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COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: MOUNT AIRY #2, LLC-CATEGORY 2 LICENSE RENEWAL

\* \* \* \* \*

PUBLIC HEARING

\* \* \* \* \*

BEFORE: DAVID M. BARASCH, CHAIRMAN  
Richard G. Jewell, David W. Woods, Keith R. McCall, Gregory C. Fajt, Anthony C. Moscato, William H. Ryan, Jr., Members  
Fred R. Strathmeyer, Jr., representing Russell Redding, Secretary of Agriculture  
Jennifer Langan, representing Timothy Reese, State Treasurer, Robert P. Coyne, Representing Eileen McNulty, Secretary of Revenue

Reporter: Lindsey Deann Powell

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1 HEARING: Wednesday, August 10, 2016

2 10:02 a.m.

3 LOCATION: PA Gaming Control Board

4 Strawberry Square Complex

5 11 North 3rd Street

6 Harrisburg, PA 17101

7 WITNESSES: John Culetsu, Mark Juliano

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

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2

3 OFFICE OF ENFORCEMENT COUNSEL

4 DAVID TEPPER, ESQUIRE

5 Assistant Enforcement Counsel

6 Pennsylvania Gaming Control Board

7 P.O. Box 69060

8 Harrisburg, PA 17106

9 Counsel for PA Gaming Control Board

10

11 MICHAEL SKLAR, ESQUIRE

12 Levine, Staller, Sklar, Chan, Brown &amp; Donnelly, PA

13 3030 Atlantic Avenue

14 Atlantic City, NJ 08401-6380

15 Counsel for Mount Airy Casino

16

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CHAIRMAN:

We have one schedule hearing today regarding the Category 2 License Renewal of Mount Airy Number 1, LLC, which operates the Mount Airy Casino in Mount Pocono.

Can we have the representatives in Mount Airy --- there you are. Thank you. I would ask that everybody who is going to speak, please state and spell your name for the court reporter. And if you're not an attorney, I'd ask you to be sworn in. So who do we have here today?

MR. CULETSU:

John Culetsu. That's J-O-H-N C-U-L-E-T-S-U, Executive Vice President, General Manager for Mount Airy.

CHAIRMAN:

Would you please stand and be sworn?

MR. CULETSU:

Sure.

CHAIRMAN:

Thank you.

-----

JOHN CULETSU, HAVING FIRST BEEN DULY SWORN, TESTIFIED

1 AS FOLLOWS:

2 -----

3 CHAIRMAN:

4 Just identify yourself please, before you  
5 proceed.

6 ATTORNEY SKLAR:

7 Sure. Michael Sklar, S-K-L-A-R, on behalf  
8 of Mount Airy Casino.

9 CHAIRMAN:

10 You can begin.

11 ATTORNEY SKLAR:

12 Thank you, Mr. Chairman. Good morning,  
13 Mr. Chairman, members of the Board. We're going to try  
14 to keep the presentation brief. We had detailed and  
15 extensive testimony in April, at the Public Input  
16 Hearing. So we're just going to try to highlight some  
17 of the accomplishments and positive benefits that have  
18 been generated by Mount Airy.

19 John is going to handle the presentation.  
20 And I just want to introduce Lisa DeNaples, the owner  
21 and managing trustee of Mount Airy. And Patrick Burke,  
22 who is the Director of Finance. And to the extent  
23 there's any questions that they need to answer, they're  
24 certainly available. And with that, I'm going to turn  
25 it over to John.

1 -----  
2 JOHN CULETSU, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED  
3 AS FOLLOWS:  
4 -----

5 A. Good morning. Thank you. And we appreciate the  
6 opportunity to present Mount Airy's story. As Michael  
7 said, we'll make it fairly brief or as extensive as you  
8 gentlemen would like of course.

9 And just to give you a little bit of background  
10 information and --- about --- it's clicking. Okay. Go  
11 to the next slide, please.

12 Just a little bit of brief information on property  
13 overview. Of course, Mount Airy located in northeast  
14 Pennsylvania. We're coming up on an anniversary in  
15 October. The property opened in October 2007. We are  
16 the first Triple A Four Diamond Casino Resort in the  
17 State of Pennsylvania. We're very proud of that ---  
18 proud of that accomplishment. And we just actually,  
19 within the past month received our seventh consecutive  
20 Triple A Four Diamond Award. So we continue to serve  
21 the Commonwealth well and, of course, provide superior  
22 quality customer service to our guests.

23 Talk a little bit about our gaming floor.  
24 Presently, we have 79 table games, 1,875 slot machines.  
25 Over the course of the past few years, we have altered

1 our game mix significantly. We've gotten to know our  
2 customers a lot better over the course of that time.  
3 And consequently, as a result of that we have made  
4 quite a few changes to our gaming floor, which have  
5 proven very fruitful over the course of these last few  
6 years especially.

7       Talk a little bit about our hotel. Because we're  
8 one of the few properties in the state, in the gaming  
9 properties. It does have a --- has a hotel component.  
10 All 188 of our rooms are recently gone under  
11 renovation. Which we will complete in the fourth  
12 quarter of this year. The renovation is a complete  
13 overhaul of all of our --- all of our guest rooms, the  
14 interior of the rooms, the bathrooms. And as you can  
15 see from the slide that's presented in your  
16 presentation, very well appointed. And the response  
17 from your guests has been just absolutely tremendous to  
18 our new product that we have. And we've also renovated  
19 all of our hotel suites, which we have 26 of on the  
20 property. And it's a complete renovation of those  
21 rooms also. Just not a cosmetic renovation, it's a  
22 complete renovation of the entire guest rooms.

23       Take a look at some of our food and beverage  
24 options. We are very excited over the past year and a  
25 half to add some marquee restaurants to our food and

1 beverage options to our guests. Our high-end dining  
2 option is Bistecca by Il Mulino. And for those of you  
3 who may or may not be familiar with Il Mulino, it's a  
4 highly acclaimed restaurant started in New York City in  
5 the 1980s. And they now have four outlets in New York  
6 City and throughout other areas of the country, a very  
7 end --- high-end combination Italian steakhouse-type  
8 restaurant.

9       We've also added what's called Guy Fieri's Mount  
10 Pocono Kitchen. Guy Fieri himself made an appearance  
11 last week at the property. Tremendous response from  
12 our customers. Everything you see with him on TV is  
13 what you really get in real life also. He is quite a  
14 charismatic character. And he brings to the property,  
15 great brand name recognition. I don't think ---. You  
16 cannot turn on the Food Network at any given time and  
17 not see a Guy Fieri-type show. So the exposure that we  
18 get from being associated with Guy has paid off in  
19 dividends to us in the short period of time that both  
20 those restaurants have been open.

21       We also have a couple of other restaurants that we  
22 operate. One is the Lucky 8 Noodle and Sushi Bar. And  
23 that's about a year old. It's a smaller restaurant  
24 with only 30 seats, but has quickly become very  
25 popular. And we also operate a 325 seat buffet,

1 serving breakfast and --- I'm sorry, serving lunch and  
2 dinner.

3       We have convention and meeting facilities.  
4 Approximately 5,500 square feet of space. It serves a  
5 couple of different functions for us. During the  
6 weekdays, we primarily do a lot of corporate-type  
7 business. There are a lot of pharmaceutical companies  
8 in the immediate area where we're located, as well as  
9 in northern New Jersey, which utilized the facilities  
10 for training purposes, and other type of classes and  
11 things of that for their staff members launching of new  
12 products. The facilities also get utilized for social  
13 events, whether they be weddings, anniversaries, things  
14 of that nature also. So our meeting space is  
15 continually busy for us.

16       We have this great challenging 18 hole golf course,  
17 which also features a fairly new state-of-the-art  
18 clubhouse that we opened in 2012, at about a \$2 million  
19 investment there. It also a Pro Shop, and a small bar  
20 and restaurant as part of the clubhouse. They  
21 accommodate up to about a hundred and --- a hundred  
22 people or so in the indoor and outdoor facilities.  
23 Golf, of course seasonal in our area. We keep the  
24 course open from late March, as late as we can go into  
25 November if possible. But golf is a very successful

1 amenity for us. It just adds further into what Mount  
2 Airy promotes, and sells and markets itself as. Which  
3 is as a complete destination resort.

4 Our spa and fitness center, approximately 16,000  
5 square feet of space with 11 treatment rooms available  
6 to our guests. And it not only serves our guests, but  
7 it also serves local community residents. And has also  
8 a great exercise room component to the facility. Once  
9 again, adding to the resort amenities that we offer.

10 The latest addition to Mount Airy. And you know,  
11 when we met back --- I think the last time was 2012, a  
12 little over three years ago, our license renewal here,  
13 we talked about, you know, creating this great pool  
14 feature. And it's not just a pool by any means of the  
15 imagination. Hopefully some of you got to witness and  
16 experience what we built. It's a \$6 million pool  
17 project indoor/outdoor facility. It has a restaurant  
18 component to it. It has a bar component. There are  
19 fire pits outside. There are cabanas indoors,  
20 outdoors. So the Get Wet Ultra Pool facility also  
21 serves multiple purposes for us.

22 First and foremost, it's serving our hotel guests.  
23 Secondly, it serves as another destination resort-type  
24 amenity that local residents can enjoy and experience.  
25 It also serves as a nightclub venue for us. And it

1 also serves as another addition to our banquet and  
2 meeting space, that various companies will use to rent  
3 out for social-type functions. So the success of Get  
4 Wet has been absolutely amazing. We've been able to  
5 attract some high-quality DJs to the venue, some  
6 reality TV stars and just a multitude of different type  
7 of entertainment functions that we're utilizing Get Wet  
8 for. So it's a 12-month, year-round facility because  
9 it is indoors and outdoors. So it really is a huge  
10 amenity. And it really sets Mount Airy, I think apart  
11 from a competitive perspective.

12       And once again, emphasizing a complete resort  
13 destination, where on any given day you can have great  
14 spa treatment, you can go workout, you can enjoy the  
15 pool facilities, hear a great DJ, play golf. Hiking  
16 trails on our land and our property also. So it really  
17 encompasses everything that everybody will want to do  
18 in addition, of course, to gaming, and food and  
19 beverage and our hotel accommodations. Here's another  
20 picture of Get Wet. This is an interior picture of the  
21 venue. It's a total of 51,000 square feet of space in  
22 which it was built on. The pool itself is over 94 feet  
23 in length. So about the equivalent of an NBA  
24 basketball court.

25       Just to talk a little bit about some of our ongoing

1 capital expenditures over the last couple of years. We  
2 mentioned Get Wet, which is at the cost of about  
3 approximately \$6 million. The golf clubhouse was a  
4 little bit over \$2 million investment. Our gaming  
5 floor product, which we continually look to enhance.  
6 This past year, we spent about \$1.8 million in new slot  
7 product for this year, as we did last --- the previous  
8 year, too, in 2015.

9       And then our hotel room renovation, which was  
10 costing us approximately \$5 million to renovate 188  
11 rooms. So that's a pretty hefty investment obviously.  
12 And as I said, it's just not a cosmetic renovation,  
13 it's a complete renovation of room. So we have put a  
14 lot of emphasis, as you can tell, in making sure we  
15 bring a product --- a quality product to our guests.  
16 And once again, we feel that is one of our strong  
17 competitive advantages.

18       Talk a little bit about the overall economic impact  
19 of Mount Airy since opening. And through December 31st  
20 of 2015, total taxes paid during the course of this  
21 time was \$791 million generated, including \$111 million  
22 in local share tax. Other taxes paid, of course, also  
23 include property tax, which we are the largest in  
24 Paradise Township at \$28 million. And then, of course,  
25 about \$16 million in --- to the Commonwealth in sales

1 and use tax during this time frame.

2       What has Mount Airy done to the community? It's  
3 significant. There was once a place called the Mount  
4 Airy Lodge. And many will probably remember that  
5 jingle, the Great, you know, Mount Airy Lodge  
6 commercial. That was on for many years in the '60s and  
7 '70s. And unfortunately, that Mount Airy Lodge closed  
8 down due to economic conditions.

9       And you know, the DeNaples' family spent a  
10 considerable amount of money obviously, in building a  
11 quality product that created over 1,100 jobs in a  
12 community that was really desperate for employment  
13 opportunities. You know, the impact alone has been  
14 \$185 million in salaries, wages and benefits paid to  
15 the Mount Airy employees. It's over \$295 million to  
16 Gaming Service Providers, including minority and women  
17 business entities \$37 million, local business entities  
18 \$69 million and Pennsylvania business entities \$147  
19 million.

20       Just to take a brief look at some of the employee  
21 statistics for our property. We have approximately  
22 1,122 employees. The number of regional residential  
23 employees --- regional employees are approximately 91  
24 percent of our workforce. And the number of PA  
25 resident employees is 95 percent of our workforce.

1 Number of female employees 506 or 45 percent of the  
2 workforce. And the number of minority employees 447,  
3 40 percent of our workforce. And the number of  
4 minority professionals 39, approximately 26 percent of  
5 our workforce. So we have a very diversified workplace  
6 at Mount Airy.

7       Talk a little bit about how we recruit employees to  
8 the property. We are in a location that has somewhat  
9 of a limited population. So there is challenges to  
10 that. One of the things we do have is a great  
11 relationship with the East Stroudsburg University.  
12 Which does have a hospitality program as part of their  
13 curriculum. And we have numerous students that work  
14 for us and are also attending the hospitality school  
15 there. So for lack of a better way to put it, they  
16 have a little skid in the game. This is the profession  
17 they're so choosing to look forward to getting into in  
18 their future. And they have a place at Mount Airy to  
19 learn different aspects of the industry, whether it be  
20 gaming, marketing, hotel operations, sales, food and  
21 beverage. So a great opportunity for quite a few of  
22 the students to be able to work, live and go to school  
23 in the local area. And East Stroudsburg is only about  
24 11 miles away from the property.

25       We also have Northampton Community College, which

1 is about five or six miles away from the property. And  
2 just last year, they started a hospitality program.  
3 I've been invited and been fortunate to be able to go  
4 over there to speak to the students. And their energy  
5 is just tremendous. A lot of them grew up in the  
6 immediate area. And you have to believe that they're  
7 going to stay in the area with someone like Mount Airy  
8 and a couple of other new resorts that have recently  
9 opened in our area, providing them with opportunity.  
10 Which wasn't there necessarily eight, nine years ago,  
11 so ---.

12         Some of the other means, of course, in which we  
13 look to attract employees are through career days  
14 onsite, on property, through various social media,  
15 internet websites and things of that nature. We  
16 continue to look to recruit new employees through  
17 various means such as that.

18         A little bit about our benefit package. We have a  
19 very competitive benefit package that we offer our  
20 employees. Of course, it includes medical, dental,  
21 life, short and long term disability. We also have an  
22 employee assistance program for those employees that  
23 may have any type of special need, a completely  
24 confidential employee assistance program. We have a  
25 company-sponsored 401(k) plan. And then we have a ray

1 of other sponsored voluntary benefits, short and long  
2 term disability, flexible spending account.

3       And one of the other things that we do have, that I  
4 haven't mentioned, that's not on the particular slide.  
5 It's something we call the Sunshine Fund. And what  
6 that is basically, is it is a fund that is a set aside  
7 in which any one of our team members may have an issue  
8 financially, maybe a challenge in paying their rent, a  
9 utility bill, a car payment, maybe they had something  
10 catastrophic occur in their lives. Mount Airy will  
11 basically give them a donation if you will. It is not  
12 something that we require to be paid back to us.

13       And we have a Sunshine committee --- Sunshine Fund  
14 committee that exists of a combination of some hourly  
15 team members and management team members that review  
16 any requests that are made from the --- somebody from  
17 our Sunshine Fund. And then we allocate the funds to  
18 that team member.

19       Employee training is a big part of what we do. You  
20 know, it's one thing to have great property with  
21 tremendous capital investment in order to, you know,  
22 build a great pool, wonderful restaurants, reinvest in  
23 our hotel rooms. Well, a big part of being a Triple A  
24 Four Diamond Resort is ensuring that you deliver from a  
25 customer service perspective. And it really is very

1 competitive in the service industry today. So we have  
2 put a lot of emphasis on training. All of our  
3 employees --- every single employee, no matter what  
4 level, whether they are full-time or part-time are  
5 trained in guest service training annually. It's  
6 mandatory guest service training classes that we have  
7 to --- that we have to go through. And then we have an  
8 array of other different classes all pertaining to  
9 guest service in specific areas, for different levels  
10 of management and hourly team members.

11 Some of the other things we do do, of course,  
12 property-wide, very important, RAMP training. All of  
13 our food and beverage employees are RAMP trained. All  
14 front of the house food and beverage employees are RAMP  
15 trained. All of our security employees are RAMP  
16 trained. And they have to be renewed every other year  
17 for RAMP training certification. We've just introduced  
18 over the course of the past year, extensive Title 31  
19 training for all of our gaming employees, cage, table  
20 games, credit, player development. So very important  
21 training class continually being offered to all of our  
22 employees.

23 And then we all, of course, always have compulsive  
24 gaming training that we do annually. We will be doing  
25 our annual employee compulsive gaming training in

1 November of this year, the first week of November.  
2 It's mandatory for all 1,122 of our employees. For  
3 those employees who may not be there at the training  
4 due to vacation or whatever, we mandate before they can  
5 come back on the schedule that they have to view a  
6 video of that training class that just took place. So  
7 every employee gets recertified on an annual basis on  
8 compulsive gaming training. And just highlighting some  
9 of those items here again on the slide that we just  
10 discussed.

11       Talk a little bit about our contributions to the  
12 community and our community involvement. Our  
13 charitable cash contributions from 2007 through the end  
14 of 2015 totalled approximately \$433,000. We also do  
15 quite a bit of contributions on what we'd call in kind.  
16 And that is something we're able to do because of the  
17 vast amount of different facilities that we have, that  
18 we can offer customers. Hotel rooms potentially,  
19 dining facilities, spa services, entertainment and show  
20 tickets, golf tournaments, golf foursomes. So these  
21 are all items that we donate regularly to charitable  
22 organizations that make such requests --- make such  
23 requests to us.

24       And just highlighting some of those community  
25 partnerships and some of the things that we've done.

1 Boys and Girls Club. We have a great relationship with  
2 Pocono Alliance, the Animals Golf Tournament. And a  
3 couple of others, including the Women's Resources of  
4 Monroe County. And here's a more --- a little bit more  
5 extensive list of the various organizations that we've  
6 participated with from a charitable perspective. And  
7 they are at a combination, including of cash donations,  
8 services donations, the different amenities that we ---  
9 you just looked at. We continue with some of the other  
10 community partnerships. And that was the quick, brief  
11 overview version.

12 ATTORNEY SKLAR:

13 Thank you. That concludes our  
14 presentation.

15 CHAIRMAN:

16 Okay. Thank you. Questions or comments  
17 from Enforcement Counsel?

18 ATTORNEY TEPPER:

19 Yes. Good morning, Chairman Barasch.  
20 David Tepper, T-E-P-P-E-R, with the Office of  
21 Enforcement Counsel.

22 CROSS EXAMINATION

23 BY ATTORNEY TEPPER:

24 Q. Mr. Culetsu, on slide seven you discuss hotel  
25 renovations. Is Mount Airy on track to meet the

1 November 2016 completion target?

2 A. We should complete our renovations at the end of  
3 this year. We have one floor to go. Approximately,  
4 30-some odd hotel rooms. So we're certainly on track.  
5 During the summer months we don't do any renovations,  
6 just because of a high occupancy demand. So it limits  
7 our capability to do any renovations.

8 Q. Slide 19. Of your total employees, what  
9 percentage are full-time versus part-time?

10 A. Seventy-six (76) percent of our employees are  
11 full-time.

12 Q. And how many employees are eligible for benefits?

13 A. Presently, the amount of employees eligible ---.  
14 Well, all employees are --- all full-time employees are  
15 eligible for benefits. Okay? So all full-time.

16 Q. And are part-time employees eligible for any  
17 benefits?

18 A. We do not have any medical-type benefits for our  
19 employees --- part-time employees. They do, of course,  
20 get complementary means in the EDR during their shift,  
21 that participate in other Mount Airy employee-related  
22 activities, and golf tournaments and things that we do  
23 for our employees, part-time absolutely can  
24 participate.

25 Q. Has Mount Airy implemented any additional

1 procedures to deter and detect underage individuals  
2 from accessing the gaming floor?

3 A. Well, it is always a challenge as we know. And we  
4 certainly have spent some money in the past year in  
5 trying to better deter underage gaming and underage  
6 patrons from visiting our floor. And it becomes more  
7 and more of a challenge, as the Pocono region is ---  
8 had some growth in the area of water parks and  
9 family-type attraction. So we're seeing a lot more  
10 families visiting the property on a regular basis.

11 One of the things that we installed in December of  
12 this past year was something called an Advance ID  
13 Detection System. And I noticed some of our fellow  
14 properties at the Parx are also utilizing this and  
15 Valley Forge.

16 And what it is, is basically --- it's an Advance ID  
17 Detection System where it takes an ID, a license or  
18 whatever form an ID is using. It scans the ID. It  
19 checks multiple different things on that ID to confirm  
20 that it is truly a valid ID. And it also presents a  
21 picture of the patron who is trying to access. Which  
22 is a lot different from the older type of hand-swipe  
23 IDs that were for traditional use, where you would not  
24 get a picture of the person to match their ID. It's a  
25 laptop-type screen like the laptop next to me. And a

1 whole facial visual image of the potential guest is  
2 displayed on that laptop. So you not only are checking  
3 the different boxes as to age and things like that,  
4 that are on an ID, but you're also doing a visual check  
5 on a person.

6 Q. And in the past, there have been numerous  
7 incidents of employees accidentally removing tracking  
8 keys from the premises. What steps is Mount Airy  
9 taking to prevent tracking keys from being removed?

10 A. Well, we've actually ---. Good question. We just  
11 installed a new system called Visible. And I just  
12 happened to bring one with me. This is a Beacon. Let  
13 me open this up here. Very simple little device. This  
14 is it. And it gets attached to a Traka Key. And what  
15 it simply does is, when a key leaves a certain area of  
16 the property, an alarm goes off, a strobe light goes  
17 off and an audible alarm goes off. And a message is  
18 also sent to the department manager on his or her cell  
19 phone, informing them that a device is out of range, if  
20 you will.

21 So we just installed this in the past month. And  
22 it's great technology. It also goes off in our  
23 security dispatch office. So somebody walks out the  
24 doors with a key now, a strobe light is going to go  
25 off, a siren is going to go off, a siren or an alarm

1 will go off in security dispatch. And lastly, on the  
2 handheld or the cell phone of the department manager,  
3 they will get a notification that a key is not where  
4 it's supposed to be. It's out of range, basically. So  
5 there it is.

6 Q. Thank you very much.

7 ATTORNEY TEPPER:

8 We have no further questions.

9 CHAIRMAN:

10 Are there any questions or comments from  
11 the Board?

12 MR. JEWELL:

13 Mr. Chairman, yes. Mr. Culetsu, I have  
14 two or three questions. What's the term ---? What are  
15 the terms of your 401(k)?

16 A. The terms as far as a ---?

17 MR. JEWELL:

18 An employee? Do you have a match? Is it  
19 up to a certain percentage?

20 A. There is no match at this time, Commissioner. But  
21 employees can contribute up to the maximum they're  
22 allowed under a 401(k) now, which I believe is \$16,000  
23 or so a year annually. And there's a multitude of  
24 various funds. Most of them are within the Vanguard  
25 Fund family.

1                   MR. JEWELL:

2                   How many of your folks are in the 401(k)  
3 plan?

4 A.     You know, I'll have to verify that question for  
5 you, to give you an exact number. I don't want to give  
6 you an incorrect ---.

7                   MR. JEWELL:

8                   Do you have a range or do you want to ---?

9 A.     Well, all of our employees upon hire, full-time  
10 employees are automatically enrolled in the 401(k).  
11 They can then opt out if they so choose to, if they do  
12 not want to. So they are automatically entered in the  
13 401(k) upon hiring from a full-time perspective  
14 and ---. I'm sorry. Sixty-eight (68) percent of our  
15 employees are in the 401 (k) plan.

16                   MR. JEWELL:

17                   What about your retention rate or the  
18 number of percent ---? Let's say the last two years.  
19 Each year, how many folks have not remained in  
20 employment, either voluntarily leaving or being let go?

21 A.     So our turnover rate basically?

22                   MR. JEWELL:

23                   Yes.

24 A.     Yeah, our turnover this past year is approximately  
25 37 --- past year is about 37 percent.

1                   MR. JEWELL:

2                   And how does that 37 percent ---? In your  
3 eight years of operation, has that been around that  
4 number? Has there been a trending or ---? How would  
5 you respond?

6 A.       It's been trending pretty much around that area.  
7 Anywhere from 35, 36, 37, 38 percent. Over the course  
8 of the past five, six years it's remained about the  
9 same. We do have a lot of seasonal employees because  
10 of the nature of our location. You know, our peak  
11 season will run starting in May, right around Memorial  
12 Day weekend. It's still peak season through Labor Day,  
13 of course.

14           And during the fall, we're still quite busy with  
15 Fall Foliage. It's a population attraction in the area  
16 we are. But we do hire a signature amount of seasonal  
17 employees. And a lot of them are those students who  
18 are going back to school and, ---

19                   MR. JEWELL:

20                   Right.

21 A.       --- you know, are now with us. Our golf course of  
22 course closes down, so ---. You know, there's over 20  
23 employees there. Our pool, the outdoor portion of the  
24 pool closes. So there's some closure of --- there's  
25 some less employees there. So we have certain venues

1 that are seasonal venues, that employees are seasonally  
2 employed.

3 MR. JEWELL:

4 As to your charitable contributions,  
5 \$433,000 over the eight years, that's approximately  
6 let's say \$54,000 a year. Has that been an average per  
7 year? Has it ramped up in the last three or four  
8 years?

9 And then the second part of that question  
10 is, how do you triage the folks that come to you, that  
11 have needs?

12 A. Uh-huh (yes).

13 MR. JEWELL:

14 How do you make the decision? What's the  
15 process as to who is benefited?

16 A. The contribution has been fairly consistent,  
17 Commissioner. We have a committee that consists of our  
18 owner, myself, our VP of Marketing, our Executive  
19 Director of HR and the Administrative Assistant to both  
20 the owner and myself. And we basically --- on a  
21 monthly basis, we will look at those requests for  
22 charitable contributions.

23 Our first and foremost focus is on those that are  
24 local-oriented in the local community, that we have  
25 reference to. And then we --- of course, will get

1 requests sometimes from customers that regularly  
2 frequent the property. And we will also take those  
3 requests under consideration for charitable purposes.

4 MR. JEWELL:

5 Thank you, Mr. Culetsu.

6 CHAIRMAN:

7 Other Board members questions?

8 MR. WOODS:

9 Just one question, if I could? I did  
10 appreciate the presentation in April, very thorough.  
11 Having read the report for this relicensing hearing  
12 today, your compliance has been very strong. And I  
13 appreciate that.

14 But from a marketing standpoint, New  
15 Jersey. What percentage of your customers are coming  
16 from New Jersey on a regular basis? And what's your  
17 level of angst about this falls referendum in New  
18 Jersey?

19 A. Right. Well, approximately 35 percent of our  
20 business comes from northern New Jersey. And you know,  
21 there's nothing we can do about a northern New Jersey  
22 vote, if that is to come to fruition. You know, over  
23 the course of the past six years there's been a lot of  
24 growth in the northeast gaming market. And you know,  
25 we've seen a nice steady, consistent increase in our

1 revenues over the course of that time in spite of, you  
2 know, additional inventory coming on and joining  
3 adjoining states.

4 And you know, we can control our destiny and our  
5 fate. And you know, we're a pretty lean organization.  
6 We are not top-heavy. And we can adjust to the market  
7 demands and needs as best we see fit. And you know,  
8 would we like to see that northern New Jersey thing go  
9 away completely? Absolutely, Commissioner, we would.  
10 But you know, if it is to come to fruition, you know,  
11 we'll make adjustments like we have --- like we have in  
12 the past.

13 MR. WOODS:

14 Thank you very much.

15 CHAIRMAN:

16 Bill?

17 MR. RYAN:

18 Just one question. Mr. Culetsu, you just  
19 talked about potential competition from New Jersey.  
20 There is also, I guess even more potential competition  
21 from New York.

22 A. Uh-huh (yes).

23 MR. RYAN:

24 How do you see that impacting Mount Airy?

25 A. Of the four licenses that were allocated in New

1 York, I believe maybe one of the four properties will  
2 have an impact on --- or some potential impact on our  
3 business based on its location. And that's the  
4 Catskills location.

5 MR. RYAN:

6 Yeah.

7 A. It is approximately, you know, 95 to a hundred  
8 miles north of New York City. Which is about the same  
9 distance that we are from New York City. And the same  
10 for that northern New Jersey customer, you know, for  
11 that Bergen and Essex County customer that comes to  
12 Mount Airy regularly, which is about 90 miles away.  
13 From the Catskills is about 90 miles from us. So of  
14 the four Licensees in New York State, that property  
15 could potentially have some impact.

16 And as I understand it, it's being marketing and  
17 designed as a resort similar to Mount Airy, highly  
18 amenitized with golf course, spa, high-end restaurants,  
19 a diversity of restaurants, too. And it could be a  
20 little bit of a challenge, that location. But I'm, to  
21 be honest not as concerned about the other three just  
22 because where they are geographically.

23 MR. RYAN:

24 Thank you.

25 MR. MOSCATO:

1                   Thank you, Mr. Chairman. I really just  
2 have two comments. First, I wanted to say thank you to  
3 you and the DeNaples family for providing the  
4 Commonwealth with another premier facility. I think  
5 it's fantastic. And then you referenced an old  
6 commercial.

7 A.     Uh-huh (yes).

8                   MR. MOSCATO:

9                   Just to show you how good advertising is.  
10 Three o'clock in the afternoon when I would get home  
11 from school during the Hanna-Barbera cartoon hour, why  
12 they were advertising a honeymoon resort I'm not sure.  
13 226-0841 your honeymoon hotline for honeymoon fun. I  
14 still remember it.

15                  CHAIRMAN:

16                  That's why you never got married.

17                  MR. MOSCATO:

18                  And that's got to be.

19                  CHAIRMAN:

20                  That's why you never got married, William.

21                  MR. MOSCATO:

22                  It figures. You're right. That's great  
23 advertising though. The phone number is no good  
24 anymore though.

25 A.     I don't think so. I don't think so.

1                   MR. RYAN:

2                   Calling it a lot?

3                   MR. MOSCATO:

4                   Thank you.

5 A.       You're welcome.

6                   MR. FAJT:

7                   Tony, you're always tough to follow, my  
8 friend. Thank you, Mr. Chairman. A couple of  
9 questions, Mr. Culetsu. Your hotel occupancy rate on a  
10 365-day a year, what is the average?

11 A.       Ninety-five (95) percent.

12                   MR. FAJT:

13                   And of that 95 percent, what is the comp  
14 percentage versus cash percentage?

15 A.       The comp percentage is about 45 percent and the  
16 cash is 55 percent.

17                   MR. FAJT:

18                   Okay. What is the average salary? And  
19 again, we had talked about some of these issues when we  
20 were --- we had the hearing up in --- up near --- in  
21 Paradise Township. But I do like to ask them again,  
22 just because this gets a lot more viewing and puts it  
23 on the public record again.

24                   But what is the average salary of a  
25 full-time employee, excluding benefits, if you have

1 that? If not, you can give it to us later. But I'd  
2 like ---.

3 A. An hourly employee, Commissioner, you're referring  
4 to?

5 MR. FAJT:

6 A full-time employee? So I assume if you  
7 have full-time hourly and full-time salary, you know,  
8 I'll take both of them. But excluding the benefit  
9 component.

10 A. A nontipped employee, the average salary is \$14  
11 per hour.

12 MR. FAJT:

13 Okay.

14 A. That is not including overtime, of course, that's  
15 a straight hourly rate. And a salaried employee, which  
16 we have approximately 147 salaried employees at Mount  
17 Airy, the average salary is \$59,000 annually.

18 MR. FAJT:

19 So the salary employees, you said what ---  
20 148, did you say?

21 A. 147 salaried employees.

22 MR. FAJT:

23 147 out of the 1,100?

24 A. Correct.

25 MR. FAJT:

1                   So the vast, vast majority of your  
2 employees obviously ---

3 A.     Are hourly.

4                   MR. FAJT:

5                   --- are hourly employees? Okay. The  
6 guest services training that you do, you had mentioned,  
7 you know, you're pretty consistent on that. Is that  
8 done by internal folks or do you hire an outside  
9 consultant to do that?

10 A.     We have a training manager internal. We've done  
11 some ---. We have done some external training also.  
12 Of course, the RAMP training is external. The  
13 compulsive gaming training is an external facilitator.  
14 But most of our in-house customer service training  
15 classes are done by our training manager.

16                   MR. FAJT:

17                   Okay. And last question. I know that you  
18 had mentioned you do a job fair at Camelback. And I've  
19 been up there. I know they put in that pretty  
20 impressive water park over the last couple of years.  
21 Does that help you, hurt you? You know, I could see it  
22 going both ways, that it's another competitor with a  
23 hotel and things like that. But at the same time, you  
24 had mentioned earlier about bringing additional people  
25 up into the area for vacation, so ---. Does that help

1 or hurt the casino?

2 A. I think it helps. And it may help the casino a  
3 little bit. It also helps the food and beverage  
4 outlets. It brings people to the area. And you know,  
5 that's one thing that was kind of missing in the  
6 Poconos for quite a long time. Tourism had died off  
7 there until Mount Airy reopened in 2007. And there's  
8 many shuttered resorts throughout the area. If you  
9 drive around, you see today they're boarded up and it  
10 never reopened.

11 But you mentioned Camelback, which is a very nice,  
12 new 500 room facility with an indoor/outdoor water  
13 park, and ziplining and all kinds of fun things like  
14 that. So it's not only just children that are --- it  
15 not only appeals to children. But it appeals a little  
16 bit to adults. Which is good for us, because we want  
17 adults, of course, to come in and participate in the  
18 gaming side of our business.

19 And there's another water park that opened about  
20 four miles away. It's called Kalahari. And that's  
21 also about approximately 500 rooms, 100,000 square-foot  
22 indoor and outdoor water park with extensive meeting  
23 facilities. So drawing more people to the area is good  
24 for us.

25 MR. FAJT:

1                   And just one last comment, to echo  
2 Commissioner Moscato's comments. I mean, you have an  
3 unbelievably impressive facility up there.

4 A.     Thank you.

5                   MR. FAJT:

6                   And congratulations.

7 A.     Thanks.

8                   CHAIRMAN:

9                   Are there any other questions from  
10 Ex-Officio members this morning?

11                   MS. LANGAN:

12                   One. With the water parks up there, I  
13 mean, how ---? And so let's say the families are  
14 coming to enjoy your dining facilities, are the  
15 entrances to those dining facilities off the gaming  
16 floor? And how do you prevent children from getting  
17 from the restaurants onto the gaming floor? It's one  
18 of the concerns that we have, I think at Sands and some  
19 of the other places that we've talked about before.

20 A.     Yes. We have what we ---. We have an escort  
21 system in process as part of our internal controls.  
22 And what that entails is a couple of different things.  
23 When a family is --- comes up to the property, and they  
24 have children who are recognized as being under  
25 21 years of age. We do a couple of different things.

1 A, we wristband them with a yellow wristband. We then  
2 call in that patron to our security dispatch, so they  
3 are aware that there's a patron going to be on the  
4 floor with a minor.

5 One of our security officer will then escort that  
6 family to the restaurant outlet that they wish to go  
7 to. So they do require an escort of a security officer  
8 from one of our podiums at the two ---. We have two  
9 entrances to the property. So the security officer  
10 will escort to --- the patron to one of the restaurants  
11 they want to go to.

12 Upon entering the restaurant, at the table a  
13 placard is placed on the table where the patron is  
14 sitting. It's a yellow kind of caution placard, if you  
15 will, advising that there is a minor sitting there at  
16 that table. So obviously, it helps notify the server,  
17 too, that --- which is a good notification there, that  
18 there is a minor at the table. And it also states on  
19 there, that they must notify the hostess when they're  
20 ready to depart the restaurant. And the hostess will  
21 then call our security dispatch. Security will go to  
22 the restaurant and escort that minor and their family  
23 off the casino --- out of the restaurant back into the  
24 non-gaming area.

25 CHAIRMAN:

1                   Is that it? Does Enforcement Counsel have  
2 a presentation this morning?

3                   ATTORNEY TEPPER:

4                   We have no formal presentation. But prior  
5 to today's hearing, I provided Mount Airy with updates  
6 to information contained within its background and  
7 investigation report.

8                   Exhibit 2A is an update from the  
9 Pennsylvania State Police, Bureau of Liquor Enforcement  
10 describing actions taken by the Bureau since Mount  
11 Airy's Public Input Hearing. OEC requests that  
12 Exhibit --- that it be added to Exhibit 2, which was  
13 moved into the record at the Public Input Hearing.

14                  CHAIRMAN:

15                  So moved.

16                  ATTORNEY TEPPER:

17                  At OEC also has an update to enforcement  
18 matters taken against Mount Airy since the Public Input  
19 Hearing. There's been one Compliance Conference held.  
20 OEC requests that the Compliance Conference Memorandum,  
21 which was marked as Exhibit 5A be added to Exhibit 5,  
22 which was moved into the record at the Public Input  
23 Hearing.

24                  CHAIRMAN:

25                  So moved.

1                   ATTORNEY TEPPER:

2                   And additionally, four warning letters  
3 were issued to Mount Airy by OEC since the Public Input  
4 Hearing. OEC requests that these four warning letters,  
5 as well as the three responses received from Mount  
6 Airy, which were marked as Exhibit 6A be added to  
7 Exhibit 6, which was moved into the record at the  
8 Public Input Hearing. And notes that the fourth  
9 warning letter did not require a response from the  
10 property.

11                   CHAIRMAN:

12                   So moved.

13                   ATTORNEY TEPPER:

14                   And we further request that Exhibits 5A  
15 and 6A be marked as confidential.

16                   CHAIRMAN:

17                   Thank you. Any further comments from  
18 Mount Airy?

19                   ATTORNEY SKLAR:

20                   Just if we could move the PowerPoint  
21 presentation into the record.

22                   CHAIRMAN:

23                   So moved. Any other questions from the  
24 Board or Ex-Officio members.

25                   MR. JEWELL:

1 I have one further question. Have you  
2 given any consideration to some modicum of a match in  
3 your 401(k)? Because right now you have a --- you  
4 know, it's a tax deferral. But there's not much of an  
5 incentivisation there to really be in the program. And  
6 have you given consideration to that?

7 A. Yes, we have, Commissioner. And we would like to  
8 be able to offer that at some point. At one time,  
9 Mount Airy did initially upon opening. But I think as  
10 most of us are experienced from 2008, 2009, and onward,  
11 you know, the economics of what occurred here  
12 throughout the U.S. And you know, we are now seeing  
13 some nice positive trend overall to our revenue and our  
14 bottom line. And hopefully sometime in the near future  
15 we will be able to provide that. Because I'm not too  
16 many years away from retirement either, and so I would  
17 love to see that.

18 MR. JEWELL:

19 Well, as you know that's a thing that  
20 gives a defined benefit --- or defined contribution  
21 plan a real lift.

22 A. Uh-huh (yes).

23 MR. JEWELL:

24 And for retention, too.

25 CHAIRMAN:

1                   Thank you. A vote on this matter will be  
2 scheduled later today under the Bureau of Licensing  
3 section of the agenda. Thank you for coming. And that  
4 you for your presentation.

5 A.     Thank you. Thank you everyone.

6                   \* \* \* \* \*

7                   HEARING CONCLUDED

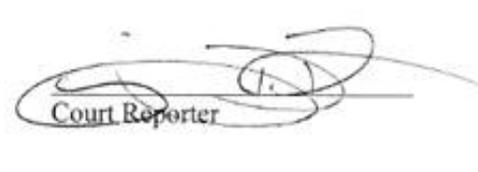
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I hereby certify that the foregoing proceedings,  
hearing held before Chairman Barasch was reported by me  
on 8/10/16 and I Lindsey Deann Powell read this  
transcript and that I attest that this transcript is a  
true and accurate record of the proceeding.



Court Reporter