets. And that's  
5 really what the facility there is building; they're  
6 building an alternative local facility in our back  
7 yard. So, the willingness to drive the 20 minutes to  
8 get to Penn National from where their site is at will  
9 drop.

10                   MR. TRUJILLO:

11           But what I don't understand, though, is  
12 you are saying that their projected numbers are pretty  
13 close to accurate; you yourself are preparing for a  
14 proposed --- a planned expansion. What that says to  
15 me is that there's no cannibalism; it means that  
16 there's some new, fresh food on the table, not that  
17 there's cannibalism of your existing business.

18                   MR. BOGUMIL:

19           Member Trujillo, just by the proximity  
20 factor, customers that were coming to us are going to  
21 go to them, and we wouldn't --- if we thought that it  
22 was a no brainer to build this, we would have already  
23 moved forward and proceeded. We actually held off to  
24 see what was going to happen here because we didn't  
25 want to go and expand into a facility, and not have

1 any incremental revenue, any incremental taxes, and  
2 really not be able to support any incremental jobs.  
3 The fact is that customers that have an option to  
4 drive an extra distance will go to the facility that's  
5 closer to them. We're seeing that today in Atlantic  
6 City; as Pennsylvania casinos have opened, we've seen  
7 a precipitous drop in Atlantic City facilities that  
8 are, by most measures, nicer, bigger, and offer more  
9 amenities, to go to smaller facilities that are just  
10 closer to their proximity of where the customer  
11 actually lives. And that exact same thing will happen  
12 here at this facility.

13 MR. TRUJILLO:

14 I understand. That's all I had, Mr.  
15 Chairman. Thank you.

16 CHAIRMAN:

17 Mr. Sojka.

18 MR. SOJKA:

19 Yes. I'm getting a little confused. I'd  
20 like to ask a question of the witness, if I may.  
21 Todd?

22 MR. MOSTOLLER:

23 Yes, sir.

24 MR. SOJKA:

25 Is there a difference in the way the

1 money generated by slot machine gaming is distributed  
2 between standard bred tracks and thoroughbred tracks?  
3 Or do they both essentially get the same revenue?

4 MR. MOSTOLLER:

5 They're both Category 1 facilities.

6 MR. SOJKA:

7 Yes. The horsemen get that percentage of  
8 the money that comes out of the slot machines,  
9 regardless of where those slot machines are located;  
10 right?

11 MR. MOSTOLLER:

12 I understand where you're going with  
13 this. The problem is the liability to the  
14 Pennsylvania Race Horse Development Fund is 18 percent  
15 of the gross terminal revenue at the Category 1  
16 facility. So, when you remove substantial revenues  
17 from that Category 1 facility, you decrease that  
18 liability to the Pennsylvania Race Horse Development  
19 Fund as a loss.

20 MR. SOJKA:

21 And that is a different situation with  
22 the standard bred tracks; is that correct?

23 MR. MOSTOLLER:

24 To the best of my knowledge, no.

25 MR. SOJKA:

1 Well, then why did I get the answer that  
2 I got from Mr. Paulos today when I asked exactly the  
3 same question. And he was talking about  
4 cannibalization, and I said, wait a minute. If it's  
5 still going into slot machines, regardless of where it  
6 is, doesn't it come out the same for your horsemen?  
7 And his answer, I believe was, yeah, really it does.  
8 I need to understand that.

9 ATTORNEY KRAUSS:

10 We'll brief that for you, and the  
11 difference is the liability is incurred at the Cat 1  
12 level, of a hundred percent of the whole pot.

13 MR. SOJKA:

14 Okay.

15 ATTORNEY KRAUSS:

16 The payment into the pot comes from  
17 everybody ---

18 MR. SOJKA:

19 Yes.

20 ATTORNEY KRAUSS:

21 --- whether they're Cat 1, Cat 2, or  
22 Cat 3. But the percentage that each track gets is a  
23 percentage of its revenues over a hundred percent, and  
24 what Mr. Mostoller was saying is, if you took \$100  
25 million and used that number out, then it would reduce

1 their share. Now, I don't know because I don't know  
2 the answer whether the standard bred intra-track deal  
3 or inter-track deal is a different split than it is  
4 for --- and I can brief that for you.

5 MR. SOJKA:

6 Please do, because I'm still troubled by  
7 that because there's extra money then, if their  
8 liability's reduced by that, and the money's coming  
9 into the slot machines and a certain percentage is  
10 taken off, it's going somewhere.

11 ATTORNEY KRAUSS:

12 You are right, and I will tell you if  
13 Christopher Craig hadn't shared his cheat sheet with  
14 me, I would have never understood it to this day.

15 MR. SOJKA:

16 Well, I mean it literally, I'll  
17 appreciate having this explained better.

18 MR. MOSTOLLER:

19 If I may answer that question, when the  
20 Act 71 was formulated upon full maturation of the  
21 gaming business within the Commonwealth, there was a  
22 12 percent cap that the Category 1's --- everybody's  
23 at a 12 percent cap. Upon full maturation, the  
24 contributions of all 11 operating facilities will  
25 create, actually, a tax rebate back to the operators.

1 That's where that additional money goes. Their  
2 effective percentage will drop from 12, and if the  
3 model would be hit that the Innovation Group study  
4 showed, their effective percentage would drop to nine.

5 MR. SOJKA:

6 I will really appreciate getting the  
7 brief. Thank you. I'll need to study that.

8 CHAIRMAN:

9 Thank you. Thank you very much.  
10 Commissioner McCabe, I apologize.

11 MR. MCCABE:

12 Just a quick one. I'm sorry; I thought  
13 you were going down the line. Your definition of  
14 hotel; where did that come from, on your first slide?

15 ATTORNEY KRAUSS:

16 From the amendment to 1101 of the Act  
17 where they added the definition of hotel.

18 MR. MCCABE:

19 Okay. They just put building in there.

20 ATTORNEY KRAUSS:

21 Those words are just what's in the law,  
22 including the as follows.

23 MR. MCCABE:

24 Okay. So that helps me there; and then  
25 you're alleging that \$50 million per year in

1 incremental tax revenue is lost, but if we take it  
2 away from you and give it to Penn Harris, wouldn't the  
3 State still get it?

4 MS. PALAZZO:

5 Our point there is that it wouldn't be  
6 creating any new tax revenue in the state by just  
7 moving the revenue from one facility to another.

8 MR. MCCABE:

9 I understand your point.

10 MR. BOGUMIL:

11 This interferes with opportunity to  
12 generate an incremental 50 --- and almost all the  
13 other facilities, I believe, had a tax enumerate in a  
14 similar range.

15 CHAIRMAN:

16 Thank you. You have a question? Oh, I'm  
17 sorry, Commissioner Ginty?

18 MR. GINTY:

19 Just so I understand your position,  
20 you're position is that the \$76 million projected  
21 revenue for Penn Harris is coming out of your pocket?

22 ATTORNEY KRAUSS:

23 They said \$71 of the \$76 was coming from  
24 the local, \$71 of the \$76 and demographics being what  
25 they are 90 plus percent of that will come right out



1 of Penn National. That's not 90 percent of Penn  
2 National, that's where the 46 comes from. If you look  
3 at Penn National's numbers 186?

4 MR. BOGUMIL:

5 Around 250, where at today around 250,  
6 around 46 percent of that I believe is at risk.

7 ATTORNEY KRAUSS:

8 The numbers are close.

9 MR. GINTY:

10 And their figures would have included the  
11 amenity charge, so I mean, that's you're just taking  
12 their numbers. So, you don't even have to fact in the  
13 competitive disadvantage they have in terms of having  
14 an amenity fee.

15 ATTORNEY KRAUSS:

16 No.

17 MR. GINTY:

18 I'm fine.

19 ATTORNEY KRAUSS:

20 Any other questions.?

21 CHAIRMAN:

22 Thank you very much.

23 MR. GINTY:

24 Thank you very much.

25 ATTORNEY KRAUSS:

1 Sure thing.

2 CHAIRMAN:

3 Penn Harris you will have 15 minutes for  
4 rebuttal. We have a question we can get started  
5 before you start your slide presentation.

6 MR. MCCABE:

7 I don't know if it's a question or a  
8 clarification. In all the documents that I've been  
9 able to find and you've submitted that it's advertised  
10 on the website it never says Holiday Inn Resort, it  
11 just says Holiday Inn, the title, Mr. Richardson, is  
12 general manager Holiday Inn, Harrisburg, West. The  
13 papers you filed all say, Holiday Inn, Harrisburg  
14 West. It doesn't say resort is the point I'm getting  
15 to. On the website for GF Holdings management you  
16 have --- under the management you have resort's  
17 named, but when it comes to Holiday Inn, Harrisburg,  
18 again, it says, Holiday Inn, Harrisburg, West,  
19 Mechanicsburg, Pennsylvania. No place have I been  
20 able to find where your facility is advertised as a  
21 resort.

22 MR. RICHARDSON:

23 Obviously, if it please the Board, I'll  
24 go ahead and print that for your reference.

25 MR. MCCABE:

1           Okay.

2           ATTORNEY SKLAR:

3           But just to be clear it's not --- the  
4 name of the facility is not Holiday Inn.

5           MR. MCCABE:

6           That's not what I was asking.

7           ATTORNEY SKLAR:

8           No. It's definitely not.

9           MR. MCCABE:

10          Okay.

11          CHAIRMAN:

12          Let's begin again, 15 minutes.

13          ATTORNEY SKLAR:

14          Thank you. Just I'll try to be very  
15 brief here. I heard Mr. Krauss, reference an  
16 affidavit that was filed with the Board on the RVs. I  
17 hope that was not submitted under oath because the  
18 fact is all 36 RVs were on site, as of August 2nd,  
19 2010.

20                 You heard a lot of testimony about how  
21 devastating the licensure of Penn Harris would be on  
22 Penn National. Forty-five (45) percent of their  
23 revenues, I would certainly expect for that kind of  
24 dramatic impact that Penn National would mention that  
25 in their SCC filing.

1 They just filed their third quarter 10-Q. There's  
2 absolutely no mention whatsoever, of a potential risk  
3 of losing almost half of their revenue at Penn  
4 National Hollywood. I think that speaks volumes.

5           The first slide, in the materials that  
6 Penn National submitted to you they made a big point  
7 that Harrisburg market just simply is not large enough  
8 to handle another casino facility. And they said too  
9 small, 750,000 and they compared it to Philadelphia  
10 3.4 million, and Pittsburgh at 1.4 million. And  
11 again, it's talking out of both sides of their mouth.  
12 At an investor conference their CFO said that Penn  
13 National Hollywood gaming population is 1.4 million.  
14 By their logic Pittsburgh 1.4 million can handle  
15 multiple facilities, but the same should hold true in  
16 Harrisburg.

17           And rather than just speak in terms of  
18 hypothetical as well, maybe we lose 45 percent, we  
19 don't know. We asked our market study consultants to  
20 actually do analysis and do a detailed analysis. And  
21 Jim, why don't you present the results?

22           MR. PERRY:

23           As Michael said we were asked to do a  
24 cannibalization analysis for the effects of the Penn  
25 Harris facility on the Hollywood Casino at Penn

1 National Raceway. The way we went about this is we  
2 constructed two projection gravity models for 2013.  
3 In the first model we projected gaming revenues for  
4 Hollywood Casino in a base scenario which assumes Penn  
5 Harris doesn't exist. In that model we accounted for  
6 market growth because we know it's still very young,  
7 in terms of its life span. So it will continue to  
8 establish itself in the market, as well as the advent  
9 of table games. We'll continue to drive strong  
10 revenue growth as it's seen over the past few months.  
11 So, overall we had revenues growing in the base model.

12           And then we constructed another model  
13 where we accounted for the impact of the Penn Harris  
14 facility. And the basic results of that analysis we  
15 estimated that approximately, 15 --- the Hollywood  
16 Casino will lose approximately 15 percent of gross  
17 gaming revenue as a result of the construction of the  
18 Penn Harris Casino. And which is a much smaller  
19 number than what Penn is reporting. And if there's  
20 one thing we know about gambling --- or gamblers is  
21 they like variety. If they feel their luck is running  
22 out at one place, they'll go try another casino.

23           So, to say that everything on the west  
24 side of the river is going to just completely shift is  
25 tough to believe. And it's also important to note

1 that the model showed that the market --- the size of  
2 the overall gaming applied for those two facilities is  
3 still going to increase. So, the tax base will be  
4 increasing as a result of the Penn Harris facility.

5 MR. KLEBANOW:

6 So, a few things that will happen here,  
7 the overall market will grow as you add a new casino.  
8 I'm sorry, Andrew Klebanow gaming market advisor. Two  
9 things will happen with the construction of Penn  
10 Harris casino. The first is if the overall market  
11 gaming revenue will grow. You've introduced a new  
12 property that will be servicing new pockets of the  
13 population in the south end of town. Also you've  
14 created more variety in the market, adding additional  
15 interest to the overall population interest in gaming.  
16 And also you're going to find with a smaller facility  
17 a different kind of facility. You're going to attract  
18 a new and different player that may find gambling in a  
19 larger casino operation 20 miles north of town, not  
20 particularly appealing.

21 So, overall market gaming revenue will  
22 grow, and yes, Penn Harris will feel cannibalization  
23 of their gaming revenue to the tune of approximately  
24 15 percent, one five. They're the two things that  
25 occur. But overall gaming marketing and revenue will

1 grow, substantially increasing the tax base.

2 ATTORNEY SKLAR:

3 Thank you. The other fact that I found a  
4 little curious was Mr. Mostoller commenting about the  
5 devastating impact on the horseman if Penn National  
6 receives a license. But he failed to mention the 25  
7 percent loss of revenue at Penn National if Gettysburg  
8 was issued a license. And I would imagine in that 25  
9 percent number was --- came from Penn National. So,  
10 it seems a little disingenuous for him to get up here  
11 and say it's going to be devastating; we're going to  
12 lose health benefits. And Penn National is fighting  
13 for a license down in Gettysburg and according to  
14 their estimates it's going to impact Penn National.  
15 They're going to lose 25 percent of their gaming  
16 revenues versus 15 percent from our market  
17 consultants.

18 MR. KLEBANOW:

19 That is 15 percent in 2013 gaming revenue  
20 assuming market continues to grow.

21 ATTORNEY SKLAR:

22 And the final thing I'll leave you with  
23 is a statement that was made by counsel for Penn  
24 National, during the --- I believe, it was the Valley  
25 Forge, suitability hearing, October 22nd, 2008. And I

1 think it speaks volumes about Penn National's view on  
2 a category three resort license. And I'm just going  
3 to read one section.

4 I will tell you my own experience when  
5 this law was being drafted and I saw 1305, I asked the  
6 leadership at Penn National whom, as you know, I  
7 represent, do you care if there's a resort nearby and  
8 they looked and they said, that will not affect our  
9 ability to conduct business. 500 machines is not a  
10 casino, it's an amenity that will allow tourism. It's  
11 an amenity to draw people, it's not a casino.  
12 And I think that's how I'll leave it with Penn  
13 National.

14 CHAIRMAN:

15 Thank you. Questions from the Board?  
16 Commissioner Trujillo?

17 MR. TRUJILLO:

18 Just a quick one, who's Jody Legore Solt  
19 (phonetic)?

20 MR. RICHARDSON:

21 She's our accounts payable person at the  
22 hotel.

23 MR. TRUJILLO:

24 Is she an officer?

25 MR. RICHARDSON:



1 Bookkeeper.

2 MR. TRUJILLO:

3 Is she an officer of your company?

4 MR. RICHARDSON:

5 No.

6 MR. TRUJILLO:

7 What I'm reading from is Exhibit A to the  
8 affidavit that was provided, which is Jody Legore Solt  
9 as I read this on May 4th, 2010, signed the form,  
10 which I believe, Mr. Krauss referred to, which  
11 apparently was received by a Duffy Johnson, on June  
12 15th, 2010. But I just wanted to clarify who Ms. Solt  
13 was. Thank you. That's all I have, Mr. Chairman.

14 CHAIRMAN:

15 Sure. Let me follow-up on that question.  
16 I think I heard counsel say that as of the date of  
17 application, you certified that you had 275 rooms  
18 which was August 17th, something like that, of 2010;  
19 is that correct?

20 ATTORNEY SKLAR:

21 August 2nd, 2010.

22 CHAIRMAN:

23 Right.

24 ATTORNEY SKLAR:

25 Correct.

1                   CHAIRMAN:

2                   Is when you had the 275. This affidavit  
3 and the tax form, the registration form, for  
4 Cumberland County hotel tax was filed on May 4th, or  
5 as of May 4th, 2010, where you certified that you have  
6 239 rooms; is that correct?

7                   ATTORNEY SKLAR:

8                   That's correct.

9                   CHAIRMAN:

10                  Okay. And so, I guess, my question is  
11 are you under an affirmative obligation when you  
12 increase hotel rooms to file a new certification or is  
13 this an annual document that is filed in May of every  
14 year, in which case the next one will be filed in May  
15 of 2011?

16                  MR. RICHARDSON:

17                  I'm not sure. I'll have to ask and let  
18 the Board know.

19                  ATTORNEY SKLAR:

20                  We can find out. And we met with the  
21 Cumberland County economic development counsel, and it  
22 wasn't specifically on this form, but they asked us  
23 how you going to treat the parties. Are you going to  
24 pay tax. And they said, do you know, can you look and  
25 see if there's any regulation, anything, any statute

1 that gives us guidance. We came back and said it  
2 doesn't matter, we're paying the hotel occupancy tax  
3 to Cumberland County for the 36 RV guestrooms and for  
4 the 27 that have been rented we have remitted the tax  
5 to Cumberland County.

6 CHAIRMAN:

7 Okay. And if you could just give us an  
8 affidavit to that affect and find out also address the  
9 issue of when you have to notify Cumberland County of  
10 the additional rooms that would be helpful. Thank  
11 you. Commissioner McCabe?

12 MR. MCCABE:

13 I have one question. I'd like to hear  
14 how you respond to Penn National's definition of a  
15 hotel that they put up there where it's stating that  
16 the act says you have to have a building or buildings,  
17 in which members of the public may, for consideration  
18 obtain sleeping accommodations?

19 ATTORNEY SKLAR:

20 The requirement for the guest rooms, it  
21 says you have to have 275 guest rooms. It never says  
22 275 guestrooms contained in a hotel. It just says the  
23 requirement is to have 275 guestrooms period.

24 MR. MCCABE:

25 Thank you.

1                   CHAIRMAN:

2                   Commissioner Sojka?

3                   MR. SOJKA:

4                   Yes. Just one, and that is I heard very  
5 clearly what you said about Penn National, Mr.  
6 Mostoller's testimony. But you also heard me clearly  
7 ask for additional explication on the subtleties of  
8 distribution out of gaming funds. And it's understood  
9 that I'll be reading that. In addition to the  
10 comments that you made about potential motivation and  
11 Mr. Mostoller's testimony, do you have any specific  
12 comment about the accuracy itself, knowing that I'm  
13 going to be reading material? Or do you just say  
14 that's up in the air and let me read it, and figure it  
15 our, or do you have a position?

16                   ATTORNEY SKLAR:

17                   I think it's up in the air.

18                   MR. SOJKA:

19                   Okay. I'll read it.

20                   CHAIRMAN:

21                   Thank you. Any other questions from the  
22 Board? Thank you very much. Stay close by. Next up  
23 we have the OEC. Thank you and Mr. Federico while  
24 you're still standing any non-lawyers who will be  
25 testifying on behalf of the OEC, could you please

1 stand to be sworn in by our stenographer.

2 -----

3 WITNESSES SWORN EN MASSE:

4 -----

5 CHAIRMAN:

6 Thank you. And with that counsel again,  
7 everybody identify yourselves, spell your name for our  
8 court reporter, if you would.

9 ATTORNEY ROLAND:

10 Good evening Chairman, members of the  
11 Board, Mike Roland R-O-L-A-N-D, with the OEC. You'll  
12 be happy to hear we have no questions of the  
13 Applicant. And like my colleagues in OEC before me,  
14 we do have one witness Mr. Federico; we have a few  
15 brief statements. At this point I think, he's been  
16 before you enough. I know he's under oath. I know  
17 you're familiar with his name. I'm going go cut right  
18 to the chase and ask him just to present his findings  
19 to the Board regarding the traffic impact statement  
20 for Penn Harris, if that's okay.

21 MR. FEDERICO:

22 Thank you. All right, I'm going to try  
23 to keep this going a little quicker in consideration  
24 of where we are in the evening. Again, Al Federico,  
25 McCormick Taylor. We reviewed the traffic impact

1 information that was included in the impact assessment  
2 report. This was reviewed for conformance to current  
3 standards and technical accuracy. This included a  
4 review of a traffic impact study completed by  
5 Orth-Rodgers dated July 30th, 2010. As part of our  
6 review we completed a preliminary assessment in late  
7 September and a more detailed review in early October.

8           We received a response to our comments  
9 and a revised study in late October. We have had a  
10 chance to go through this but no additional review  
11 documents were produced.

12           The study area included two that we would  
13 consider external intersections along Carlisle Pike,  
14 the signalized intersections on either side of their  
15 access, as well as the access of the Holiday Inn on  
16 Van Patten Drive. As was previously testified they  
17 evaluated the weekday evening and Saturday mid-day  
18 peaks. Their trip generation was based on a single  
19 study of existing facilities. While we find this the  
20 final number that they came up with a little bit  
21 lower, but generally consistent with what else has  
22 been submitted by other applicants.

23           I would note that current guidelines  
24 typically look for you to use three to five sites, if  
25 you're going to do an independent study. So, we would

1 generally in a review ask for additional data. But  
2 what they did provide seemed to be relatively close to  
3 what else we'd seen for the Category 3 reviews. I  
4 would note that in a review of the data, this would be  
5 a Carlisle Pike, and this may be an obvious statement,  
6 it is a more congested corridor than we have seen from  
7 the other applicants, with a greater deal of traffic  
8 and operational congestion under existing conditions,  
9 as well as future conditions.

10           The primary recommendation from the study  
11 was improvements to Carlisle Pike and the Holiday Inn  
12 access, again, as previously outlined by the  
13 Applicant. Additionally, the study while it didn't  
14 specifically note it appeared to rely on retiming of some  
15 of the other traffic signals within the study area.  
16 The construction of the driveway modifications and the  
17 retiming of the traffic signals would be subject to  
18 review, and approval by PennDOT.

19           During the course of our review we spoke  
20 to PennDOT, they were aware of this. But to our  
21 knowledge they have not been given anything to review.  
22 With respect to some of the other testimony we've  
23 heard earlier today, based on the magnitude of the  
24 proposed improvements and the area that we're looking  
25 at, while I would not say it is impossible, it would

1 be unlikely, that a PennDOT permit for the driveway  
2 improvements could be issued within nine months.

3 In conclusion the study area, while  
4 generally appropriate, is definitely considered a  
5 congested area. The trip generation estimates while  
6 pretty close to what else we would expect was  
7 generally not completed in a manner that we would  
8 consider consistent with the current PennDOT  
9 standards. And the Applicant will need to obtain  
10 approval from PennDOT for the access modifications.  
11 Thank you.

12 ATTORNEY ROLAND:

13 Next will be a brief statement from Susan  
14 Hensel, our director from the Bureau of Licensing.

15 MS. HENSEL:

16 That's Hensel, H-E-N-S-E-L. Thank you  
17 Chairman Fajt, and members of the Board.

18 CHAIRMAN:

19 Susan, could I ask you to stop?

20 MS. HENSEL:

21 Sure.

22 CHAIRMAN:

23 Commissioner Trujillo, you have a  
24 question for Mr. Federico?

25 MR. TRUJILLO:



1 I did. If the PennDOT approvals cannot  
2 be obtained within the nine months, A, how long would  
3 it take for the approvals and the construction for  
4 those improvements to be made?

5 MR. FEDERICO:

6 Under typical conditions, typically  
7 expect improvements like this to be six to nine months  
8 approval from the submission of construction plans.  
9 Which I was based on what I had seen in the submission  
10 materials, I did not believe had been prepared yet.  
11 Additionally PennDOT would want to review the traffic  
12 study beforehand, which could take up to three months.  
13 So, that would be nine months to a year just to get  
14 the permit. Construction then would be dependant on  
15 when the construction season permits them to do that.  
16 I would note that PennDOT has recently rolled out an  
17 expedited permitting process where you could pay extra  
18 to move your permit approval along quicker, your  
19 review along quicker. However, that would still  
20 probably be, you know, four to six months to get the  
21 permit from time of submission. Again, not impossible  
22 but not typical.

23 MR. TRUJILLO:

24 And what's the impact, if those  
25 improvements are not made, what's the impact on the

1 traffic. I think you had something short of 500 trips  
2 on peak Saturday nights. So, if the improvements are  
3 not made in your opinion, what's the impact on traffic  
4 in that intersection?

5 MR. FEDERICO:

6 Unacceptable levels of congestion.

7 MR. TRUJILLO:

8 That's all I have, thank you.

9 CHAIRMAN:

10 Thank you, any other questions?

11 Thank you. Susan.

12 MS. HENSEL:

13 Thank you. At this point in time based  
14 on the materials and information in the application  
15 and the cooperation received from the Applicant the  
16 Bureau of Licensing is not aware of any suitability  
17 issues that would preclude licensure of Penn Harris  
18 Gaming LP as a Category 3 slot machine operator.

19 ATTORNEY ROLAND:

20 Next will be a brief statement by Rich  
21 O'Neil, our supervisor of our financial investigation  
22 unit.

23 MR. O'NEIL:

24 Rich O'Neil. O-N-E-I-L. Chairman Fajt,  
25 members of the Board. In preparing the FIU report all

1 information provided by the Applicant, its  
2 intermediary, subsidiaries, and holding companies, was  
3 fully reviewed. This included any organizational  
4 documents, operating debt, and management agreements,  
5 financial statements, and any other contracts or  
6 agreements. In this case, Penn Harris Gaming LP, and  
7 its related entities provided all the authorizations,  
8 contracts, and agreements necessary to conduct the  
9 investigation. It also provided clear and convincing  
10 evidence to enable FIU to make the determination of  
11 its financial suitability, integrity, and  
12 responsibility and also that the Applicant is likely  
13 to maintain operational viability, and maintain a  
14 steady level of growth. At this time based on the  
15 information contained in the application and other  
16 related documents, and the financial suitability  
17 analysis performed, the financial investigations unit  
18 did not find anything material which would preclude  
19 Penn Harris Gaming LP from obtaining a Category 3  
20 license.

21 ATTORNEY ROLAND:

22 The comment we'd like to add on behalf of  
23 the BIE and the OEC all materials that have been  
24 presented by Penn Harris Gaming have been carefully  
25 reviewed. After reviewing your presentation that

1 they've put before you today, we find that they are  
2 consistent and I think the one or two areas where  
3 there was some question about numbers; I believe they  
4 clarified on the record they've been able to  
5 straighten out. In addition they've already provided  
6 a letter of certification pertaining to their million  
7 dollar bond requirement, which satisfies Section 1316  
8 of the Act. And based upon all the materials in the  
9 presentation today, the OEC on behalf of the BIE finds  
10 that there are no reasons to conclude suitability in  
11 this matter. Thank you.

12 CHAIRMAN:

13 Thank you.

14 MR. TRUJILLO:

15 Mr. Chairman?

16 CHAIRMAN:

17 Yes, Commissioner Trujillo?

18 MR. TRUJILLO:

19 I got a couple questions for O'Neil.

20 In your financial review, did you also review the  
21 financials of CMS?

22 MR. O'NEIL:

23 No, we did not.

24 MR. TRUJILLO:

25 And as I recall the CMS and gaming fund,

1 and I think there was a secondary fund to the tune of  
2 about \$5 million was providing most of the cash. What  
3 if any, review of those funds did you conduct?

4 MR. O'NEIL:

5 And I need to verify this with the agents  
6 but, we did look at the agreements that were signed by  
7 the potential investors, the commitment letters, and  
8 the agreements to provide the money.

9 MR. TRUJILLO:

10 And the investors you're talking about,  
11 the individual investors to the funds.

12 MR. O'NEIL:

13 Investors to the funds.

14 MR. TRUJILLO:

15 To ensure that CMS could in fact, call  
16 all those funds, right? They would be available?

17 MR. O'NEIL:

18 Yes.

19 MR. TRUJILLO:

20 And are you satisfied that those funds  
21 are available?

22 MR. O'NEIL:

23 Yes.

24 MR. TRUJILLO:

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

1                   CHAIRMAN:

2                   Any other questions? Thank you very  
3 much. We'll now have a closing statement from Penn  
4 Harris, if you desire to make one?

5                   ATTORNEY DONNELLY:

6                   We'll be brief. Thank you, the hour is  
7 late, as I will be very brief. As you could see the  
8 way we approached this hearing was, I think, plain.  
9 And that was to be plain, simple, honest, direct with  
10 this Board.

11                   We recognize issues that we're asking the  
12 Board to consider, and that is the room's issue, which  
13 has been raised by everyone, the eligibility criteria.  
14 I think that we are far and away correct on the law,  
15 and correct on the policy of those issues. The rooms  
16 issue, in plain words without any convoluted thinking,  
17 or bending, or twisting, or contorting. In plain  
18 words, guestrooms, simple. It doesn't take any act  
19 other than the statutes; all it takes is just read the  
20 plain words. They're specific words without the  
21 general words taking control.

22                   The resort, this place has been  
23 positioned as a resort since 1992 when Mr. Kochenour  
24 took over. He came up to me during the break all  
25 agitated and said, what do you mean it's not a resort?

1 I've been doing it as a resort since 1992. He did  
2 what he could do to turn this thing into a regional  
3 mid-market resort it is right now. I don't think  
4 anyone could argue that that isn't a regional mid-  
5 market resort with all the statistics we threw out,  
6 and all the amenities that are there.

7           I come back to where I started, it's  
8 location, location, location. Our competitors all  
9 have a wrong location. Not because of their fault but  
10 because of their location. Nemaquin is isolated; it  
11 is Greenbrier waiting to happen again. It can't  
12 succeed. Bushkill, Fernwood, that market can't be on  
13 hold, another place. Gettysburg we hear all kinds of  
14 different stories. There are a variety of reasons why  
15 that's the wrong project.

16           But the one, the strongest reason comes  
17 back to our location. We're the strong location. All  
18 we have to do is open up that leader on the website  
19 and look at that blue state with the yellow dots and  
20 you see it just like that. And when you know the  
21 market in here, and the numbers and so on, it's  
22 convincing. We didn't come in with a bunch of smoke  
23 in the mirrors and our gravity is going to do this,  
24 and our ---. But we came in here with real numbers  
25 that we believe and that our people believe that,

1 we'll do these comparisons but we're not here ---  
2 we're here to try to convince this Board that this  
3 place will succeed.

4           And that's the overall issue here. Which  
5 one of these facilities will succeed? Which one will  
6 an additional amenity shouldn't --- and this facility  
7 with that amenity will take off. And that's what the  
8 statute's about. If somebody else gets this license  
9 and they don't succeed, we've done nothing. This is  
10 --- the whole star of this is revenues, jobs, taxes.  
11 And this facility, with this amenity will do it.

12           Dan said it, Dan's the guy you saw him,  
13 he's the guy who's down in the trenches every day  
14 making this work. And he said success breeds success.

15           You give us this license this will be a  
16 success and it will be a success that this whole  
17 region will be proud of. Thank you very much.

18           CHAIRMAN:

19           Thank you, Mr. Donnelly.

20           ATTORNEY DONNELLY:

21           I'd like to move our exhibits that we put  
22 in?

23           CHAIRMAN:

24           And it's so noted, and they will be  
25 accepted. Just one last comment, on behalf of the



1 Board, I'd like to thank all four Applicants. I  
2 thought that you all did a very professional and  
3 thorough job in your presentations. We have a  
4 difficult issue, and decision to make. I'd also like  
5 to ask, or to thank our great staff. You moved heaven  
6 and earth to get us to this point, so we can make the  
7 decision in December or January. You continue to, you  
8 know, perform at a very, very high level. I'd also  
9 like to thank the museum staff. I don't know if  
10 they're still here? But with that I'd just like to  
11 say Penn Harris Gaming has until November 29th, to  
12 file any post-hearing memorandum law or briefs with  
13 the Office of Hearing and Appeals. And that concludes  
14 the hearing. Thank you.

15 \* \* \* \* \*

16 HEARING CONCLUDED AT 8:30 P.M.

17 \* \* \* \* \*

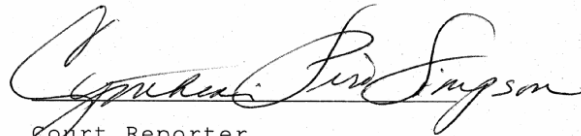
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**CERTIFICATE**

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

  
Court Reporter