

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: CATEGORY 2 SLOT MACHINE OPERATOR APPLICATION
FOR PHL LOCAL GAMING, LLC

PUBLIC HEARING

BEFORE: WILLIAM H. RYAN, JR., CHAIRMAN
Gregory C. Fajt; Annmarie Kaiser; Keith R.
McCall; John J. McNally, III; Anthony C.
Moscato; David W. Woods; Members
Jennifer Langdon, representing Robert
McCord, State Treasurer

HEARING: Wednesday, January 29, 2014
2:04 a.m.

LOCATION: Pennsylvania Convention Center, Ballroom A
1101 Arch Street
Philadelphia, PA 19107

WITNESSES: Joe Procacci, Joseph Canfora, Bennett
Lomax, Rick Gardner, Dan Disario, Pete
Ferro, Andy Jones, Steve Oliver, Cory
Morowitz, Jim Klas, Eugene Christiansen,
Bruce Crawley, Andy Struckhoff, Nicholas M.
Lillo, George Binck, Sebastian Sinclair

Reporter: Sami Zeka

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P R O C E E D I N G S

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2

3

CHAIRMAN:

4

Good afternoon, ladies and gentlemen.

5

My name is Bill Ryan, Chairman of the Pennsylvania

6

Gaming Control Board and I will call to order the

7

afternoon meeting of the Pennsylvania Gaming Control

8

Board. I see all of my colleagues are present. And

9

also with us is Jen Langdon, who is representing the

10

Treasurer of the State of Pennsylvania, Rob McCord,

11

who is an ex-officio member of the Board.

12

This will be the fourth of five public

13

licensing hearings on the Category 2 Slot Machine

14

Operator License for the one available license

15

designated for the City of Philadelphia. This

16

afternoon's hearing is for PHL Local Gaming, LLC. And

17

we'll follow the same procedure as the previous three.

18

First, the Executive Director will provide a statement

19

of the process which has been engaged to date. The

20

Applicant make its presentation with the opportunity

21

to respond to any questions or issues raised. This

22

will be followed by input from Board staff, including

23

the Bureau of Licensing and the Office of Enforcement

24

Counsel (OEC).

25

Lastly, please note that while it is the

1 Board's intention to conduct all hearings in a public
 2 forum there is a limited scope of information which
 3 the law recognizes as confidential and requires
 4 protection from the public view. Such information may
 5 include highly sensitive proprietary information or
 6 security issues. Should any issues of confidentiality
 7 arise, the Board will convene a closed session to hear
 8 only that confidential testimony as mandated by the
 9 statute.

10 I see the representatives of PHL Local
 11 Gaming are in their places. And at this time, I would
 12 ask that all representatives of PHL Local Gaming who
 13 are going to present today and members of the Board
 14 who may present testimony to please stand to be sworn
 15 in.

16 -----
 17 WITNESSES SWORN EN MASSE
 18 -----

19 CHAIRMAN:

20 Thank you. You may all sit down.
 21 Kevin.

22 MR. O'TOOLE:

23 Chairman and members of the Board, the
 24 application for PHL Local Gaming, LLC was filed with
 25 the Pennsylvania Gaming Control Board on November

1 15th, 2012. Since that time, the evidentiary record
2 for this Applicant has been developed to include the
3 full application, the local impact statements, traffic
4 studies, the transcript of the public input hearings,
5 the written comments presented and received by the
6 Board, the licensing suitability report and the
7 stipulated testimony of various Board staff who have
8 been involved in the review and investigative phases
9 of these proceedings.

10 The parties have entered into an
11 agreement that identifies each of the above items,
12 which are offered as Exhibits One through Eight and
13 are to be admitted into the record as the stipulated
14 evidentiary record for the Board's consideration.

15 (Board Exhibits One through Eight marked
16 for identification.)

17 MR. O'TOOLE:

18 In addition, the transcript of these
19 proceedings and any other evidence submitted and
20 admitted as exhibits in connection with this
21 Applicant's licensing hearing today would likewise be
22 part of the record for the Board's review and
23 consideration.

24 Finally, the written public comment
25 submissions, including submissions received via the

1 Board's website for this Applicant, received by the
2 cutoff date of December 31st, 2013, encompassed 87
3 submissions including 62 supporting the application, 1
4 opposing the application and 24 that were neutral.
5 Thank you.

6 CHAIRMAN:

7 Thank you, Kevin. In light of the
8 stipulation regarding Exhibits One through Eight being
9 admitted to the evidentiary record in this matter, may
10 I have a motion to accept the exhibits?

11 MR. FAJT:

12 So moved, Mr. Chairman.

13 CHAIRMAN:

14 Second

15 MR. MOSCATO:

16 Seconded.

17 CHAIRMAN:

18 All in favor.

19 ALL SAY AYE

20 CHAIRMAN:

21 Opposed? Motion carries and Exhibits
22 One through Eight are included in the record. We will
23 now hear from the Applicant.

24 ATTORNEY O'RIORDAN:

25 Chairman Ryan, distinguished Board

1 members, Board staff, my name is John F. O'Riordan.
2 That's O, apostrophe, R-I-O-R-D-A-N. I am general
3 counsel and vice president of community relations for
4 PHL Local Gaming. I'd like to thank you for the
5 opportunity today of giving us the chance to present
6 our project to you. And I would also like to thank
7 the Board staff. Their incredible professionalism and
8 courtesy is something that all Pennsylvanians ought to
9 be proud of and their diligence and thoroughness in
10 going through these applications can ensure the
11 citizens of Pennsylvania that they're having a clean
12 casino applicant. I'd like to begin with a short
13 video.

14 VIDEO PLAYED

15 ATTORNEY O'RIORDAN:

16 You will hear today from a number of
17 people on behalf of PHL Local Gaming. You will hear
18 from the equity owners of PHL. You will hear from
19 various professionals that we have retained to examine
20 and work with us in help developing our project. You
21 will hear from a number of team members who were
22 involved and hear from some people about community
23 commitment. What everyone here will be telling you is
24 what we feel very strongly about is PHL Local is the
25 clear choice in this competition.

1 We have a number of clear advantages
2 over the other four applicants. First, we have an
3 unparalleled location, a 24 acre site seated at the
4 intersection of I-95 and I-76, right at the foot of
5 the Walt Whitman Bridge. Secondly, our location gives
6 us the ability to have unmatched economic impact. We,
7 and only we, have the ability to open early, that is
8 open at least six months earlier than anyone else,
9 which would have a maximum impact of about
10 \$60 million. That's \$60 million that the Commonwealth
11 would never see from any other applicant because no
12 one else can open early.

13 That 24 acre footprint also gives us the
14 ability to expand as the market expands up to the
15 maximum of 5,000 slots. No other applicant in this
16 competition has the ability to expand their site as
17 most of them are landlocked and some have no choice
18 but to go up. PHL Local's project, the Casino
19 Revolution, can serve as a catalyst for the
20 transformation economic revitalization of the lower
21 south area, which is currently a food distribution
22 area.

23 We have a strong, successful and diverse
24 local Philadelphia ownership headed by Joe Procacci
25 and the Lomax Family. Our ownership has significant

1 financial strength to build the project as they say
2 they're going to build it, on time and on budget.
3 They are fully backed by Wells Fargo and Jefferies,
4 two premier financial institutions. And we're very
5 cognoscente of why we're all here today, it's the
6 Foxwood's failure. We have a full financial
7 commitment from Jefferies. They've agreed to put
8 their assets in and back this project completely.

9 Finally, the two last points but
10 certainly not least important, they're some of the
11 most important, is our diversity. We have the most
12 diverse ownership with Bennett Lomax holding more than
13 a 12 percent equity interest, we have a diverse team
14 and we have a commitment to diversity that's detailed
15 in our plan that is the most ambitious and the most
16 specific of any applicant here.

17 Finally, we have strong community
18 support. It's community support that we sought and
19 obtained at an early stage of this process. We have
20 the support of the neighbors in the area where we are
21 seated, the Whitman Council area, and they appeared
22 before you and endorse this project.

23 As I said, our equity owners are Joe
24 Procacci, Joseph Canfora, president of PHL, and
25 Bennett Lomax. You will hear from each of them and

1 you will hear about this acronym PRIDE as we talk
2 about Joe Procacci. Near Joe Procacci's desk hangs a
3 sign with the acronym, P for passion, R for respect, I
4 for integrity, D for determination, and E for
5 excellence. For Joe Procacci and his produce company,
6 it's far more than a sign, it's a way of life and it's
7 the way Joe has done business for the past 66 years.
8 Each can be a factor for business or a person's
9 success, but when you have the foundation to build on
10 all five, great things are bound to happen and Joe
11 Procacci has seen great things happen here for more
12 than a half century.

13 His philosophy of PRIDE has propelled
14 the Procacci Brothers into a position of national and
15 international leadership in the produce industry which
16 helped Joe and his brother turn 2,000 acres of
17 tomatoes fields in Naples, Florida into a nationally
18 acclaimed county club that has more than 40 distinct
19 communities, two 18-hole golf courses and what has
20 been transformed into one of the nation's most
21 exclusive ZIP codes.

22 Joe Procacci was the son of Italian
23 immigrants. He started selling bananas from a
24 pushcart in Camden, New Jersey when he was eight years
25 old, at the height of the great depression. He later

1 dropped out of vocational school to found Procacci
2 Brothers Sales Corporation, which is a tomatoes sales
3 and repacking business, which he operated initially
4 out of his father's basement in Camden. Today, Joe's
5 company is one of the largest wholesale produce
6 distributors in the world, controlling 20 percent of
7 the fresh market tomatoes grown in the United States.
8 In the 1990s, Joe introduced the trademark Santa
9 Sweets grape tomato, and after meeting stiff
10 institutional opposition ranging from Florida Governor
11 Jeb Bush to many on Capitol Hill, Joe finally
12 prevailed and was able to introduce the UglyRipe
13 Tomato into the United States market.

14 Joe's not bashful in convincing Congress
15 to permit the export of the UglyRipe Tomato outside
16 the boundaries of Florida. He personally went to
17 Capitol Hill and held a tomato tasting, handing out
18 UglyRipes to senators and congressmen. When Joe
19 believes in something, he's all in and doesn't stop
20 until he achieves his objective. You're able to enjoy
21 the sweet taste of UglyRipes today because of Joe
22 Procacci's drive, vision and integrity. He brings
23 that same drive, vision and integrity to Casino
24 Revolution, but you don't have to take my word for it.
25 Let's listen a little bit to those who have worked

1 with him for decades.

2 VIDEO PLAYED

3 MR. PROCACCI:

4 Good afternoon. I'm Joe Procacci. The
5 press proclaimed me the tomato king. I don't know
6 about that, but I do know that after 66 years in South
7 Philadelphia, I've been very blessed. We built the
8 business with the help of my associates and local
9 employees based on the company's core values, pride
10 and integrity. Produce is the greatest industry in
11 the country. Why, because you have to be truthful and
12 honest to your customers and to your shippers. We
13 don't sign contracts in our industry, everything we do
14 is on trust. So, while I may be old, I'm also old-
15 fashioned. My word is my bond. My handshake is the
16 contract. That's how I've lived all my life and how I
17 do business.

18 Procacci Brothers owns 34 acres free and
19 clear. We're one of the largest landowners in South
20 Philadelphia. So, when three casino developers
21 offered to buy our land for their casino project, I
22 asked myself why not develop my own casino project.
23 My approach to business is simple; I hire the best
24 talent and try to lead by example. I'm proud of my
25 collaboration with Joe Canfora and his Merit

1 Management Group, an experienced local gaming expert.

2 While I am passionate about produce, for
3 me and my family it's not about tomatoes. A real
4 estate company developed 2,000 acre community in
5 Naples, Florida of which we are also very proud of.
6 Over two decades we built 44 neighborhoods surrounding
7 two golf courses and many other amenities. I think
8 after my remarks, they're going to tell you a little
9 bit more about the development.

10 But before departing, let me tell you
11 honestly, from my heart, I love South Philadelphia.
12 I've done business here for 66 years and I will build
13 the project my team is about to describe to you this
14 afternoon. I will build a casino that I will be proud
15 of and that you, my fellow Pennsylvanians, will be
16 proud of. You have my word. Consider the Procacci
17 pledge. God bless you and thank you for asking me to
18 be here.

19 VIDEO PLAYED

20 ATTORNEY O'RIORDAN:

21 Next we're going to hear from Joe
22 Canfora, PHL's president. Joe Canfora is the
23 president of PHL Local Gaming. He's got over 30 years
24 of gaming experience for some of the premier casinos
25 throughout the country. He's a gaming executive with

1 proven success in building rapid growth and profitable
2 operations in competitive environments. Joe graduated
3 from UNLV and cut his teeth into management of various
4 Las Vegas casinos. As executive vice president with
5 Station Casinos in the mid-'90s, Joe directed
6 operations in Las Vegas and the midwest developing and
7 opening \$250 million of casinos in St. Charles and
8 Kansas City and managed over 4,500 employees and \$450
9 million in assets.

10 Joe was named executive to watch by
11 Casino Executive Magazine heading into his role as
12 president of Empress Entertainment. He made Empress
13 the premier gaming destination in the midwest,
14 increased casino revenues to over \$500 million
15 annually and captured 25 percent of the Chicago
16 market. Joe spearheaded the acquisition of Empress by
17 Horseshoe Gaming and then became president of
18 Horseshoe Gaming where he oversaw four casino
19 properties in Chicago, Louisiana and Mississippi
20 markets, which employed over 8,000 people and
21 generated revenues in excess of \$900 million.

22 Joe left Horseshoe in 2000 and Foreign
23 Management where he offered a unique perspective on
24 casino development operations driven by the economic
25 development, job creation and community partnership

1 aspects of casino gaming and developing and managing
2 casinos throughout the United States. Joe.

3 MR. CANFORA:

4 Thanks, John. Good afternoon, Mr.
5 Chairman, members of the Commission and staff, my
6 name's Joseph Canfora, C-A-N-F-O-R-A. In November of
7 2012, I received a call from an executive that I knew
8 from a real estate investment fund, commonly known as
9 a REIT, and this gentleman asked me to call Joe
10 Procacci about a gaming opportunity in Philadelphia.

11 So, during my conversation with Joe, I
12 asked him why he was interested in pursuing a casino
13 license and his response was why not. People are
14 knocking at my door to purchase my property, and when
15 I see an opportunity, I act upon it. We have the best
16 location. So, I jumped on a plane to evaluate the
17 opportunity myself and realized that Joe's
18 intuitiveness was right on the mark. I stood on Joe's
19 property on Front Street and stared at the two
20 interstates, 95 and 76, only to gasp at the amount of
21 cars driving by. Over my 30 years of visiting,
22 building, designing and operating casinos, I
23 immediately knew that we had a triple-A location, or a
24 five-star location, or however we want to describe it,
25 it was the best location.

1 So, the next step naturally was to
2 determine the available acreage and infrastructure,
3 not to use a gaming acronym, I said bingo. We have 24
4 acres, more than any other applicant, which gives us
5 the ability to master plan and have a phased growth
6 development as the market changes. We have an
7 existing 84,000 square foot building that has all of
8 the necessary infrastructure, power, water, sewerage,
9 the foundation, no environmental issues, which will
10 allow Casino Revolution to have an early opening
11 advantage resulting in over \$60 million to the
12 Commonwealth of Pennsylvania and the City of
13 Philadelphia, again which no applicant can offer. We
14 have ease of access by both interstate highways and
15 local arteries including existing six-lane roads
16 bordering the site at Front Street and Pattison
17 Avenue.

18 Then the next natural thing to do was to
19 evaluate the distance between the stadiums and Joe's
20 property. My conclusion, as well as our team's
21 conclusion, was obvious. Not too close and not too
22 far. If we were next to the stadium, congestion would
23 occur affecting casino revenues, yet being near the
24 stadiums we would then benefit from the 8 million
25 annual sports patrons. We then become an immediate

1 catalyst for transformation of the warehouse district
2 into a super regional destination that will ensure
3 continued growth for decades to come.

4 Later on in our presentation you will
5 see how the casino is designed to allow for an
6 expansion of up to 5,000 slot devices to react, again
7 I emphasize to react, to the changing marketing
8 conditions as the transformation occurs. As you can
9 see, this could result in annual state and local taxes
10 of over \$350 million.

11 Our team then researched the history of
12 controversy with neighborhoods in Philadelphia,
13 specifically when competing for a license. Again,
14 another checkmark for success for PHL is that we are
15 not too close to the Whitman neighborhood, meaning
16 little or no impact. Yet our commitment to them as
17 community partners is validated by Joe Procacci's
18 track record operating in South Philly for the past 60
19 years. We are already good neighbors. What about
20 ownership? Mr. Procacci, the Lomax Family and myself
21 all understand the value of hard work. We are
22 committed to bringing the same core values of
23 integrity, dedication and leadership to Casino
24 Revolution. We share vision of commitment to a
25 community, commitment to the workforce, the

1 operational diversity, all important considerations of
2 every merit operation.

3 Ironically, like Joe Procacci, I too
4 grew up in the produce business, in a small Western
5 Pennsylvania town called New Castle. Look, we have
6 the best location hands down. Hands down. We have an
7 ownership group with a proven track record in
8 Philadelphia regarding diversity and community
9 commitment. We are in an ownership group, including
10 myself, which is investing millions of dollars in
11 Casino Revolution because we believe in the project.
12 We have an experienced Board that will honor and
13 ensure our commitment and vision. We are an
14 experienced gaming team to execute, develop, manage
15 and operate the hotel and casino. We have existing
16 site infrastructure allowing us to open on an
17 expedited schedule and the acreage available to expand
18 as the market demands.

19 I know that you are inundated with staff
20 reports, professional studies and tons of opinions,
21 but in the most simplistic way of evaluating your
22 choice, I encourage you to drive on both interstates,
23 that is 76 and 95, and look below imagining a first-
24 class casino resort. After that drive, you will know
25 in your heart that you made the best decision by

1 choosing PHL Local Gaming. Thank you for your time.
2 John.

3 ATTORNEY O'RIORDAN:

4 Sure. Next you're going to hear from
5 Bennett Lomax. Bennett is one of the owners of PHL
6 Local and holds more than a 12 percent equity interest
7 in our company. Bennett's anything but a passive
8 owner. He's an active and engaged member of PHL
9 Local's Board of Managers. With backgrounds in both
10 law and finance, he is president and chief executive
11 officer of the Lomax Companies, a private investment
12 firm focused on venture, capital and real estate.
13 Bennett is a graduate of Temple University's Beasley
14 School of Law and he's a director at the Museum of the
15 American Revolution. Bennett.

16 MR. LOMAX:

17 Thank you, John. Thank you, Mr.
18 Chairman, ladies and gentlemen of the Pennsylvania
19 Gaming Control Board. Thank you to the Gaming Control
20 Board staff as well. I'm honored to be here before
21 you today. I'd like to take a quick moment just to
22 briefly recognize my brother Charles Lomax, who's
23 here, the CEO of Lomax Real Estate Partners, and my
24 other brother Tomas Lomax, CFO and Treasurer of the
25 Lomax Companies, my sister Sara Lomax Reese, president

1 of WURD radio, and my sister Claire Lomax, who's
2 general counsel of the Lomax Companies and CEO of the
3 Lomax Family Foundation.

4 When my father met Joe Procacci, our two
5 families felt an immediate connection because of our
6 similar backgrounds as well as shared family values,
7 not the least of which are hard work and a profound
8 commitment to excellence. From the start, my father
9 and Joe Procacci have been adamant that our project
10 have a Philadelphia first focus becoming both a
11 community asset as well as a transformative catalyst
12 for South Philadelphia.

13 PHL Local Gaming is firmly committed
14 that jobs be primarily available to people in the
15 immediate neighborhood in particular and to
16 Philadelphians in general and that contracts derived
17 from this enterprise be available primarily to
18 Philadelphia-based businesses.

19 My family has very deep routes in South
20 Philadelphia, where PHL Local Gaming intends to
21 develop Casino Revolution. In 1958 my father, Walter
22 P. Lomax, Jr., opened his first medical practice at
23 18th and Warden, right around the corner from where he
24 was born and raised. Following a very distinguished
25 medical career, he founded several successful health

1 insurance businesses.

2 The Lomax Family's commitment to the
3 community extends well beyond mere lip service. We
4 have consistently donated our time, our talent and our
5 treasure to many civic organizations in and around
6 Philadelphia. The African-American Museum in
7 Philadelphia, Philadanco and Art Sanctuary to name but
8 a few. In fact, the Lomax Family Foundation, led by
9 my sister Claire, is one of the few African-American
10 grantor foundations in the region. And we are very
11 proud of that.

12 I joined our family business, the Lomax
13 Companies, in 2003 after graduating from law school.
14 With the unanimous support of my siblings, my five
15 older siblings I might add, I became president and CEO
16 of the Lomax Companies in 2005. When we decided to
17 invest in PHL Local Gaming back in January of 2013, I
18 was asked to serve on its Board of Directors. Since
19 then I have been an active director, integratively
20 involved in every major decision at PHL Local Gaming
21 all the way throughout the application process.

22 Working closely with Joe Canfora and Joe
23 Procacci, we have assembled a very active and very
24 experienced Board to provide PHL Local Gaming with
25 over a century of gaming hospitality and financial

1 expertise. These seasoned gaming veterans make PHL
2 Local Gaming unique among the bidders before you.
3 John Burke. John also serves as PHL's CFO in addition
4 to being a Board member. John spent 22 years at Trump
5 Entertainment Resorts where he was executive vice
6 president and CFO. Mark Sterbens. Mark brings over
7 30 years of casino, hotel development and operations
8 experience, including senior roles with Riviera Hotel
9 and Casino and Herbst Gaming Company. In those roles
10 Mark was responsible for over \$300 million of casino
11 and hotel development. Craig Sullivan. Craig brings
12 35 years of gaming, hotel and finance experience
13 including finance and leadership roles at Ramada,
14 Astar, Primadonna Resorts and PAR Cattle Company. In
15 addition, Craig served on the Board of New York, New
16 York and led the financing and development of that
17 project in Las Vegas. For the past 15 years, Craig
18 has operated successful consultancy providing advice
19 about corporate strategy, mergers and acquisitions and
20 capital structuring all specific to the gaming
21 industry.

22 Having described our Board, I'd like to
23 take a quick moment to describe our project's
24 financial strength. PHL Local has increased its
25 equity commitments to this project from \$110 million

1 to \$130 million since our initial application in
2 November of 2012. In addition, we have partnered with
3 two of the world's leading financial institutions
4 serving the gaming industry, Jefferies and Company and
5 Wells Fargo Securities.

6 Both Jefferies and Wells are highly
7 confident that the Casino Revolution project is
8 economically sound and have agreed to finance our
9 project from construction through to grand opening.
10 Under normal market conditions, either one of these
11 financial institutions would be sufficient to provide
12 financing for our project. We at PHL Local Gaming are
13 fortunate, however, to have the strength of both.

14 Please permit me to introduce our
15 partners by way of their representatives here today,
16 John McCann from Jefferies and Company and Aviv
17 Laurence from Wells Fargo Securities. If in the
18 unforeseen event that the financial markets head
19 south, we at PHL Local Gaming are protected. In that
20 unlikely event, Jefferies has agreed to commit up to
21 \$300 million of its own money off its own balance
22 sheet to finance Casino Revolution. Jefferies has
23 even gone so far as to commit around the \$55 million
24 of FF and E that we will need to finance, an unusual
25 and unconventional show of support for which we are

1 extremely grateful.

2 Bottom line, PHL Local Gaming has both
3 the capacity and the commitments to finance and
4 deliver our Casino Revolution project. In closing, I
5 reiterate PHL Local Gaming's Commitment to excellence.
6 This commitment flows from our ownership group, goes
7 through our Board and on to our financial partners.
8 Thank you very much for this opportunity.

9 ATTORNEY O'RIORDAN:

10 Thanks, Bennett. Next I want to
11 introduce Rick Gardner. Rick designed the Casino
12 Revolution and is a principal and practiced leader in
13 Knedak Bobo Group. Rick's an accomplished project and
14 business leader in Knedak's nationally recognized
15 entertainment and hospitality design specialization.
16 Some of Rick's more notable projects have received the
17 prestigious G2E Casino Design Award and include the
18 Northern Quest Casino and Hotel in Spokane, Washington
19 and the Four Winds Casino in Hartford, Connecticut.

20 Rick's recent projects include 1,000
21 room hotel and 54,000 square foot casino expansion at
22 the Winstar World Casino in Oklahoma, the Greektown
23 Casino and Hotel project in Detroit, Michigan and a
24 major renovation of Sycuan Casino outside of San
25 Diego. Rick's focus is on understanding his client's

1 business and has helped him and his firm to become a
2 recognized top ten leader in the entertainment and
3 hospitality industry. Rick.

4 MR. GARDNER:

5 Good afternoon, Mr. Chairman and members
6 of the Board. I'm Rick Gardner, that's G-A-R-D-N-E-R.
7 I am pleased to represent a highly skilled,
8 experienced and diverse construction team. To my
9 right, Pete Ferro with Merit PHL Gaming. Also with
10 us, Frank Ciminelli with the LPCiminelli Company, Jeff
11 Hutwelker with the L.F. Driscoll Company and Michael
12 Russell with H.J. Russell & Company. Ciminelli will
13 be the owner's representative for the project bringing
14 a tremendous amount of experience in the gaming
15 industry to the process. The team of L.F. Driscoll
16 and H.J. Russell will provide construction management
17 services. As you can see, these firms bring a huge
18 depth of scale and resources. They are committed to
19 maximizing local human resources, use union labor and
20 attract a diverse workforce.

21 At HPG we are immersed in hospitality
22 and gaming design. Founded in '79, we have been
23 designing hotel and gaming projects for 35 years. For
24 the last 15 years, we've been ranked in the top ten of
25 U.S. hospitality design firms, as measured by national

1 industry surveys. We are a creative design firm with
2 over 200 design awards including four G2E Gaming
3 Design Awards in the last two years. This is the most
4 prestigious awards program in our industry.

5 For Casino Revolution we designed an
6 iconic building that will provide the functional
7 platform for world-class gaming operations, services
8 and customer experience. This site plan shows how the
9 project is organized, located on Front Street between
10 Packer and Pattison Avenues. The project is composed
11 of 2,400 slot machines and 105 table games. It is
12 supported by a variety of food and beverage venues and
13 other amenities including a 250 room hotel. Public
14 access is directly off Front Street with easy access
15 to the parking garage and surface parking.

16 We are providing a total of 2,400 spaces
17 directly adjacent to the casino consisting of 1,650
18 spaces in the parking garage and 400 spaces in surface
19 lots adjacent to the casino. There are an additional
20 350 spaces for valet just down the street. This total
21 complies with the city parking requirements for four
22 spaces for five gaming positions. In addition, a 400
23 space lot for employees is located within two blocks
24 of the complex.

25 We believe we can open an operating

1 casino earlier than any other applicant, so I'll talk
2 about how we get there. We get there in three easy
3 steps and the first step is already complete, we have
4 the advantage of a head start since we're
5 incorporating the existing Procacci building five
6 warehouse into our design. The building is in good
7 condition, the utility infrastructure is in place and
8 the interior volumes are suitable for casino
9 development.

10 The warehouse building is a significant
11 portion of our casino footprint. We are, in effect,
12 starting with a large percentage of our foundation,
13 shell and core complete, and on day one of
14 construction we will be working on casino and
15 restaurant interiors. This view shows the state of
16 the project at early opening. This leverage of the
17 warehouse building will allow us to complete step two,
18 what we call the expedited phase casino, six months
19 earlier than any ground-up facility could be opened.

20 From a planning perspective, here's how
21 the plan is organized to allow the expedited casino to
22 open and operate during construction. The light blue
23 area shows the expedited casino of 1,500 slots and 50
24 table games. The dark blue is the remainder of the
25 gaming floor that, along with the hotel, continue

1 under construction while the expedited casino's in
2 operation. The angled area in light blue is the new
3 expansion area built along with a porte-cochère and
4 the arrangement of these elements is a key way that we
5 make this plan work well, by locating the porte-
6 cochère away from the construction zone. This is the
7 image of the porte-cochère.

8 From the start, the guest arrival
9 experience is presented in its final form and,
10 throughout the completion of construction, will remain
11 undisrupted by construction activities. The next
12 slide shows a close-up view of the porte-cochère.
13 After opening the expedited casino, the final step is
14 to complete the rest of the project. This slide shows
15 the plan for the project. The dark orange is the
16 gaming floor, which is on one level, the brown area at
17 the bottom left of the plan indicates the high-limit
18 gaming area accessible directly from the hotel
19 elevators, which sits above the podium in that
20 location. The light orange shows the restaurants and
21 lounges, including a high-end Italian restaurant, a
22 steakhouse, sports bar and buffet.

23 These amenities are located conveniently
24 on the perimeter of the gaming floor. A hotel cafe
25 will be located on the second level of the hotel. The

1 250 key guest room towers, positioned diagonally at
2 the corner of Front and Pattison, visible from every
3 highway around the perimeter, the hotel rooms and
4 suites will be designed to a four-star plus quality.
5 The suites will be located on the top floor and the
6 knife-edged end to the plan on all levels. This is a
7 Pattison Street elevation where we have positioned the
8 hotel suites to provide panoramic views of the
9 surroundings and create opportunities for balconies,
10 for luxury suites and hospitality suites.

11 This hotel, as typical with many casino
12 resorts, is the architectural signature of the
13 project. It is a modern tower and we use a couple of
14 simple design moves to explode the box and create a
15 memorable silhouette on the skyline. The tower will
16 be visible from all of the major highways ringing the
17 warehouse district. The form, materials and lighting
18 are composed to create a landmark and the silhouette
19 will, over time, become a visual logo for the
20 property.

21 Our strategy for interior design is to
22 bring a variety of guest experience from traditional
23 to contemporary connected by a consistent richness of
24 quality. The design for gaming areas and casino
25 lounges will be of high energy and the hotel will be a

1 place for decompression. The restaurants will have
2 their own design identity representing the specific
3 food offerings and appropriate to the level of food
4 quality and service quality.

5 Importantly, as Joe mentioned, we've
6 planned the facility to allow for graceful expansion
7 to achieve the maximum of the 5,000 slots capacity
8 allow, as the market permits. The first level of the
9 garage is designed with the infrastructure and height
10 to allow casino expansion to the north. This slide
11 shows a 3,000 slot scenario and the next shows a 5,000
12 slot scenario. We are able to achieve these
13 capacities in a one-level gaming floor plan.

14 This team brings a vision to this
15 project that is far beyond just a casino and a hotel.
16 We believe one day the casino will be just one of many
17 thriving businesses in a rich and diverse community.
18 Thank you very much.

19 ATTORNEY O'RIORDAN:

20 Thanks, Rick. Next you're going to hear
21 from Dan Disario who conducted PHL's traffic study.
22 Dan is a principal and vice president with Langan
23 Engineering. He's got over 20 years of management,
24 planning and design experience with land, development
25 and transportation projects. Dan's primary areas of

1 expertise include transportation operations, state and
2 local permitting procurement and preparation of
3 traffic impact studies and traffic signal design.
4 He's prepared well over 1,000 of these studies for
5 various developments throughout the Northeast and has
6 testified as a traffic expert before countless boards
7 up and down the east coast. Dan.

8 MR. DISARIO:

9 Thank you, John. And good afternoon,
10 Board members. You learn something new every day and
11 I have to thank Joe because I never knew that he was
12 the reason why grape tomatoes are in our country now.
13 And I got to tell you I love them, I pop them like
14 candy. So, Joe, thank you for that.

15 Seriously, we were retained to look at
16 the traffic aspects of this application. We've
17 prepared a detailed traffic study that has been
18 reviewed and accepted by your consultant, Orth-
19 Rodgers, as well as PennDOT. Our study analyzed
20 traffic operations at over 20 locations
21 under four scenarios both with and without Casino
22 Revolution. We've concluded that traffic flowing to
23 and from the Casino Revolution site will not adversely
24 impact any residential neighborhood and will have the
25 least impact on stadium-area traffic operations during

1 games as well as events in the sports complex.

2 As part of our traffic study, we
3 analyzed operations for a weekday commuter peak hour
4 as well as peak hours for Friday and Saturday nights,
5 including when the Phillies home game was occurring.
6 The culmination of our work is a commitment by PHL
7 Local Gaming to perform the following to facilitate
8 the ease of area traffic flow. Install a traffic
9 signal at the main site driveway along Front Street to
10 facilitate access both into and out of the site for
11 casino patrons. Investigate and provide improvements
12 to modernize existing traffic signals in the area at
13 various locations. Provide shuttle bus service both
14 to and from the Broad Street subway line as well as
15 the sports complex. Investigate a new on-ramp to I-76
16 westbound along South 7th Street and to conduct a
17 follow-up traffic study six months after opening to
18 assess traffic operations and identify any additional
19 required improvements.

20 Now we've also had the occasion to
21 review the traffic reports that were submitted as part
22 of the other applications. If you put aside all the
23 technical analyses and you look at the casino
24 proposals, practically, from a traffic perspective,
25 Casino Revolution is the clear choice for a casino

1 site in Philadelphia. Our site location provides
2 direct and immediate access to the regional highway
3 network and to South Columbus Boulevard. South
4 Columbus Boulevard will act as a back way to access
5 Casino Revolution for residents of both South Philly,
6 Center City and points that are further north.

7 Accordingly, the majority of our traffic
8 impact is going to be confined to essentially a very
9 small section of Front Street between the 95 ramps and
10 their intersections with Front Street and the casino
11 site, which is at the corner of Pattison and South
12 Columbus Boulevard. We will not adversely impact
13 neighborhood and area residents. And another point to
14 make that I think is important as it relates to Casino
15 Revolution, our application proposes to provide
16 sufficient parking on site so that anyone who elects
17 to self-park does not have to leave the site in order
18 to retrieve their parked vehicle.

19 The two Center City sites will
20 continually generate additional traffic to residential
21 areas and impact city residents. Those sites are also
22 located in areas of the city where every day during
23 the week commuters traverse those areas to get to the
24 regional highway network. Casino traffic in those
25 portions of the city will only worsen commuter traffic

1 operations that currently exist.

2 Now the two stadium district sites are
3 remote to the regional highway network, as compared to
4 our site, and they are adjacent to residential
5 neighborhoods to the north and to the west. Those
6 sites will have the greatest impact on those
7 residential areas as undoubtedly casino traffic will
8 use South 7th Street, South 10th Street and Parker
9 Avenue to travel to and from both of those casino
10 sites.

11 Moreover, there are ball fields along
12 South 7th Street and Parker Avenue and a church, a
13 school and a school sports complex along South 10th
14 Street, all of which are almost contiguous to the
15 stadium area. These public facilities generate on
16 street parking, demand people that are parking on the
17 adjacent streets to get to those public facilities and
18 they're utilized by young people and their families.
19 That addition of casino traffic past these facilities
20 and into the adjacent neighborhoods, in my opinion, is
21 not desirable from a traffic perspective.

22 The traffic congestion commonly
23 experienced within the stadium district is the worst
24 near the stadiums, and in particular, near the parking
25 lots for the various venues. The two stadium district

1 sites will have the greatest impact on stadium
2 district traffic because casino traffic and stadium
3 district traffic will be trying to get to the same
4 places, at the same times, along the same limited
5 routes between the regional highway network and the
6 stadium district. With that, I would like to
7 respectfully submit to you, from a traffic
8 perspective, Casino Revolution is the best choice.
9 And I thank you for your time.

10 ATTORNEY O'RIORDAN:

11 Dan, thank you very much. Next we're
12 going to hear from several members of PHL's Gaming
13 Partner, Merit PHL. First, I'd like to introduce the
14 president of Merit PHL, Pete Ferro. Pete was a
15 founding director of Empress Casino Joliet Corporation
16 in 1992 where he played a major role in the
17 unprecedented success of its opening as well as its
18 ensuing property expansion projects. He was
19 instrumental in the company's successful placement of
20 over \$150 million in debt, expanding Empress'
21 operations and facilitating the opening of the Empress
22 Casino Hammond in Indiana.

23 As president and chief executive officer
24 of both corporations, Pete successfully sold both
25 Empress properties for Horseshoe Gaming for \$650

1 million. Since 2000 Pete has been an integral part of
2 the Merit team giving his expertise in financing and
3 management of casino properties throughout the United
4 States. Pete.

5 MR. FERRO:

6 Thanks, John. Good afternoon. With me
7 today are members of Merit PHL's executive team I'd
8 like to introduce. Harlan Oppenheim, our chief
9 operating officer, Barry Edmondson, chief financial
10 officer, Kevin Werner, vice president of operations
11 and Andrea Okun, general counsel and director of
12 corporate compliance.

13 Having spent our careers in large gaming
14 companies, both private and public with interests
15 across the county, Joe Canfora and I decided to leave
16 that model behind and start Merit Management Group in
17 2000. We started Merit to give us the ability to
18 personally focus on one or two projects at a time that
19 we believed in. Under the Merit model we manifest
20 that belief by putting skin in the game. We invest
21 our capital in the projects that we operate.

22 Merit executives have been together for
23 nearly 20 years, predating the formation of Merit
24 Management. We have designed, financed, constructed
25 and/or operated over ten start-up casinos with a value

1 in excess of \$1 billion. These properties include
2 hotels, spas, entertainment venues and multiple award-
3 winning restaurants throughout the United States,
4 specifically in Illinois, Indiana, Missouri, Nevada,
5 California, Washington and Colorado as well as
6 internationally in Panama and the Dominican Republic.

7 Most, if not all, of these projects have
8 been developed in highly competitive markets. For
9 example, Empress Entertainment in the Chicago land
10 market competed against six casinos within a 40-mile
11 radius. And Silver Reef Casino in the State of
12 Washington was the last casino in a market with four
13 existing casinos. Silver Reef now has 12 competitors
14 within a 50 mile radius and continues to lead the
15 market.

16 We at Merit have a well-defined
17 operating philosophy that we bring to all of our
18 projects and which we will bring to casino revolution.
19 First, we size and build a project to fit the market.
20 One of the main, if not primary, reasons that casinos
21 fail is often due to over building. If the market
22 does not support the initial capital outlay or
23 required operating expenses, the chances of success
24 are slim. Secondly, we believe in growing the project
25 with the market. The market will tell us when to

1 expand. All of our projects have expanded through
2 multiple phases when, and only when, the market
3 demanded it.

4 Third, our long-term success is built
5 just as much on the investment in our employees as it
6 is in the physical structure. Anyone can build big,
7 beautiful buildings and multilevel parking garages,
8 but a critical part of the success of any business is
9 its people. A major benefit of our growth with the
10 market strategy is that each expansion creates
11 opportunities for employee advancement from within.
12 Our training and mentoring programs allow us to
13 provide growth opportunities for all of our employees.
14 As a result of our commitment to our employees, we are
15 consistently the preferred employer in the markets
16 where we operate.

17 Our human resource programs are focused
18 to proactively prevent discrimination and harassment.
19 We take seriously the responsibility of complying with
20 all labor, occupational and environmental health laws
21 and regulations. We have a long-standing commitment
22 to maintaining diversity within our workforce, we
23 offer hiring preferences to members of our local
24 community and we set and meet strict minority hiring
25 goals. We do these things not because we have to, but

1 because it's the right thing to do, it's good for our
2 employees and it's good for business. If we take care
3 of our employees, they will take care of our guests
4 which means our business and the community will
5 benefit.

6 Finally, we believe in being an integral
7 part of the local community. If it's good for the
8 local community, again, it's good for us. How do we
9 do that? We believe in placing the decision-making
10 authority in the hands of the property level
11 management team. Who knows the needs of the local
12 community better than the property managers? We
13 maintain strong partnerships with community
14 organizations and groups, especially those which are
15 important to our employees. We always give preference
16 to local goods and services providers. As a matter of
17 fact, within the last year, two of our casinos have
18 been named business of the year in their respective
19 communities.

20 Now I'd like to give you a recent
21 example of how Merit's Philosophy leads to a
22 successful project. That project is the Silver Reef
23 Hotel, Casino and Spa. Merit was presented with a
24 casino opportunity in Ferndale, Washington, and
25 despite being last in the market with four existing

1 casinos within 20 miles of our site, a site which was
2 a flooded farm field, Merit saw an opportunity. We
3 put together a team to design, build, finance, which
4 included our own investment, and operate a state-of-
5 the-art gaming facility which would immediately become
6 the market leader. We analyzed and we sized the
7 project to fit the market and we have been expanding
8 steadily ever since as we've grown the market.

9 We increased the casino floor by over
10 400 percent. We've added six restaurants, including a
11 multiple award-winning steakhouse with an extensive
12 international wine list. We've added 22,000 square
13 feet of event space, which allows us to add headliner
14 entertainment broadening the property's appeal. We
15 built a first-class hotel tower to attract overnight
16 tourists. We've constructed a first-class spa in
17 order to appeal to non-traditional casino guests and
18 we've added retail space to provide a complete
19 experience to our guests.

20 Overall, the property has increased in
21 square footage by 700 percent. And with each one of
22 these expansions, revenues have continued to grow. As
23 a matter of fact, Silver Reef is planning its seventh
24 phase expansion, which will include additional hotel
25 rooms and luxury suites.

1 We have a proven record of recruiting
2 and retaining highly skilled employees at Silver Reef.
3 We've continued to promote from within as per our
4 original philosophy. For example, our original food
5 and beverage director is now the general manager of
6 another Merit property. Our current hotel director
7 started as a security officer and our current director
8 of food and beverage operations began as a cafe
9 server.

10 We provide our employees with subsidized
11 meal programs, we provide annual bonuses and raises
12 for all of our employees and we provide a variety of
13 subsidized employee health care plans along with
14 401(k) match, paid time off, tuition assistance.

15 This is the operational philosophy that
16 Merit has proven to be successful in all of its
17 projects. This is the operational philosophy that
18 will be brought to Casino Revolution. And this is the
19 operational philosophy that will deliver a project
20 that Pennsylvania and Philadelphia will be proud of.
21 Thank you very much.

22 ATTORNEY O'RIORDAN:

23 Thank you, Pete. Next we'll hear from
24 Andy Jones. Andy is in charge of Merit's marketing.
25 He has almost 20 years of experience in the gaming

1 industry, most of it working with Merit executives at
2 industry leading companies like Stations casinos and
3 Horseshoe casinos.

4 Andy's developed marketing strategies
5 for more than 30 start-up casinos, including casinos
6 in major metropolitan areas like Dallas, Chicago, St.
7 Louis, Las Vegas and San Diego. Andy specializes in
8 database and reinvestment strategies to convert trial
9 customers and tourists in the loyal players. Andy.

10 MR. JONES:

11 Thank you, John. Good afternoon. My
12 name is Andrew Jones, J-O-N-E-S. As John mentioned,
13 I've honed my skills over the years in highly
14 competitive, major metropolitan markets and now I have
15 the privilege of introducing our first-class facility
16 to the local drive and overnight markets.
17 Essentially, every casino utilizes the same marketing
18 fundamentals, a combination of advertising, database,
19 marketing, promotions, et cetera.

20 Success is not based on the tools you
21 use, but rather on how hard you work and how
22 creatively you implement these programs. The
23 differences that Casino Revolution will bring is that
24 we will acquire a list of known gamblers in our local
25 drive and overnight markets where we can build demand

1 prior to opening. We will also differentiate our
2 standard marketing programs by allowing the players to
3 personalize and customize the programs thereby
4 increasing their likelihood of a repeat visit.

5 While we will do an extensive pre-opening
6 marketing and advertizing campaign, we will also
7 purchase a targeted database of more than 870,000
8 known gamblers within 180 miles of our proposed site.
9 This enables us to begin marketing to perspective
10 customers as though they were already existing
11 customers. These lists are available from reputable
12 industry leaders, like Experian, which is one of the
13 largest credit-rating companies in the country. We've
14 added criteria to make sure we're reaching the right
15 target market. These are known gamblers over the age
16 of 21 with a minimum household income of at least
17 \$50,000. Within 60 miles there are 170,000 people who
18 meet this criteria. Extending the radius to 120 miles
19 adds an additional 260,000 customers and by going out
20 to 180 miles we can add an additional 440,000
21 customers in our regional market.

22 These 873,000 customers allow us to
23 effectively reach the local market while still
24 increasing tourism from perspective players up to
25 three hours away. Here's an example of a recently

1 created prospecting piece we used during a Silver Reef
2 expansion to begin drawing more regional players with
3 the addition of new amenities. The process generated
4 an immediate return on investment and helped stimulate
5 trial from new markets.

6 We'll use our extensive experience with
7 industry leaders to develop and implement these
8 strategies, experience that we've gained from leaders
9 in local marketing, like Station Casinos and Horseshoe
10 Casinos, as well as experience from regional casinos
11 like Silver Reef, which now draws almost 50 percent of
12 its customers from across the border in Canada,
13 Empress Casino Hammond, where we were successful in
14 convincing Chicago area gamblers to drive across the
15 state line into Indiana to play, and Choctaw Casino
16 and Resort in Oklahoma who's undergoing a major
17 expansion based on their ability to draw customers
18 from Texas and Louisiana.

19 We'll take the current marketing
20 programs utilized by every casino and enhance their
21 appeal by making the benefits transparent and allowing
22 players to select their own benefits. We'll allow
23 players to select the best communication tools,
24 whether they prefer to receive traditional mail,
25 email, text or information via a web portal. We'll

1 then allow them to select the offers that matter to
2 them to stimulate visitation. If we're willing to
3 reinvest a percentage of their worth back to them in
4 offers, we'll allow them to specify whether they
5 prefer it as a hotel offer, a food offer, a play-based
6 incentive or any combination of those. We'll limit
7 arbitrary day of week requirements. Rather than
8 forcing players to come at specific days or times,
9 we'll allow them to specify the days and times that
10 work best for them.

11 For our VIPs, we'll allow them to build
12 a relationship with a casino host and choose their own
13 host rather than arbitrarily assigning a host from our
14 roster. Here's an example of a teaser billboard to
15 generate interest early in the process. We'll use
16 high quality visuals with rich vibrant colors to
17 compliment the physical structure that we're building.
18 As the completion gets closer, we change the messaging
19 to make it more of a personal appeal for players who
20 are looking for a different gaming experience. And
21 then post-opening we begin to show the differentiation
22 in our marketing.

23 We take a standard casino marketing
24 program and open it up to allow players to visit on
25 their schedule rather than ours. Our location and our

1 product are a marketer's dream and I'm excited about
2 the opportunity and I'm confident we can spark the
3 imagination of players in the immediate area as well
4 as throughout the region. Thank you.

5 ATTORNEY O'RIORDAN:

6 Thanks, Andy. The next speaker talking
7 about Merit is Steve Oliver. Steve is currently the
8 chairman of the Lummi Commercial Company, and is
9 enrolled as a member of the Lummi Indian nation.
10 Steve's worked closely Joe Canfora, Peter Ferro and
11 the entire Merit team in connection with their
12 management of the Silver Reef Casino in Washington.
13 Steve was a member of the Ferndale City Council and is
14 now serving his second term as the elected Whatcom
15 County Treasurer. Steve.

16 MR. OLIVER:

17 Thank you. Thank you, Mr. Chairman and
18 the rest of the Board. I traveled 3,000 miles to
19 speak to you today because I've been in your shoes,
20 vetting proposers and proposals. I thought it was
21 important that you hear what I know about this team.
22 In 2001, the Lummi Nation selected Merit Gaming to
23 design, build and manage the Silver Reef Casino. The
24 Lummi-Merit partnership was a highly successful, 12-
25 year relationship, which is nearly unheard of in

1 tribal gaming. The partnership annually donated over
2 \$1 million in cash and services to local non-profit
3 organizations and were the recipients of countless
4 awards for business excellence and community support.

5 Working in Indian country can be
6 challenging. Tribal communities can be demanding and
7 you certainly don't have a successful, 12-year
8 partnership unless you keep your word and you're truly
9 committed to the community. I think that speaks
10 highly of the quality character that you will find
11 with Merit Gaming.

12 The Lummi Nation had significant
13 employment and training goals for tribal members.
14 Together with Merit we created numerous meaningful and
15 dynamic training and employment opportunities for our
16 people. I'm especially proud of LEAP, Lummi
17 Educational Advancement Program; so far we've
18 graduated 16 employees in a college level curriculum.
19 At all levels of the company we now employ nearly 190
20 tribal members, other natives and other employees that
21 support tribal households.

22 We're surrounded by casinos in our
23 market, yet our visitor counts continue to grow
24 despite new casinos and recently added daily, non-stop
25 flights from Bellingham to Las Vegas. Almost half of

1 all of our customers are from Canada. Over two-thirds
2 of our overnight hotel guests are from outside
3 Washington State. That doesn't happen by accident.
4 It starts with understanding your market, designing
5 your project to capture that opportunity and providing
6 a quality customer service.

7 Merit Gaming brought that vision, plan,
8 commitment and team and made it happen for our
9 community. I'm confident that Merit Gaming will do
10 the same for your community and maximize the value of
11 this license for the entire region. Joe Canfora and
12 the Merit team will always be our friends and I
13 wouldn't expect anything less for the City of
14 Philadelphia. Thank you for your time.

15 ATTORNEY O'RIORDAN:

16 Thank you, Steve. Mr. Chairman, we're
17 going to hear from a number of speakers regarding the
18 economic impacts of the PHL Local project and Casino
19 Revolution. The first such speaker is Cory Morowitz.
20 Cory is chairman and managing member of Morowitz
21 Gaming Advisors, a gaming consultancy, and a partner
22 with Global Gaming and Hospitality, merchant advisory
23 firm for the gaming and hospitality industries.

24 Cory holds an MBA from the prestigious
25 Wharton School of Business at the University of

1 Pennsylvania. As industry director of the Wharton
2 School's program for gaming industry executives, Cory
3 was responsible for the conception and development of
4 a comprehensive training program for senior gaming
5 industry executives at that world premier business
6 school. Cory.

7 MR. MOROWITZ:

8 Thank you. Thank you, Mr. Chairman and
9 the Board. My name's Cory Morowitz, that's
10 M-O-R-O-W-I-T-Z. My firm was engaged to prepare a
11 market assessment for Casino Revolution's proposed
12 gaming and entertainment facility in South
13 Philadelphia. Based on that market assessment, we
14 were able to size the market for gaming in
15 Philadelphia and determine the share of revenues to
16 Casino Revolution based on its proposed mix of assets.

17 While all of this was presented to the
18 Gaming Board through our filings, I'm here to cover
19 the main highlights of our analysis including our
20 revenue assessment, the potential to grow, the market
21 for gaming in Philadelphia, the gross and net revenues
22 of the project, potential gaming taxes and the
23 benefits of Casino Revolution's proposal versus other
24 applicants.

25 Our gaming market assessment analyzed

1 the Philadelphia gaming market, its size and the share
2 to Casino Revolution. Our analysis looked at the
3 three segments that we believe will drive gaming
4 growth and revenue to the property. These segments
5 include the drive in, overnight visitor and traffic
6 intersect segments. I'll define these as I move
7 forward through my presentation.

8 We tried to take a conservative approach
9 in our analyses, meaning that we take pains to not
10 double count revenues between segments, for instance,
11 making sure people in the drive in market are no
12 double counted as commuters or tourists. We also
13 limit our market reach to 60 miles. If the loyalty
14 program and the assets are successful in driving
15 frequent visitation from beyond this radius, it is
16 possible that projected revenues could be greater.

17 The drive in market is defined as adults
18 living within a 60 mile straight line radius of the
19 property which comports to roughly a 90 minute drive
20 time radius from the site. We estimate the total
21 market for gaming spending in this radius at
22 \$3 billion and a total of \$327 million of stabilized
23 annual gaming revenue and earning to Casino Revolution
24 from the drive in market, or about an 11 percent
25 market share.

1 The next segment is the overnight
2 visitor segment. This is defined as adults staying at
3 hotels within ten miles of the site plus adults
4 staying at the on-site hotel. Through marketing
5 efforts, shuttles, et cetera, we estimate that
6 overnight visitors staying in Philadelphia will drive
7 \$9.4 million to Casino Revolution based on a very
8 conservative estimate of capture and time on device.
9 We also estimate that through yield management and the
10 property will drive \$18.9 million of incremental
11 revenue from gamers staying at the on-site hotel.
12 That is after adjusting for, or subtracting for, the
13 gamers that emanate from within the drive time market
14 of 60 miles or who will also be staying in the on-site
15 hotel. The total revenues from this segment are
16 estimated at \$28.3 million annually at stabilization.

17 The last segment that we studied is the
18 traffic intercept market. This is the travelers
19 passing by on major highways who emanate from outside
20 the drive in market and who, due to the convenience of
21 the property right off of the highway, stop in to
22 gamble. Based on short duration trips and a very low
23 percentage of travelers captured, we estimate
24 stabilized annual revenue from this segment at
25 \$3 million annually.

1 We summarize these three segments with
2 total gaming revenue on a stabilized basis is
3 estimated at \$358 million annually. We also benchmark
4 this revenue based on win per position and total
5 revenue at the three other area casinos in
6 southeastern Pennsylvania and we see that it is
7 squarely within that range of other casinos.

8 Next thing I'd like to talk about is
9 growing the market. In our opinion there's a
10 significant opportunity to grow the Philadelphia area
11 gaming market. The population is significantly
12 underserved based on the northeast benchmark of the
13 builds per position. There are almost three times as
14 many adults per position in Philadelphia than in the
15 markets within 150 miles of eastern PA.

16 Market growth will come from bringing
17 gaming closer to underserved populations, particularly
18 if the casino is located outside of Center City,
19 because that population is already served by
20 SugarHouse. Additional growth could also come from
21 economic growth over the next several years as the
22 economy improves and additional growth will also come
23 from serving overnight visitors and travelers along
24 the major highways that pass by the site. Based on
25 our analysis, casino revolution would grow the drive

1 in market in southeastern Pennsylvania by over
2 \$223 million. That growth would come from
3 \$327 million at the Casino Revolution site and
4 dilution of the existing market by \$103 million.

5 We note that based on our gravity
6 models, the drive in market would grow marginally less
7 with a Center City casino, but the impact on the other
8 southeast Pennsylvania casinos would be approximately
9 \$170 million or \$67 million more than the South
10 Philadelphia site. Total market growth from Casino
11 Revolution is estimated at approximately \$250 million
12 after factoring in overnight visitors and travelers.

13 Finally, we estimate gaming revenues
14 ramping up over time from \$315 million in year one to
15 almost \$369 million in year five with stabilization by
16 year three. We also estimate net revenues of
17 \$327 million in year one, ramping up to over
18 \$382 million by year five. Gaming related taxes and
19 fees are estimated at \$142.5 million in the first year
20 ramping up to almost \$165 million by year five.

21 Finally, based on our study and analysis
22 we believe the Casino Revolution project offers many
23 significant benefits compared to some of the other
24 applicants. First, Casino Revolution is a single-
25 level casino with significant ability to expand all on

1 one level. This is important because our research
2 indicates that multilevel casinos typically perform
3 poorly due to patron flow issues and additional cost
4 of operations. There are many examples of multilevel
5 casinos that have failed and the mantra among gaming
6 executives is to avoid multilevel casinos if possible.

7 Second, Casino Revolution has ample
8 parking and will not be reliant on inconvenient off
9 site parking. Third, Casino Revolution has a larger
10 hotel in terms of number of rooms than some of the
11 other proposals. This will allow them to maximize
12 gaming revenue from overnight customers and from outer
13 markets. They will also offer a single operator
14 approach.

15 Some of the other applicants rely on
16 significant use of third party operators for their
17 hotel and dining assets. Based on our experience in
18 the gaming industry, we believe this poses significant
19 operational challenges and misalignment of objective
20 between tenants and operators and could put those
21 other casinos at strategic disadvantage in the
22 marketplace.

23 Casino Revolution is also not an inner-
24 city casino. This is another extremely important
25 point because there is evidence that inner-city

1 casinos fail to deliver on their revenue potential
2 relative to the populations close by due to many
3 issues, including traffic, lack of access and other
4 operating issues. And as important, based on our
5 models, Casino Revolution grows the gaming market with
6 a significantly less impact on the Southeast
7 Pennsylvania casinos than an inner-city casino. Thank
8 you for your time.

9 ATTORNEY O'RIORDAN:

10 Cory, thanks very much. Our next
11 speaker is Jim Klas. Jim is a cofounder and principal
12 of Klas Robinson and has 30 years of operational and
13 consulting experience in the gaming and hospitality
14 industry. Jim performed our economic impact study and
15 he's worked on over 300 different projects providing
16 development and consulting at hotel, resort, casino
17 convention center and mix use projects.

18 During the course of his career, Jim's
19 feasibility studies, business plans and other expert
20 counseling have been used successfully attract over
21 \$10 billion in financing investment. Jim's a
22 nationally recognized expert in economic impact
23 analysis of the hospitality industry. Jim.

24 MR. KLAS:

25 Thank you, John. Mr. Chairman, members

1 of the Board, it's a pleasure to be here today. Our
2 firm was engaged to analyze the economic impact of the
3 Casino Revolution project. The information that I
4 will be presenting to you pertains specifically to
5 that project. It does not include visitor spending at
6 other venues outside of the Casino Revolution project.
7 It also does not include spin-off development that may
8 occur leveraging off of the activity that Casino
9 Revolution will create. That is not to say that those
10 things won't happen, they will, however these numbers
11 pertain directly to what happens at Casino Revolution
12 and what happens at their vendors and what happens
13 with their employees as they make payments to their
14 vendors and employees. And they in turn spend money
15 in the surrounding market.

16 Casino Revolution is projected to employ
17 1,389 --- excuse me, 69 people on an ongoing basis.
18 Those employees will earn approximately \$38.8 million
19 per year, or an average of \$28,400 per position. Now
20 those earnings include both the wages that Casino
21 Revolution will pay and the tips that employees who
22 typically get tips will earn from their work. It does
23 not include any additional benefits, health benefits,
24 employee meals, uniforms, et cetera that are common
25 for this type of an operation.

1 Casino Revolution will also purchase
2 approximately \$56.5 million per year from vendors.
3 Everything from Post-It notes to steaks to you-name-
4 it, whatever it takes to make the operation go. The
5 casino is expected to attract 4.1 million visitors
6 annually to this site, that includes 131,000 overnight
7 visitor nights from people staying in the Casino
8 Revolution Hotel component, does not include people
9 staying at other hotels in the area.

10 In terms of tax impact, Casino
11 Revolution is projected to generate between \$150
12 million and \$178 million each year. Now, the ranges
13 that you see there, and in the other bullet points,
14 pertain to years one through year five of operations
15 and do not include any potential expansion to the
16 3,000 or 5,000 machine scenario, simply the completed
17 original project. State gaming taxes will range from
18 \$88 to nearly \$99 million, local share assessments of
19 between nearly \$11 million to \$12 million, EDTF
20 payments of between \$11-and-a-half and \$13 million,
21 payments in support of the horse industry of between
22 \$25.3 and \$28.5 million and regulatory fees of between
23 \$4.5 and \$5.2 million.

24 Beyond the gaming specific related
25 taxes, there will be property taxes of between

1 \$4 and 4.5 million, income taxes on the LLC profits of
2 approximately \$1.1 million per year, personal income
3 taxes on the wages and tips earned by the employees of
4 \$1.1 million per year to the state and \$1.3 million to
5 the city wage earnings tax. Also the sales and use
6 taxes at Casino Revolution are expected to range from
7 approximately \$2.1 to \$2.3 million, and again that
8 only includes the sales and use taxes that occur from
9 transactions at Casino Revolution.

10 Now, in addition to the direct impact of
11 the casino, the casino will be have an impact on the
12 local economy as the vendors take the money that
13 casino revolution pays them and go out and pay their
14 employees and buy new raw materials to reproduce their
15 supplies. It will also have an impact on the economy
16 as the employees of Casino Revolution go out and spend
17 the money that they've been paid at the grocery store,
18 the laundromat or wherever they may choose.

19 In addition to the direct revenue or
20 output at the casino, Casino Revolution is projected
21 to generate another \$197 million in indirect and
22 induced impact or a total of \$534 million, just within
23 Philadelphia County. And a total of \$587 million
24 direct, indirect and induced output within the State
25 of Pennsylvania as a whole.

1 In terms of employment, in addition to
2 the 1,369 jobs directly at Casino Revolution, another
3 1,230 jobs are expected to be created within
4 Philadelphia County and another 1,819 total jobs are
5 expected to be created within the State of
6 Pennsylvania. The people working in those jobs, in
7 total, will be projected to earn approximately
8 \$65,750,000 more within Philadelphia County and nearly
9 \$93 million more within the State of Pennsylvania as a
10 whole. If you combine the total earnings direct,
11 indirect and induced and you combine the total
12 employment direct, indirect and induced that
13 translates into earnings per position generated by the
14 casino directly and indirectly of over \$40,000 per
15 year.

16 Now, of course, the project won't simply
17 create impact from its ongoing operations, it will
18 create impact even before it opens during the
19 construction phase. It's a \$428 million project.
20 It's projected to required 1,235 full-time equivalent
21 construction jobs in order for it to be built. Those
22 jobs will earn a total of approximately \$65.2 million
23 in construction payroll or an average of \$52,800 per
24 full-time equivalent job. And, of course, those
25 employees will, as the regular ongoing employees, pay

1 taxes to the State and to the City of Philadelphia,
2 and they will spend that money in this surrounding
3 area generating their own indirect and induced
4 economic impact. Thank you.

5 ATTORNEY O'RIORDAN:

6 Thanks, Jim. Our next speaker is Eugene
7 Christiansen. Eugene is principal and chairman of
8 Christiansen Capitol Advisors, LLC, an independent
9 research and consulting firm, with expertise in
10 economics, management, operations, taxation and
11 regulation of the leisure and entertainment industry.
12 Eugene.

13 MR. CHRISTIANSEN:

14 Oh, John, thank you. Mr. Chairman,
15 members of the Board, it's a privilege to be here.
16 CCA, Christiansen Capitol Advisors, is an independent
17 consulting firm. We specialize in gambling. We
18 advise governments. We advise casino companies. We
19 advise investors and investment firms. We advise law
20 firms. We've been analyzing gaming markets for the
21 past quarter century, gaming markets all over the
22 country and around the world.

23 PHL Local Gaming asked us to provide it
24 with an independent evaluation. Two questions, is the
25 Philadelphia gaming market saturated and to what

1 extent would a second casino in Philadelphia
2 cannibalize the gaming revenue of existing
3 Pennsylvania casinos. To answer these questions, we
4 built a model of the southeast Pennsylvania gaming
5 market. The modeling procedures we used have been
6 tested and refined over decades of similar work. The
7 models tell us the size of this market, if it is fully
8 supplied. We compare the southeast Pennsylvania
9 market with other domestic gaming markets that are
10 roughly similar, and I say roughly similar because
11 there is not a lot of experience in North America with
12 big casinos in big cities.

13 The comparables, you can see on this
14 slide, and I will not repeat all of the numbers there,
15 are Detroit, New Orleans, St. Louis and Kansas City.
16 These are all markets that are urban that have casinos
17 in them. We're conservative in our approach to
18 constructing estimates for projections of gaming
19 revenue. Our models rely on facts, things that
20 happened in the real world.

21 So, let me address the first question we
22 were asked, saturation. At present, the southeastern
23 Pennsylvania market is not fully supplied. It is not
24 saturated. This is a big market that is in very early
25 stages of development. And I would call your

1 attention to the numbers in this next slide, if we
2 could have the next slide. Keep going. Good. These
3 are important numbers. Per person spending in
4 Philadelphia today is much lower than per person
5 spending on gaming in the four roughly comparable
6 markets we chose to be comparables. And you run your
7 finger down the last column here you can see that in
8 the Philadelphia market the spending per person on
9 gaming is \$228. That is much, much lower than the
10 other markets in this slide. That is a strong
11 indication that the demand for gaming present in
12 Philadelphia is not being fully met today.

13 CCA submitted a report to PHL Local
14 Gaming that reviews other metrics or measures of
15 marketing supply. In the interest of time, I won't go
16 into these metrics or measures today, but if you have
17 questions later in the program, we would be happy to
18 answer them. The bottom line, though, is that there
19 is substantial unsatisfied demand for gaming in
20 Philadelphia.

21 The approximate size of this unsatisfied
22 demand for gaming in Philadelphia is \$300 million to
23 \$400 million or possibly a little more depending on a
24 number of factors or variables including the future
25 condition of the general economy and supply increases

1 in neighboring jurisdictions. These are not discussed
2 in the report that I mentioned.

3 The second question we were asked to
4 answer, or asked to address, is impacts and
5 cannibalization. A second casino in Philadelphia will
6 make the Philadelphia gaming market more competitive.
7 Competition is not a bad thing and you should not
8 assume that competition results in financially
9 unstable casinos or casino industries. Nevada and
10 Mississippi, which do not limit the number of gaming
11 licenses, have stable casino industries. New Jersey,
12 which does limit the number of gaming licenses, has
13 been chronically troubled by financially unstable
14 casinos.

15 CCA was hired by the New Jersey Casino
16 Control Commission to supply it with the definition of
17 financial stability, and I know whereof we speak. Two
18 things will happen if a second casino is added to the
19 Philadelphia market. Existing southeastern
20 Pennsylvania casinos will feel impacts on their top
21 line, i.e., their win or gross gaming revenue, and
22 secondly, the overall southeastern Pennsylvania market
23 will grow as the unsatisfied demand it contains is
24 taken up by the new casino. A second casino in South
25 Philadelphia will have smaller impacts on existing

1 Pennsylvania casinos than a second casino in Central
2 Philadelphia.

3 Essentially, this is a function of
4 geography and market demographics. A second casino in
5 South Philadelphia will be closer to underserved
6 portions of this market than would a second casino in
7 Central Philadelphia. Conversely, a second casino in
8 Central Philadelphia would be closer to existing
9 Pennsylvania casinos than would a second casino in
10 South Philadelphia.

11 Assuming the Philadelphia market behaves
12 like other domestic gaming markets, the impacts felt
13 by existing southeastern Pennsylvania casinos will be
14 transient. As the Philadelphia market grows, the
15 first year impacts, the immediate impacts, will
16 diminish. By the third or fourth year the win or
17 gross gaming revenue of the southeastern Pennsylvania
18 casinos that were operating prior to the opening of
19 the second Philadelphia casino will have recovered
20 entirely.

21 If I can have the slide. A second
22 casino in South Philadelphia would generate almost
23 \$809 million in net new gaming revenue and about \$348
24 million in new gaming privilege taxes for the
25 Commonwealth in its first three years of operation.

1 This is significantly greater net new gross gaming
2 revenue and new tax revenue for the Commonwealth than
3 a second casino in Central Philadelphia would generate
4 in its first three years of operation. Thank you for
5 listening to me. I have been brief. If there are any
6 questions later on in the program, we are here to
7 answer them.

8 ATTORNEY O'RIORDAN:

9 Thank you, Eugene. Our next speakers
10 will talk to you about diversity, and the PHL's vision
11 for the lower south area in the LoSo Entertainment and
12 Recreational Center. The first such speaker is A.
13 Bruce Crawley.

14 Bruce is president and principal owner
15 of Millennium3Management, a branding public relations
16 and advertising firm. Bruce formerly was senior vice
17 president and director of public investor relations at
18 First Pennsylvania Bank. Active for many years in the
19 Philadelphia hospitality industry, Bruce is a member
20 of the Executive Committee of the Philadelphia
21 Convention and Visitors Bureau, served as chairman of
22 that organization's Board. He's also a cofounder of
23 the Convention's Bureau Multicultural Affairs
24 congress, a founding member of the Greater
25 Philadelphia Tourism Marketing Corporation and a

1 founder of the Philadelphia African Chamber ---
2 African-American Chamber of Commerce, serving that
3 organization as chairman for 13 years. Bruce
4 currently serves on the Board of Independence Blue
5 Cross and is a member of the Board of Trustees at
6 Saint Joseph's University.

7 Most importantly, in addition to his
8 considerable professional accomplishments, Bruce has
9 dedicated his life to ensuring meaningful
10 participation in the economy and fair treatment to
11 African-Americans and other minorities in
12 disadvantaged groups.

13 Bruce was one of the earliest members to
14 join the PHL team and he's a highly valued member.
15 Bruce.

16 MR. CRAWLEY:

17 Thank you, John. Chairman Ryan, members
18 of the Board, good afternoon. In my brief remarks,
19 I'll cover five topics. PHL's Local Gaming's
20 commitment to diversity and to responsible gaming, the
21 quality of its community outreach, its perspective on
22 non-gaming revenues and an introduction of its
23 innovative LoSo Entertainment Center concept.

24 Like anything else in business, a
25 corporate commitment to diversity in employment,

1 purchasing and community outreach absolutely cannot be
2 achieved unless it originates from the very top of the
3 organization. Accordingly, the principal owners of
4 the PHL Local Gaming have structured the company in a
5 way that ensures that its diversity goals will be met
6 and that the achievement of those goals will enhance
7 the overall success of the gaming operations.

8 PHL Local Gaming has the largest
9 minority controlled equity participation among any of
10 the five bidders. It also has an African-American
11 Board member, Bennett Lomax. It has announced that it
12 plans to invite Nelson Diaz, a prominent Hispanic
13 attorney, to join the Board should the company be
14 selected as licensee. At that point, there's also a
15 plan to add a female member to the Board.

16 Under Joe Procacci's Philadelphia first
17 economic model, PHL Local Gaming intends to provide as
18 many of its contracts to Philadelphia business owners
19 as it possibly can. In fact, the company has
20 announced that it will offer seven percent bid
21 preferences for Philadelphia-based businesses and five
22 percent bid preferences for southeast Pennsylvania-
23 based businesses.

24 As part of its construction plan, the
25 company has announced the addition of H.J. Russell &

1 Company, the 15th largest African-American-owned
2 business in the United States to its construction
3 team. The team is headed by L.F. Driscoll Company,
4 LLC, the largest construction management company in
5 the Greater Philadelphia area. Driscoll will ensure
6 that the Philadelphia First Commitment will extend
7 across the board to local businesses, suppliers and
8 workforces, and H.J. Russell will ensure, among other
9 things that local firms headed by African-Americans,
10 Hispanics, Asians and females will be bid
11 participants.

12 Not surprisingly, as you see in your
13 PowerPoint deck, PHL Local Gaming has committed to the
14 most aggressive goals in the bid process, in every
15 construction-related and casino-operated diversity
16 category

17 In the critically important area of
18 responsible gaming, PHL Local's commitment to assist
19 in fighting the problems related to gambling addiction
20 also flows down from the top of the organization. In
21 addition to its stated commitment to prevent underage
22 gambling and to work to address issues of the gambling
23 addicted, the company plans to bar access to its
24 proposed facility to those who self-identify as
25 problem gamblers.

1 Over a three-month period ending in
2 December, PHL Local Gaming implemented a successful
3 Facebook-based campaign to raise funds and awareness
4 for the Counsel on Compulsive Gambling of
5 Pennsylvania, generating more than \$7,000 and 800,000
6 social media impressions assisting the agency and
7 delivering its critical messages locally, statewide
8 and beyond.

9 And just a point of privilege, I was
10 pleasantly surprised to see Jim Papas, who heads that
11 organization, in the room this afternoon. I'm glad to
12 see Jim here.

13 In essence, PHL Local Gaming does not
14 believe it is necessary to include problem gamblers in
15 its marketing and patron development efforts and will
16 not do so. In an area of community outreach, PHL
17 Local Gaming has taken special and innovative steps to
18 ensure that the community has been well informed about
19 the bidding process overall and about the details of
20 its own bid.

21 For example, three months ago we
22 introduced a small space print ad campaign in
23 neighborhood and ethnic newspapers to alert those
24 readers about PHL Local's strong position on economic
25 impact, local ownership, diversity commitments and

1 responsible gaming. The ads were produced in English,
2 Spanish and Chinese, and also were visible on the
3 websites of those publications.

4 PHL Local Gaming has also published its
5 own online newsletter, which has been distributed to
6 30,000 recipients over the past year. We also made
7 good use of social media for bringing information to
8 the community, with a special emphasis on YouTube,
9 Twitter and Facebook. With about 4,100 likes, the PHL
10 Local Facebook page has drawn 1,800 more likes than
11 the second most popular bidder page, and 3,400 more
12 than the third most popular casino bidder page.

13 The topic of non-gaming revenues, PHL
14 Local believes may be one that deserves careful
15 analysis as we move forward with casino gaming in
16 Philadelphia. While it is not uncommon for large
17 properties in Law Vegas to claim 50 or even 60 percent
18 non-gaming revenue levels, such components of total
19 revenue are virtually nonexistent outside of major,
20 long-stay gambling destinations.

21 The National Casino Gaming market is no
22 longer typified with what happens in Las Vegas. In
23 fact of 2012 numbers, 78.6 percent of gross gaming
24 revenue originated outside of New Jersey and Nevada
25 and 72 percent of brick and mortar casinos were

1 located outside those two states. While Pennsylvania
2 gaming patrons are certainly attracted to high quality
3 amenities, for the most part they are not traveling to
4 a Pennsylvania casino to spend a one or two week
5 vacation, thereby contributing to non-gaming revenues.

6 At PHL Local Gaming, we believe our non-
7 gaming revenue projections, at about nine percent in
8 the first year, are entirely appropriate for
9 Philadelphia area market demand and entirely
10 consistent with levels in other non-Las Vegas
11 jurisdictions.

12 On the subject of casino-related
13 economic impact, however, PHL Local Gaming has
14 uniquely committed to serving as a cornerstone and a
15 catalyst for the development of a new family-focused
16 recreation and entertainment district that we envision
17 being located in the lower south section of the city.
18 The project would begin at the 27 acre parcel that is
19 currently owned by PIDC, and would be located
20 immediately west of the Casino Revolution site at 3rd
21 and Pattison. It would extend westward to the stadium
22 area.

23 Given this proposed location, and the
24 food distribution district or lower south section of
25 the city, we've given the concept the name LoSo. And

1 PHL Local's view, the inevitable development of LoSo
2 would encompass approximately ten acres of land
3 currently owned by Joe Procacci, as well as land owned
4 and controlled by others.

5 PHL Local is committed to working with
6 private developers and nationally recognized
7 restaurant and entertainment entities to develop this
8 exciting, unique in Philadelphia concept. LoSo was
9 specifically designed to address the City and State's
10 expressed interest in having the eventual licensee
11 offer a substantial, transformative economic vision
12 related to its project. We took that very seriously.

13 The LoSo concept would also be the
14 answer to concerns raised in early meetings with local
15 tourism officials, who desperately wish that one of
16 the casino bidders would develop a new, major tourism
17 attraction with a wow factor. We believe LoSo fits
18 that description.

19 We envision LoSo including food and
20 beverage and retail business, soccer fields, racket
21 sports, an indoor swimming pool, a zip line park, rock
22 climbing facilities, a golf driving range, water park,
23 and areas devoted to music and live entertainment.
24 While LoSo would be a freestanding attraction and
25 visitors would not have to actually walk into the

1 casino to experience it, PHL Local Gaming does believe
2 that some percentage of LoSo visitor traffic would
3 supplement Casino Revolution's normal traffic counts.
4 We see that enhanced traffic flow as a key ingredient
5 in building toward demand levels that would justify
6 expansion to our site's unique 5,000 slot capacity.
7 Thank you very much.

8 ATTORNEY O'RIORDAN:

9 Thank you, Bruce. PHL retained urban
10 planners to investigate the viability and feasibility
11 of its vision for the LoSo area, and we have Andy
12 Struckhoff of PGAV Urban Planners to talk to you about
13 that here today. Andy.

14 MR. STRUCKHOFF:

15 Thank you, John. Thank you, Chairman,
16 members of the Board. Good afternoon. My name is
17 Andy Struckhoff. I am an associate director and
18 leader of the economic development in urban planning
19 practice with the Planners Group of PGAV.

20 With me from PGAV back in the audience
21 is Al Cross, the vice president of the firm and leader
22 of our destination's practice.

23 PGAV is based in the St. Louis, Missouri
24 with projects worldwide. Our planners group has
25 worked with private developers and government entities

1 on various policy issues, planning and redevelopment
2 projects all over the world. Our destinations group
3 has designed world-class destinations the world over.

4 Recent projects include --- let's see.
5 Recent projects include Space Shuttle Atlantis Center,
6 the Georgia Aquarium in Atlanta and the Independence
7 Visitor's Center in Philadelphia. We have experience
8 not only in the planning and development of casinos,
9 but also in the analysis of their economic impact.

10 Our task today is to look at the larger
11 vision of PHL Local Gaming has for the lower South
12 Philadelphia area in terms of the potential for the
13 Casino Revolution to catalyze future growth and
14 development of tourism in the area and to comment on
15 the viability of this vision.

16 We begin by gaining an understanding of
17 how land uses in the area have changed over time. See
18 in the slide before you, a picture of the area 1999
19 when we had sports stadiums taking up the western
20 quarter of the area. Four years later, we have
21 expansion of the stadium district, the Eagles began
22 playing in their new stadium and a new stadium for the
23 Phillies is under construction.

24 Today, almost half of this area is used
25 for sports facilities and related parking, marking an

1 expansion of the stadium district over industrial uses
2 over the past 15 years, which is for the Board to
3 consider that land uses in this area have changed over
4 time to accommodate the stadiums and the parking
5 needs. Land use is going to continue to change to
6 accommodate new uses and destinations, complimenting
7 both the stadium district and Casino Revolution.

8 The future PHL Local Gaming vision
9 related to the establishment of Casino Revolution at
10 the eastern end of the area creates a new center of
11 activity drawing visitors across the area,
12 complimenting the stadium district and catalyzing the
13 transformation of this area by building on the more
14 than eight million visitors that come to the stadium
15 district each year for sporting events, attracting
16 more visitors and more patrons.

17 The vacant PIDC site would get attention
18 from developers interested in development other than
19 industrial, as could the rest of the area, creating
20 more jobs and benefiting the state and local economy.

21 In our estimation, it's a perfectly
22 viable concept that the establishment of a major
23 destination in this position of the area affected by
24 vacancy and disinvestment may catalyze future
25 development, especially in light of the gravitational

1 pull this area exerts on a regional population.
2 Casino Revolution adds to this gravitational pull and
3 broadens its impact geographically and economically.

4 We present as a case study the Station
5 Casino in St. Charles, Missouri. St. Charles,
6 Missouri is a veteran community related to St. Louis,
7 Missouri. A larger proportion of St. Charles'
8 population works in or near St. Louis and use
9 Interstate 70, which runs right past the casino to get
10 to work.

11 In the early '90s, our firm worked with
12 Joe Canfora on the planning and development of the St.
13 Charles Station Casino, now known as the Ameristar
14 Casino. We believe this is an appropriate case study
15 in light of the St. Charles area's condition prior to
16 its development, which is characterized by
17 disinvestment, a depressed hotel economy and a tourism
18 economy focused only on the nearby historic district.

19 This casino was built in 1994 and led to
20 additional development and the revitalization of the
21 nearby historic district. Once the casino was
22 established, retail, including a Bass Pro Shop, which
23 caters to outdoor enthusiasts, netting of
24 approximately \$30 million in sales annually, followed
25 shortly after. A convention center and hotel have

1 been established nearby, which do very well. And the
2 convention center does very well, which is to say it
3 makes money. And there's currently under development,
4 a large scale mixed-used project, including retail and
5 luxury apartments across the interstate from the
6 casino.

7 Station Casino catalyzed \$750 million in
8 additional development. And from an urban planning
9 and economic development perspective, in our
10 estimation it is perfectly reasonable to expect the
11 Casino Revolution could catalyze additional
12 destination, development, and economic development and
13 jobs in lower South Philadelphia.

14 ATTORNEY O'RIORDAN:

15 Thanks, Andy. Our next speaker is
16 Nicholas Lillo, who's recognized as one of the
17 nation's most experienced and respected restaurant,
18 hotel, theatre and entertainment leasing experts in
19 the shopping center industry. Having leased over 200
20 million square feet of restaurant, entertainment space
21 over the past 32 years, Nick is in a class by himself.
22 He's worked directly for and consulted to the
23 country's premiere privately held shopping center
24 corporations. Nick.

25 MR. LILLO:

1 Mr. Chairman, Board members and staff,
2 good afternoon. My name is Nick Lillo, L-I-L-L-O. I
3 am a 30-plus year career veteran of the shopping mall
4 industry. I have the honor in being recognized in the
5 shopping center industries for small executive to
6 focus fully and exclusively on bringing restaurant and
7 entertainment tenants to malls and lifestyle centers.
8 I am the founding department head and the former
9 national director of specialty restaurants and
10 entertainment real estate for the worlds largest real
11 estate company, Simon Property Group.

12 You better know Simon Property Group by
13 our iconic malls, the Forum Shops at Caesars Palace,
14 Mall of America and here more locally, one of the
15 highest revenue producing malls in America, King of
16 Prussia Mall.

17 While at Simon Property Group, I was
18 responsible for all aspects relating to the restaurant
19 and entertainment tenanting process, overseeing all
20 site selection, development and deal making for over
21 350 malls nationwide. During my career, I have opened
22 more than two million square feet of restaurant,
23 entertainment and specialty retail.

24 In 2005, I founded Bianca Mano
25 Corporation, where I sit as president and chief

1 executive officer. I continue working throughout the
2 United States of America and abroad, eight countries
3 across the middle east and North Africa, with special
4 focus in Dubai, Abu Dhabi and Kuwait, and further
5 representing mall developers in London, Toronto and
6 Vancouver, British Columbia. I am fortunate that I
7 see the newest developments coming online from around
8 the world and have the luxury of choosing to partner
9 with only those I believe are of national or
10 international prominence.

11 PHL Local Gaming contacted me last fall
12 and outlined their development site, advising me they
13 had approximately 24 acres of environmentally clean
14 land at the base of the Walt Whitman Bridge. And two,
15 that their property fronted a full one-third mile on
16 I-95 and that today via 76 and 95 and the city filter
17 streets is seen by approximately 300,000 cars daily.
18 Members of the Board, that is approximately 100
19 million cars annually that see this location. In my
20 30-plus years in the industry, I have never been able
21 to make that statement before.

22 My first thought, this is a site that
23 quite literally doesn't even need an address on a
24 regional level. The PHL Local Gaming was sitting on a
25 nationally significant parcel of land, quite literally

1 on the gateway to the fifth largest market in the
2 United States of America.

3 I went on to run my own demographics,
4 and with my 15 years of real estate experience in
5 Philadelphia I began consulting with my contacts in
6 the restaurant and hospitality industry. The response
7 was overwhelming. This was a project we all wanted in
8 on.

9 Our location is being seen as an
10 incredible opportunity, allowing new access to enter
11 the Philadelphia Greater Trade area as has never
12 before been possible. Philadelphia being notoriously
13 difficult to access, finding continuous ground-level
14 space, very expensive rents and extremes in securing
15 dedicating parking. PHL Local Gaming with in-place
16 ramps to 76 and 95 offers ease of direct highway
17 access to 600,000 people at a five mile radius, to
18 5 million people at a 30 mile radius and 10 million
19 people at 60 miles less than an hour and a half.
20 Average family incomes of \$99,000 and an average age
21 of 42 years old. Members of the Board, that is an
22 ideal demographic for my industry. These facts alone
23 are enough to warrant a casino-anchored super regional
24 shopping center/entertainment center.

25 But the PHL story does not end there.

1 PHL Gaming has, as I like to refer to, neighbors with
2 benefits. The Philadelphia Airport is ten minutes
3 away, flying 30 million people annually with 140,000
4 plus employees. If you are in the vast majority being
5 one of those 30 million flyers, one of those 140,000
6 employees, each time you access the airport be it from
7 Philadelphia, the mainline or New Jersey, you already
8 go in, on, around or through the PHL Gaming Local
9 site. Members of the Board, the value that brings to
10 us in establishing location, brand familiarity is
11 immeasurable.

12 Professional sports district, down the
13 street, football, baseball, hockey, basketball,
14 concerts, a sports and entertainment district that is
15 envied by cities around America. Welcoming eight
16 million visits 284 days per year. PHL Local Gaming
17 will enjoy this additional demographic influx.

18 More importantly, our patrons will have
19 no reason to fear visiting our development 284 times
20 per year, having to deal with the congestion and the
21 gridlock that comes with eight million fans. Our
22 access ramps to 76 and 95 simply do not suffer that
23 congestion.

24 You are seeing the first round of
25 national and international brands that have expressed

1 their formal interest in the PHL Local Gaming site. I
2 am pleased in being able to especially recognize,
3 among these best in class, celebrity chef superstar
4 Bobby Flay, Boston's master chef and author Todd
5 English of Figs, Olives restaurants and the New York
6 City Plaza Hotel restaurant Fame, the 350 unit global
7 operator Villa Enterprises, New York City's legendary
8 Bobby Van Steakhouse, financial giant Starwood
9 Capital, also the owners of the W. Baccarat Hotel
10 chains, their award-winning restaurants Dos Caminos
11 and Strip House.

12 Members of the Board, PHL is offering
13 the State of Pennsylvania the opportunity to join us
14 in the most unique all inclusive entertainment
15 experience among all the applicants, already
16 accessible to 100 million vehicles annually.

17 PHL Local Gaming is the only truly super
18 regional location. PHL exclusively is the only
19 applicant with the capacity, the location, the super
20 regional access to mirror the tenanting formulas of
21 the most successful casino and entertainment
22 facilities as found in Las Vegas. I thank you very
23 much for your time today.

24 ATTORNEY O'RIORDAN:

25 Thank you very much. Our next speaker

1 is George Binck. He's executive vice president of
2 Procacci Brothers. And he's worked closely with Joe
3 Procacci for more than 20 years. His roles include
4 management and oversight of human resources, labor
5 relations. He serves as a trustee for the Teamsters
6 Local 929 Pension Fund.

7 Perhaps most importantly to this
8 proceeding, George grew up just a few blocks away from
9 the Casino Revolution site, and like so many other
10 people who love the area has never left South
11 Philadelphia, where he now lives with his wife and
12 family. George.

13 MR. BINCK:

14 Thank you, John. Good afternoon,
15 Chairman, members of the Board. To get a glimpse of
16 how PHL Local will function in the areas of employee
17 relations, diversity and community relations, you need
18 not look any further than Procacci Brothers. Under
19 Joe Procacci's 66-year leadership, the company has
20 thrived from the relationships we have established
21 with our employees, customers and communities.

22 Procacci Brothers forged a relationship
23 with Teamsters Local 929 dating back to the beginning
24 of its operations. Procacci Brothers appreciates and
25 values the workforce, uniting as one voice to engage

1 in collective bargaining and reinforcing dynamic
2 employee relations.

3 Rocky Bryan, President of Teamsters
4 Local 929, stood before you in testimony in April and
5 characterized Joe Procacci as a job creator, a man
6 whose drive, vision and business acumen has created
7 jobs for Philadelphians for the past 65 years. More
8 importantly, Rocky Bryan depicted Joe Procacci as an
9 employer who cares about his employees, and treats
10 them fairly and with respect.

11 Procacci Brothers has a longstanding
12 track record for negotiating fair and equitable
13 collective bargaining agreements and provides a safe
14 work environment as demonstrated by an energetic
15 safety committee, certified by the Pennsylvania
16 Department of Labor & Industry. It is fully compliant
17 with its wage and our laws and has undergone several
18 successful audits administered by the Office of
19 Federal Contract Compliance. PHL Local will be no
20 different.

21 PHL Local has put forth an impactful,
22 ambitious diversity plan that begins in the
23 construction phase and continues through its casino
24 workforce. For Joe Procacci, it never mattered where
25 you originated from or your racial composition,

1 instead the common thread you find at Procacci
2 Brothers is a group of talented, committed,
3 hardworking employees. Seventy-five (75) percent of
4 Procacci Brothers workforce is comprised of women and
5 minorities. You will find the same three to one ratio
6 of women and minorities within the ranks of Procacci
7 Brothers' management, professionals, administrative
8 support and operatives. This approach has proven
9 successful in our produce operations and we are
10 confident that we'll also reap benefits in the world
11 of Philadelphia gaming.

12 At the onset of this licensure process,
13 the PHL Local team set out to convey and then shape
14 its goals with the support of the nearby community.
15 Having operated in South Philadelphia for over 66
16 years, Joe Procacci knew that a partnership with the
17 community was essential to PHL Local's success.

18 One of the first steps was to meet with
19 the neighborhood leaders from Whitman Council and
20 pledge our support for a special service district
21 which largely mirrors the Whitman neighborhood. In
22 addition, when we surveyed our neighbors, there was
23 overwhelming support for the new employment
24 opportunities that Casino Revolution will present.
25 PHL Local's pledge to a preference for local hiring is

1 not a new concept for Joe Procacci. Procacci Brothers
2 workforce is comprised of 75 percent Philadelphians,
3 35 percent of which reside in South Philadelphia. PHL
4 Local will follow suit.

5 Whitman Council's endorsement of PHL
6 Local was the first of its kind by any civic
7 association in this licensing process. Whitman's
8 endorsement came with more than a bit of personal
9 gratification. I, too, was born and raised in
10 Whitman. This hardworking blue collar neighborhood is
11 home to my parents, relatives and close friends.

12 The people's expectation for employment
13 opportunities, enhancement of the neighborhood and
14 support for the community is profound. Whitman's
15 community leaders and many of its residents appreciate
16 Joe Procacci's longstanding presence in South
17 Philadelphia and accept his word as his bind.

18 In closing, PHL Local will be led with
19 the very same principles that Joe Procacci has
20 instilled in his family of companies. His leadership
21 has cultivated a successful work environment fueled by
22 a robust employee-base. If PHL Local were to be
23 awarded the license, Pennsylvania's gaming industry
24 will gain a tremendous asset and those principles will
25 ultimate reshape the gaming industry for the better.

1 I thank you.

2 ATTORNEY O'RIORDAN:

3 Thank you, George. Mr. Chairman, Board
4 members, I'm the last speaker for PHL. And I just
5 want to sum up. PHL Local Gaming team is the best
6 partner and Casino Revolution is the best project for
7 the City and the Commonwealth. We are the best
8 partner because of the strength of our location and
9 its economic impact. We're the best partner because
10 we have the power, dedication and experience of our
11 team in building world-class businesses. We have an
12 extraordinarily, financially strong ownership and
13 incredible diversity in our ownership, our management
14 and our commitment to our employees.

15 Finally, we have tremendous community
16 impact and community support. We will generate more
17 tax revenue more quickly with our early opening. We
18 are the only project that can be expanded to its
19 maximum 5,000 slots if the market should grow that
20 far. We are a true transformative project, a word
21 that's been used intensely at these proceedings. And
22 we have the footprint to do that.

23 With respect to our ownership and
24 management, we are led by Joe Procacci, the late
25 Walter Lomax and the Lomax family. These are two

1 legendary serial South Philadelphia entrepreneurs.
2 Both of whom start out with nothing and through sheer
3 force of will have created world-class businesses
4 across a range of industries from agriculture and
5 produce distribution, to destination real estate
6 development, to healthcare services, insurance, media
7 and technology.

8 These gentlemen have a 65-year track
9 record of commitment to South Philadelphia. They cut
10 their teeth there. They know the importance and value
11 of those neighbors and share a deep commitment to
12 preserving and strengthening those neighborhoods.

13 Joe Procacci, our leader, is a man of
14 unapproachable integrity. He's quiet but strong,
15 humble but aggressive, frugal but extraordinarily
16 successful man who would be a trusted steward of a
17 gaming license in the City of Philadelphia and a
18 trusted partner of the Commonwealth of Pennsylvania.

19 We have a strong community ---.

20 BRIEF INTERRUPTION

21 ATTORNEY O'RIORDAN:

22 Thanks, Joe. We also have strong
23 community support and the least neighborhood impact.
24 Unlike the two other stadium area applicants, we have
25 the full support of our neighborhoods, the Whitman

1 Council whose boundaries stretch westward to 7th
2 Street and southward to Pattison Avenue.

3 We are not in the stadium district,
4 which comes eastward only as far as 8th Street. Our
5 project is the furthest of all the applicants from any
6 residential neighborhood, but it's close enough to
7 allow our neighbors to enjoy the benefits of flow from
8 that project. Our neighbors recognize that, and
9 that's why they endorsed our project.

10 We didn't have to procure an 11th hour
11 Non-Opposition Agreement, which really makes clear
12 that the neighbors did oppose that project and did not
13 want that Center City project because of the traffic
14 nightmares and congestions that any Center City
15 project will create.

16 We will not interfere with growing
17 residential neighborhoods, threaten well-established
18 synagogues or schools. It is no coincidence that PHL
19 Local's proposing the most fiscally sound of all the
20 projects before you. There are some gaming analysts
21 who are claiming that the Philadelphia gaming market
22 is already saturated. How would a prudent
23 businessperson enter a market under conditions of such
24 uncertainty? Would they propose a bloated or over rot
25 project, merely to pander to the media and the

1 public's hope for additional construction and tax
2 revenues in times of economic hardship or would they
3 propose a project that is carefully and conservatively
4 calibrated to an addressable market that has the
5 capacity to expand, to open early and expand
6 significantly in response to market demand, while at
7 the same time minimizing the cannibalization of other
8 Philadelphia area casinos? Prudence in this market at
9 this time, requires temperance, otherwise we'll be
10 left with the carcass of another revel either on
11 Market Street or on North Broad Street.

12 Joe Procacci and Dr. Lomax have built
13 businesses across a broad range of industries ---
14 industries, based purely on their hard work, sound
15 business practices and delivering a superior product.
16 We at PHL Local are beholden to no one except our
17 partners, who would include the City and you the
18 Commonwealth. We have no hidden agenda or non-
19 Philadelphia casino interest to protect. We have an
20 unmatched track record of building world-class
21 businesses. And we can bring that business savvy and
22 entrepreneurial prowess to this project.

23 Our local ownership will focus all of
24 our efforts and all of our attention solely and
25 exclusively on delivering a powerful, transformative

1 and financially successful project for the City and
2 for the Commonwealth. I thank you for your attention.
3 And we'll end on a short video.

4 CHAIRMAN:

5 Thank you very much, sir.

6 VIDEO PLAYED

7 ATTORNEY O'RIORDAN:

8 Mr. Chairman, with that, that will
9 conclude our presentation. And we'd like to move for
10 the admission of the PowerPoint slide into evidence.

11 ATTORNEY PITRE:

12 We have no objection.

13 CHAIRMAN:

14 They will be admitted. Okay?

15 (PHL Local Gaming Exhibit marked for
16 identification.)

17 ATTORNEY O'RIORDAN:

18 Yes.

19 CHAIRMAN:

20 Thank you very much. At this time, the
21 Board will stand in recess for ten minutes.

22 SHORT BREAK TAKEN

23 CHAIRMAN:

24 Thank you very much, ladies and
25 gentlemen. We can continue. I would ask our

1 colleagues on the Board if they have any questions.
2 Annmarie, why don't we start with you?

3 MS. KAISER:

4 Thank you, Mr. Chairman. I've asked
5 every applicant this same question as far --- and if
6 you can just comment on if you think online gaming in
7 New Jersey will in any way impact your ability to
8 bring in patrons from New Jersey to your facility?

9 MR. CANFORA:

10 This is Joe Canfora. My answer is
11 probably similar. I heard a couple of the responses,
12 but I probably concur with some of the other
13 applicants, I think it has little or no effect.

14 MS. KAISER:

15 Okay. Thank you. And with respect to
16 the marketing program to known gamblers that, you
17 know, you have established and that would allow you to
18 kind of hit a customer-base that's well-known, do you
19 have plans, though, to take that marketing information
20 and run it past the Self Exclusion List to make sure
21 that you're not sending marketing materials to those
22 individuals who've excluded themselves due to the
23 compulsive gambling problem?

24 MR. CANFORA:

25 The answer would be, absolutely, yes.

1 MS. KAISER:

2 Okay.

3 MR. CANFORA:

4 I mean, we would --- and I think Mr.
5 Crawley described we would be in full compliance and
6 more. We would focus in on that and constantly make
7 sure that that's not occurring.

8 MS. KAISER:

9 Because we have had experiences on the
10 Board where just making sure sometimes if parties use
11 other vendors to get that information, they need to
12 make sure they scrub that list to ensure that they're
13 not on that list.

14 MR. CANFORA:

15 Absolutely.

16 MS. KAISER:

17 And just lastly, you made a contribution
18 to the Council on Compulsive Gambling of Pennsylvania.
19 Is that something you anticipate doing on a regular
20 basis?

21 MR. CANFORA:

22 Absolutely. Our commitment, it's just
23 not a one time occurrence. If you make a commitment,
24 a commitment goes beyond, specifically with Compulsive
25 Gambling.

1 MS. KAISER:

2 Okay. Thank you.

3 CHAIRMAN:

4 Tony?

5 MR. MOSCATO:

6 Thank you, Mr. Chairman. And thank you
7 for your presentation, gentlemen. My questions I kind
8 of just put together as we went through the
9 PowerPoint, so they may be a little disjointed at
10 times. You stated that you owned 34 acres in the
11 industrial district and you're going to use 24 acres
12 for the casino and hotel and parking garages. And
13 then later on a gentleman testified that ten acres
14 would be used by LoSo. Is that the ten acres of your
15 land?

16 MR. CANFORA:

17 Again, for clarification, as for the
18 application itself, we have committed 25 acres which
19 is the --- or I'm sorry, 24 acres for the casino site
20 which includes the parking, and the phase that we
21 talked about in the early opening. I think what was
22 --- what we're trying to say is once we --- if we were
23 awarded the license, the natural thing that's going to
24 occur is right next door to us is this huge parcel
25 that the City of Philadelphia owns and they're going

1 to call us up and say what are we going to put next to
2 it? And we're talking to other groups about what
3 would be a catalyst for this LoSo entertainment venue.
4 Outside of the 24 acres is also another ten acres that
5 Joe Procacci currently controls. That's outside the
6 24 acres.

7 MR. MOSCATO:

8 Okay.

9 ATTORNEY O'RIORDAN:

10 And if I can just amplify on that. We
11 firmly believe that the prime development opportunity
12 down there for the LoSo entertainment starts right
13 next door, not so much with the ten acres that Joe
14 Procacci owns, although that's available for the
15 continued expansion of that LoSo concept. We believe
16 that the prime development opportunity sits right next
17 door to us in an area controlled now, known by the
18 PIDC that they withheld --- as we understand, withheld
19 from the market until after this casino competition is
20 over. And we think that that is going to be the ---
21 it's a full city square block, a huge square block and
22 it's prime, primary for development. So, that would
23 be the sort of initial LoSo step.

24 MR. MOSCATO:

25 Okay. Very good. The Silver Reef

1 Casino and Spa that you developed in Washington, do
2 you recall how many acres that was on?

3 MR. FERRO:

4 Thirty-five (35) I think it is.

5 MR. MOSCATO:

6 Thirty-five (35), okay. Earlier on in
7 our public hearings we had a lady from a nearby
8 neighborhood testify about traffic congestion,
9 especially after sporting events and what not. And I
10 know that one of the other applicants is committed to
11 a ramp. And I know that you folks have said you'd
12 study the ramp. Is there a reason why you haven't
13 committed to it?

14 ATTORNEY O'RIORDAN:

15 Let me just clarify, we're committed to
16 the ramp. We get the license, we'll build the ramp.

17 MR. MOSCATO:

18 Okay. Very good.

19 ATTORNEY O'RIORDAN:

20 And that woman was Mrs. Cerone
21 (phonetic). She lived right in that little pocket on
22 West Packer Avenue right before Broad Street, and the
23 traffic now goes out there.

24 MR. MOSCATO:

25 Yes.

1 ATTORNEY O'RIORDAN:

2 And a ramp on 7th Street would certainly
3 mitigate against some of that traffic. So, we
4 understand her dilemma. We've talked with her, as
5 well as the stadium complex people and we are
6 committed to the ramp.

7 MR. MOSCATO:

8 Very good. Are there any other hotels
9 nearby?

10 ATTORNEY O'RIORDAN:

11 There is a hotel, the Holiday Inn, which
12 is part of the Parks Cordish proposal.

13 MR. MOSCATO:

14 Right.

15 ATTORNEY O'RIORDAN:

16 There is a brand new hotel that's been
17 erected in a navy yard and --- which sold out all of
18 its 172 rooms on the night of the storm. I don't know
19 how it's doing otherwise. But those are the two
20 hotels that are closest to us right now.

21 MR. MOSCATO:

22 Okay. Very good. And maybe I should
23 --- maybe I do know the answer to this, but I'm going
24 to ask the question anyway. If, as proposed, the
25 industrial district becomes an entertainment district,

1 the jobs that are currently in the industrial district
2 where would they move to?

3 ATTORNEY O'RIORDAN:

4 There are other areas south of Pattison
5 Avenue, east of Darien Street, but south of Pattison
6 Avenue which would remain industrial areas. And in
7 that area are some of the ten acres that Joe Procacci
8 owns. But there are certainly areas down there that
9 right now it would not be feasible to relocate. So,
10 we don't think the entire area. We're not talking
11 about displacing all industrial uses down there. But
12 the corridor of Pattison Avenue and the --- starting
13 with the front Pattison parcel which is ours, running
14 through 3rd, and then from 3rd through to Lawrence
15 where the PIDC site is we'd envision as the LoSo
16 Center and then we'd --- at least as we planned it
17 out, there be a corridor of Tree Line Boulevard
18 running out to the stadium area. So, it would not be
19 --- totally displace the industrial uses down there.

20 MR. MOSCATO:

21 Okay.

22 MR. LOMAX:

23 Let me add to that. We've done a very
24 thorough survey of the kinds of jobs that are
25 available there now, and as an absolute premise for

1 doing LoSo, we said that no job would be lost to South
2 Philadelphia that's there now. We've got those ten
3 acres, we can relocate some there. But we would work
4 with the City and the Commerce Department to ensure
5 that jobs that were there now and operating would
6 move, but within close radius of where they're
7 currently located because we don't want to lose those
8 jobs in South Philadelphia.

9 MR. MOSCATO:

10 And that was my concern also, didn't
11 want to lose the industrial jobs?

12 MR. LOMAX:

13 No.

14 MR. MOSCATO:

15 And just one last thing. I note that
16 --- I believe Friday is your birthday, Mr. Procacci.
17 Happy birthday. Thank you, Mr. Chairman.

18 CHAIRMAN:

19 David?

20 MR. WOODS:

21 Thank you for your presentation. If I
22 could just direct your --- my questions to a couple
23 specific points. You spoke about the purchase of a
24 database. Merit does have a number of facilities
25 around the country and controls the database. But I

1 guess obviously you believe that that wouldn't assist
2 in any way in the Philadelphia Revolution project.
3 So, could you just speak to what you meant about
4 purchasing a database and what do you think would be
5 the number of names that you would feel confident ---
6 would help you to make the revenue numbers you've
7 projected?

8 MR. JONES:

9 Certainly. Andrew Jones with marketing
10 for Merit PHL. We in our revenue projections did not
11 anticipate any national relocation. Much like
12 SugarHouse or other initial startup, we plan on
13 building the local database initially. The 870,000
14 names within 180 miles is individuals who self-
15 reported that they visited a casino within the last 12
16 months. That would give us access to these
17 individuals rather than starting from the initial
18 ground and allows us to jump in the middle, but
19 without relying on individuals from outer states, who
20 frankly are going to be very few and infrequent
21 visitors except for our VVIPs who we may transport
22 from one property to another.

23 MR. WOODS:

24 Thank you. Would you be able to tell me
25 from that list, do you know if those patrons would

1 have visited a specific casino in southeastern
2 Pennsylvania or you just know that they went to a
3 gaming facility as self-reported?

4 MR. JONES:

5 Self-reported any gaming facility within
6 the area, but they do not list the specific facility
7 that they visited.

8 MR. WOODS:

9 Thank you.

10 MR. CANFORA:

11 But specifically on --- a little bit on
12 database, because I know it's been a discussion. When
13 you open up, we're talking about this iconic play that
14 you can envision that we're going to have a grand
15 opening. We do a lot of mining prior to opening,
16 obviously of creating the cards and the value. But we
17 all know we live in a world of databases today, and
18 it's a real buzz. Everybody's like, well, we've got
19 this many million, I got this many million, I got this
20 --- you know, and we have apps and everybody's going
21 crazy with data. You know, data --- a database, what
22 we will do is get people into our facility first and
23 we're back to the basics, customer service, good
24 people, friendly intercepts, good food, a nice
25 experience. They're going to come in and they are

1 going to have the Casino Revolution card. The key is
2 to get it back and to make sure that they become a
3 customer --- a loyal customer because databases you
4 can buy all over. And once we get that, of course,
5 they'll be in our direct marketing program, and of
6 course, we'll take care of our VIPs like anybody.

7 But like SugarHouse, and like Presque
8 Isle and all the other casinos, there's a lot of
9 casinos when you open up, the majority of the data is
10 on the intercept on the grand opening and the first 90
11 days to six months you're taking your names, you're
12 intercepting them and you're creating --- you know,
13 you're creating value for your --- you know, for your
14 list.

15 MR. WOODS:

16 Thank you. With regards to the source
17 of your revenue, what amount of revenue would you
18 anticipate comes from the other facilities and could
19 you speak to how much comes from either Harrah's,
20 SugarHouse, Parx, Valley Forge or even importantly,
21 New Jersey?

22 ATTORNEY O'RIORDAN:

23 Cory Morowitz will address this.

24 MR. MOROWITZ:

25 Yeah, we've quantified the impacts on

1 the other casinos, if you'll give me just a second.

2 CHAIRMAN:

3 Excuse me, sir. If you could just keep
4 your voices up for the ---.

5 MR. MOROWITZ:

6 Yes, we've quantified the impacts on the
7 other casinos, and I apologize, I have to just find
8 them. But as I testified earlier, we quantify the
9 total revenue of the facility at \$327 million and
10 dilution of the other casinos at \$103 million. And
11 that dilution is essentially SugarHouse of
12 approximately \$36 million, Harrah's Chester
13 approximately \$45 million and Parx approximately \$25
14 million. We see very little impact, if any, on the
15 Valley Forge Casino.

16 MR. WOODS:

17 Thank you. In regards to the
18 entertainment complex, could you just speak to how you
19 believe that will enhance people coming to the casino?
20 I would fully agree that additional amenities for the
21 City of Philadelphia, something as exciting as what
22 the entertainment complex would be would be a draw.
23 But I'm not so sure it would draw the same type of
24 people that you would hope to have go across the
25 street to the casinos. So, how do those two things

1 work together?

2 MR. CANFORA:

3 Well, I think the unique opportunity
4 here is, if the stadium complex was not in existence,
5 we would be before you today and say we have the best
6 location because we still have --- believe we still
7 have the best location.

8 The stadium complex is on the other end,
9 it's there. And you have the eight million visitors
10 of people of all demographics. You have obviously how
11 many schedules throughout the year. It's an
12 unbelievable amount of people for the eight million
13 people coming. So, you have an anchor here and now
14 you have a new anchor here called a casino gaming.
15 And we all know anchors and the days from Sears, and
16 Penny's on the other side and then in between the
17 whole concept is frequency of visitation. And in
18 order to expand this ring ---.

19 And again, I want to make it clear, our
20 revenue projections are based upon our current 24
21 acres. But we also believe when people ask, you know,
22 why are you so passionate about this LoSo? And I can
23 tell you, I'm the one --- I'm one of the teammates
24 here that is very passionate about it because it's a
25 natural, you have 25 acres next to you. And if you

1 put a ---. We talked to a group that wants to put an
2 indoor water park when it's minus 20 below zero. And
3 we're talking about a \$100 million facility.

4 Now, are those family-oriented going
5 into the casino? Yeah, the husband may sneak over,
6 the wife may sneak over. But what you're doing is
7 you're creating a frequency of visitation, so instead
8 of one day coming out to Philadelphia, you have two
9 nights, three nights or whatever it is, you see the
10 Liberty Bell, you increase tourism. And by the way,
11 that's the first thing we did. We went out to the
12 community and talked to the Convention Visitors
13 Bureau, we talked to Tourism and we said, what do you
14 need? And they said, we need a wow-wee factor. That
15 was the quote, we need a wow-wee factor in
16 Philadelphia.

17 And this unique opportunity is to me
18 once in a lifetime. And I say that, because if ---
19 obviously, I believe it belongs to South Philly or I
20 wouldn't be here. But if the other two applicants
21 that are near the Stadium, if one of those were
22 chosen, then this place just stays a warehouse
23 district. Joe Procacci will continue, the warehouse
24 district will sit there. The City of Philadelphia
25 will say okay, should we make it a beverage warehouse

1 or liquor warehouse --- district, whatever they're
2 talking about --- about putting there.

3 The opportunity is we become that other
4 anchor, okay. And with that anchor, it's almost a
5 natural progression where --- as Nick mentioned ---
6 Nick Lillo, he's getting calls, we're getting calls.
7 We don't want to come across to the Commission and say
8 we're going to promise you this, we're going to
9 promise this. But I can assure you, everybody's like,
10 oh my gosh, you're near the stadiums which have an
11 unbelievable reputation, they're beautiful. And you
12 have a casino on this bowl, that we're talking about
13 this beautiful view. What's going to happen in the
14 middle? Okay. So, what happens is, it helps the
15 Convention Visitors Bureau. It helps the hotels in
16 the surrounding area. It helps all the restaurants.
17 It becomes synergetic. No different than if you would
18 have gone to Nashville, or if you had gone to Orlando,
19 or if you had gone to Church Tree Station or if you
20 had gone to other places in the U.S. that helps the
21 whole synergetic, the aspect of it.

22 So, from an intercept perspective, and
23 I'm not the expert, each one of these types of venues
24 that would come here, you would typically do an
25 economic impact for each program and say, okay, how

1 many people are going to come there nights and what's
2 the propensity to gamble with the specific attribute
3 or project that you're building, and then you would
4 tie it in to --- to go back and say these are the
5 amount of gamblers that are going to come and gamble.
6 I can assure you it's going to have a positive impact.
7 There's no doubt about it. The question becomes,
8 depending on whether --- what amenity you're going to
9 be building will be the effect of the impact.

10 But one thing that will happen, it will
11 become a super regional destination. And that's where
12 I'm excited. I think this is way beyond just the
13 casino, I think the opportunity --- because we've
14 spent --- PGAV said, you could look at the years 1999
15 and see how the stadiums have progressed and how that
16 area has grown. It's as natural as if the casino is
17 there, the area is going to continue to grow.

18 MR. WOODS:

19 Do you believe it is necessary for the
20 transformation of the warehouse district into more of
21 an entertainment type area ---

22 MR. CANFORA:

23 Well, again ---.

24 MR. WOODS:

25 --- for your casino to succeed? I mean,

1 it's a beautiful facility, ---

2 MR. CANFORA:

3 No, no ---.

4 MR. WOODS:

5 --- it is in a very good location as you
6 pointed out. But people will view it as going to the
7 warehouse district, which does have trucks and it does
8 have a lot of things. I didn't know if your
9 entertainment complex part of that was to change some
10 of the character of that area in order to draw people
11 to it as not just a warehouse district, but as an
12 entertainment center in conjunction with the stadiums?

13 MR. CANFORA:

14 Well, again, the first thing is, if we
15 build this facility, you're going to have this
16 unbelievably iconic hotel tower sticking out and
17 you're immediately going to change the area. The
18 property that's owned by the City of Philadelphia is
19 dead, it's empty, so there's nothing there. It's a
20 big city block. So, it becomes a natural available
21 piece of property to develop. So, you immediately
22 become a catalyst by having a casino.

23 So, the other parcels, there are a lot
24 of empty parcels already there. So, yes, it's quoted
25 a warehouse district, but the busiest warehouse ---

1 the busiest aspect of Front Street is Joe Procacci and
2 his trucks. So, we're going to move those. So,
3 you're eliminating a lot of the perception of the
4 warehouse district by moving Joe's operation, which he
5 would do.

6 MR. WOODS:

7 Okay. Last question for you.
8 Obviously, automobile is the number one mode of
9 transportation for people to visit Revolution. I do
10 believe I heard a comment about shuttle service to the
11 subway. Could you quantify what you believe mass
12 transit may bring to the site in any way, shape or
13 form?

14 MR. CANFORA:

15 I think Dan ---. What was our number,
16 Dan? It wasn't a big number.

17 MR. DISARIO:

18 To do a very conservative traffic study,
19 we assume two percent mass transit.

20 MR. WOODS:

21 I'm sorry, what number?

22 MR. DISARIO:

23 Two percent.

24 MR. WOODS:

25 Two percent?

1 MR. DISARIO:

2 And that's consistent with the Gaming
3 Advisory Taskforce report, which previously looked at
4 a casino down in south Delaware corridor. And those
5 numbers in terms of modal splits were in that report.
6 And we saw that as being completely appropriate as it
7 relates to mass transit usage. So, our study's based
8 on a minimal use of two percent mass transit.

9 MR. WOODS:

10 And I asked that question, though, for
11 another purpose. A number of individuals that go to
12 the sport stadiums, be it at a Phillies game, Eagles
13 game, whatever, and down that area would come in by
14 mass transit. They tend to do that because of the
15 parking situation. So, is it your belief that you'll
16 be able to capture a larger number of those folks
17 because you'll be able to move them on shuttle buses
18 down to your facility? Otherwise, they would not walk
19 so you would only really get the game day people who
20 drive because of the distance. Is that part of your
21 thinking on the shuttle system?

22 MR. DISARIO:

23 Without question. There's going to be a
24 synergy between the casino and the patrons of an
25 event, whether it's a sporting event or an event at

1 the Wells Fargo Center. So, the whole purpose of the
2 shuttle service is to capture those people. So,
3 whether they come by auto, whether they come by other
4 means in terms of mass transit, whether subway or bus
5 to the sporting complex, we can access those patrons
6 via a shuttle service to make it very convenient for
7 them to get between the stadium area and the casino.

8 ATTORNEY O'RIORDAN:

9 And the shuttle service actually serves
10 two functions. One, it would be to facilitate the
11 ease of access by the people who take mass transits.
12 The other one --- and the other one is actually an
13 interesting point, is our casino would actually
14 contribute to the decongestion of the stadium area, by
15 people who would come to the casino before the events,
16 stagger time, use our casino, then go to the --- one
17 of the stadium events or concert events. They would
18 park down at our facility, use our facility. Our
19 shuttle buses would take them to the event and bring
20 them back afterwards. So, we would alleviate some of
21 the traffic congestion that's in there.

22 And on that same route, we would be able
23 to scoop up people who come by mass transit. And I
24 don't know if you've been recently to an Eagles game
25 or a Phillies game, but there seems to be a

1 significant number of people who come there without
2 tickets just for part of the celebration, and we would
3 hope that they would celebrate in our casino as well.
4 And that shuttle bus would facilitate that service.

5 MR. WOODS:

6 Thank you very much. Mr. Chairman, ---

7 ATTORNEY O'RIORDAN:

8 You're welcome.

9 MR. WOODS:

10 --- that's all my questions.

11 CHAIRMAN:

12 Greg?

13 MR. FAJT:

14 Thank you, Mr. Chairman. A couple of
15 questions. I guess initially, Mr. Morowitz, just
16 another way to say it, so you're basically saying the
17 new revenue that casino --- or that PHL would generate
18 is about 66 percent versus 33 percent of cannibalized
19 revenue; right, the \$300 million to \$100?

20 MR. MOROWITZ:

21 That's correct.

22 MR. FAJT:

23 Okay. And why don't you just stay
24 there, and maybe Mr. Christiansen can join you. You,
25 I think, both stated that the gaming market in

1 Philadelphia was underserved. And we heard some
2 allegations or some comments like that this morning.
3 As I said then, I mean, the facts say otherwise.
4 Pennsylvania gaming revenues dipped in 2013. Not a
5 lot but marginally. You know, especially Harrah's
6 which is, you know, close to where your facility is
7 going to be, their revenues are dropping fairly
8 precipitously. So, how do you square your statement
9 that revenues are under --- the casino market is
10 underserved versus what we're seeing, the numbers are
11 that the revenues are dropping?

12 MR. CHRISTIANSEN:

13 Well, some of it's an access issue. So,
14 when you put a new casino geographically into the
15 marketplace at a ---. When you put a new casino
16 geographically into the marketplace that is not next
17 to the other casinos but located between them and
18 closer to some of the populations, you get a natural
19 lift because of proximity to the casinos.

20 The other thing that I can say is there
21 is evidence out there of other markets that have been
22 flat or declining slightly, that when new capacity
23 enters a market, the market does grow. There is an
24 impact on it ---.

25 MR. FAJT:

1 Does it grow long term or is it just a
2 short term bump when people, you know, have a new
3 thing to go to? I mean, what's the sustainability of,
4 you know, the ---?

5 MR. CHRISTIANSEN:

6 You know, it's sustainable. It's based
7 on relationships between population and capacity. And
8 the markets do grow sustainably.

9 MR. FAJT:

10 But when you look at the markets of
11 SugarHouse and you look at the markets of Harrah's,
12 you are not --- you know, the stadium district is not
13 a population-base. I mean, we heard statements
14 earlier today. I mean, they're, you know, limited
15 population there. I mean, I get the access of 95 and
16 76 and all that. But those folks are coming from
17 other population-bases, that quite frankly are closer
18 to Harrah's, SugarHouse, Parx. I mean, what's going
19 to draw them to your facility versus stopping at
20 another place along the way that's closer?

21 MR. CHRISTIANSEN:

22 There are significant populations that
23 are just across the bridge in New Jersey or just
24 northwest, east of the property in Pennsylvania that
25 are closer to this facility. Not in the immediate ten

1 blocks around the facility, but once you get beyond a
2 mile or two from the facility, significant populations
3 that are much closer to this than that are to the
4 other existing facilities in the market.

5 MR. FAJT:

6 Okay. Thank you. Mr. Ferro, some
7 questions for you. You had mentioned that you're
8 going to have about 1,369 employees and I think the
9 average salary that we saw \$28,400. Did that include
10 benefits or not?

11 MR. FERRO:

12 That's Jim's. But no, that did not
13 include benefits.

14 MR. FAJT:

15 That does not include benefits? So,
16 what are the anticipated benefits for the employees of
17 PHL?

18 MR. FERRO:

19 Roughly, but by the time you put all of
20 the separate types of benefits in, you figure 22, 25
21 percent on top of that for about that.

22 MR. FAJT:

23 And what are those benefits, healthcare,
24 401(k)? Can you walk through that?

25 MR. FERRO:

1 Exactly.

2 MR. FAJT:

3 So, it's both healthcare and a 401(k),
4 you would offer that to those employees?

5 MR. FERRO:

6 Yes.

7 MR. FAJT:

8 Okay. And is that full-time employees,
9 part-time employees? Who gets those benefits?

10 MR. FERRO:

11 That's full-time employees. And there's
12 a certain limit of what the --- what a part-time
13 employee can qualify for it. I believe that ---.

14 BRIEF INTERRUPTION

15 MR. FERRO:

16 Okay. Yeah, it depends. A full-time
17 employee gets the full benefits, part-time employees
18 get partial benefits.

19 MR. FAJT:

20 Okay. And again, just both --- again,
21 full-time employees we'll just stick with that because
22 that's probably the easiest. They get both the 401(k)
23 and medical benefits?

24 MR. FERRO:

25 Yes.

1 MR. FAJT:

2 Okay. My last question for you, Mr.
3 Ferro. And this is my last question. But I stated
4 yesterday, and I'll state it again today, I am
5 concerned about phased rollouts of proposals. And
6 this Board has gone down that road before and we've
7 been burned by that. And so my question is, if you
8 have the financing which, you know, you stated that
9 you did with Wells Fargo and Jefferies, why not build
10 the full proposal at once and get rid of your comments
11 in the materials that, you know, you're going to start
12 with a phased rollout of 61,000 square feet of a
13 casino floor and add 48,000 square feet of a gaming
14 floor and a hotel to follow? And so why not do it all
15 at once? Why not commit to doing it all at once as
16 opposed to a phased rollout?

17 MR. FERRO:

18 We are. It's not a phase one, phase
19 two, the total project's 2,400 machines, 105 table
20 games. What we're able to do is what we're calling
21 expedited opening. We are constructing the entire
22 phase all at --- the entire project all at once. But
23 with the ability that we have because we have an
24 existing 84,000-square-foot building there now, we're
25 going to be able to open that portion of the total

1 project earlier than would normally be done.

2 MR. FAJT:

3 Okay.

4 MR. FERRO:

5 So, we're building all 2,400 plus hotel.
6 That will be completely done in approximately 20
7 months from shoveling the ground, permit issuance. We
8 will be able to open with the 1,500 slots, 105 table
9 games in nine months from shoveling the ground. So,
10 the project is all --- is being built both all at
11 once, but the advantage is with that piece, we can
12 open earlier. Now, a normal procedure --- and our
13 project is 22 months. I've heard other applicants
14 talk about 18 months, 19 months, 20 months. By
15 opening in nine months, we're generating that \$60-some
16 million.

17 MR. FAJT:

18 I understood that. So, you're saying
19 that your whole proposal, the full gaming floor, the
20 2,400 machines and the hotel you anticipate being done
21 in 20 months; is that right?

22 MR. FERRO:

23 From shoveling the ground --- the 2,400
24 machine casino portion will be open in 12 months.

25 MR. FAJT:

1 Okay.

2 MR. FERRO:

3 The hotel will take another little bit
4 to build.

5 MR. CANFORA:

6 Again, I would like to emphasize the
7 word phasing as misleading. We are going to start and
8 we are going to complete. We're committed to a \$430
9 million project. It just so happens that we have a
10 foundation infrastructure. And during that process,
11 there's advantage for training, for getting employees,
12 for employment. It just so happens we can open up and
13 have something in between. But, in the end, we're
14 committed to a \$430 million project.

15 The phases after would be foolish not to
16 phase after, because we have a lot of people
17 predicting future, and what the market is and isn't.
18 What we do know is things will change in the future.
19 That's a fact. We don't have a crystal ball, but
20 we're very positive. We think that it will be
21 favorable to the market in Philadelphia. We're
22 optimistic or we wouldn't be putting our investment
23 cash in this because we believe in it.

24 But the advantage, though, all we're
25 saying is when we're building this beginning and end,

1 we will have the ability, okay --- we're not --- we
2 don't want to allude that we're going to open up with
3 5,000 machines. The market is not here for 5,000
4 machines. And nobody is implying that. What we are
5 saying is that we will be able to move quickly without
6 --- you know, without coming up with a whole new
7 construction and all this stuff. We'll just basically
8 have an interior redesign to add machines as the
9 market grows, which is beneficial to us and you as a
10 partner with this Commonwealth of Pennsylvania.

11 MR. FAJT:

12 Okay.

13 MR. LOMAX:

14 Commissioner, ---

15 MR. FAJT:

16 Yes.

17 MR. LOMAX:

18 --- let me elaborate a bit. Our issue
19 with this, having the facility available is to
20 accommodate market demand on two levels, on cash flow
21 to the Commonwealth. And you heard people over the
22 past few days say that they could open in 18 months,
23 and we heard one, I think today they said they could
24 open in 24 months, but more time if they had the
25 hotel. We've been extraordinarily conservative in

1 saying that we could open at least six months before
2 anyone else. And on that, at least six-month basis
3 we're now talking \$14 million in wages and \$46 million
4 in revenues to the City and State.

5 Now, we could probably up those numbers
6 on both counts. We thought we were doing it to
7 facilitate a cash flow necessity for the Commonwealth
8 and the City. And if we're talking about 600 jobs,
9 the people in South Philadelphia and in the city as a
10 whole, when they respond to us they say, the thing we
11 like about this is that we need jobs. And if we could
12 create a job, we could create 600 jobs now, nine
13 months out, nine months from getting approval rather
14 than having you select someone who can create that
15 same job 24 or 30 months out. We thought that would
16 be a good response to the market.

17 MR. FAJT:

18 And I understand that. Again, I just
19 want to make sure ---

20 MR. LOMAX:

21 Sure.

22 MR. FAJT:

23 --- that we're talking about ---

24 MR. LOMAX:

25 Right.

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MR. FAJT:

--- one phase, ---

MR. LOMAX:

No, no. It's not a phase.

MR. FAJT:

--- the casino, 2,400 machines and a
hotel.

MR. CANFORA:

That's our commitment.

MR. MOROWITZ:

That's not a phase.

MR. FAJT:

We did not hear from your contractor
today. Any reason for that?

MR. CANFORA:

Yes, time. We have our contractor here
if you want to talk, we could do it. But we were
trying to condense our presentation. We spent all
weekend, and we probably had five more people to come
up here and we ---.

MR. FAJT:

And your contractor, just for the record
is?

MR. CANFORA:

What's that?

1 MR. FAJT:

2 Your contractor's name, just for the
3 record?

4 ATTORNEY O'RIORDAN:

5 Our owners rep is Ciminelli. Our
6 general contractors, construction managers are
7 Driscoll and Russell.

8 MR. FAJT:

9 Okay. Thank you. Thank you, Mr.
10 Chairman.

11 CHAIRMAN:

12 I just have one question, because all
13 the rest of them have been asked already. As you
14 know, this Board has been --- worked very hard and
15 diligently to be as open in this process as possible.
16 As matter of fact, last year we held our public
17 hearings right here in the Convention Center and again
18 in South Philadelphia, actually in the stadium
19 district at the request of Senator Farnese because of
20 the concerns expressed by the residents of the stadium
21 district.

22 And my question is, when we held that
23 hearing actually at the Link, a number of people from
24 the stadium district came and expressed some of their
25 displeasure and the concerns they have with any other

1 added venue in South Philadelphia or the stadium
2 district. Understanding that you're a little bit more
3 removed than the other two, there was still a concern
4 expressed by them. And I guess my question to you is,
5 have ---? I've heard you saying you've met with a lot
6 of people, but I did not hear you specifically saying
7 that you met with the people of the stadium district
8 to maybe mitigate some of the concerns they have or to
9 address, you know, some of the adverse effects that
10 they feel every time there's an event in that section
11 of city. They're adversely impacted, yet they're
12 never heard. So, maybe you could just elaborate on
13 that.

14 ATTORNEY O'RIORDAN:

15 We did meet with the sports complex
16 special services district. There's a Board that runs
17 that. On that Board is representation of the sports
18 teams, and their representations of various districts
19 of the neighborhood surrounding the sports districts.
20 They're all members of the sports complex. We met
21 with them well over a year ago, and sat down with
22 them. They heard us, we heard them. We met with them
23 even though we knew that their position, they told us
24 up front, they were blanket opposition to any casino
25 in South Philadelphia. Understanding that we want to

1 be good neighbors, and they were also opposed, I
2 believe, to many of the sports complexes that went up
3 there. We wanted to talk with them, and share our
4 vision and hear what their concerns were. We talked
5 with them about the parking issues. The sports
6 complex people were concerned that we would
7 cannibalize their parking with free parking. And as a
8 result of that, we went back to the drawing board and
9 we came up with a plan where we won't have free
10 parking on game days. It will have to be some kind of
11 voucher card or loyalty card.

12 And so, we don't want to take revenues
13 away from the existing businesses that are down there.
14 We heard them, about their neighborhood concerns. We
15 had gone to Whitman initially, and then right about
16 the same time, we believe that the idea of the ramp at
17 7th Street's a good idea. But we are --- the other
18 two stadium applicants are squarely within that
19 stadium complex district. We are not. We're actually
20 on Front Street. And the advantage of Front Street is
21 a number of on-ramps and off-ramps to these highways
22 that we're at sit right there. So, you come off that
23 exit, you are on Front Street, you have to travel two
24 blocks to go into our parking lot. We understand Mr.
25 Cerone's and some of these neighbor's concerns about

1 the traffic going west on Packer Avenue. Because the
2 Broad Street exist is the only --- or Broad Street on-
3 ramp is the only way to get west on 76. And we
4 believe that the 7th Street ramp will mitigate largely
5 against that.

6 The bottom line quite frankly is, during
7 traffic --- during stadium events, there's nothing you
8 can do, and that traffic congestion is there. That's
9 just a function of progress in some ways. And so, we
10 hope to mitigate that. And we also are going to work
11 with traffic control devices, and having our people
12 maybe direct traffic during peak hours. But even
13 though they are blanketly opposed, we intend to
14 continue to work with them and meet with them over
15 time. We thought our discussions with them were
16 fairly constructive and very cordial. And some people
17 greeted us and said we're the first people who thought
18 of them and reached out to the community. I don't
19 know whether the other two stadium area applicants
20 have met with them, but we met with them and have an
21 ongoing dialogue with their executive director.

22 CHAIRMAN:

23 And thank you. And you answered my
24 second question, not just now, but prior when you said
25 that you would, in fact, absolutely build that access

1 ramp on I-76 west.

2 ATTORNEY O'RIORDAN:

3 Thank you, Mr. Chairman.

4 CHAIRMAN:

5 Thank you. John.

6 MR. MCNALLY:

7 Just quickly. Have you sat down with
8 the sports teams, and if so, have you looked at how
9 the Rivers was able to work with the sports teams in
10 their development within a sports complex?

11 MR. CANFORA:

12 We have not sat down with the sports
13 teams outside of the confines of that meeting with the
14 stadium complex special services district. So, we've
15 not heard further discussions with them. And we've
16 not been --- received any contact from them in terms
17 of their opposing or not opposing. We know that they
18 --- the group that they're a member of as an
19 organization opposed to it, but I don't know whether
20 the sports teams have taken any position on that. But
21 no, we've not talked to them about the experience out
22 at Rivers. Not yet.

23 MR. MCNALLY:

24 Okay. I just have a couple of
25 questions. First of all, the ramp to I-76 west, do

1 you have an estimate of the cost?

2 MR. FERRO:

3 Let me do that. In my previous life, I
4 was a road and bridge contractor in the Chicagoland
5 area, so I have a general idea of what those --- this
6 type of project would cost.

7 Now, obviously without construction
8 drawings and engineering, it's impossible to pin it.
9 But if that ramp is possible to be built on, what I
10 would call, on-grade or reasonably on-grade, my
11 guesstimate would be somewhere around \$4 million. If
12 it's going to require some sort of structure, widening
13 or structure construction, that could raise it up into
14 the \$5, \$6 million range. But these are just
15 ballparks at this point.

16 But in order of magnitude, I think
17 you're in that area someplace.

18 MR. MCNALLY:

19 Thank you, sir. And I guess this
20 question is best posed to Mr. Christiansen. Sir, I
21 think it was your testimony at page 122 of the
22 presentation, you indicate that the South Philadelphia
23 casino over three years would provide net new gross
24 gaming revenue of \$808 million while one in Central
25 Philadelphia over the same period, three years would

1 produce \$700 million. Could you explain how you came
2 up with your figures?

3 MR. CHRISTIANSEN:

4 I wonder if I could ask Mr. Sinclair,
5 who ran those models and constructed them, to answer
6 that question. Sebastian.

7 MR. SINCLAIR:

8 Hi.

9 CHAIRMAN:

10 Put your name on the record. You
11 haven't spoken yet; have you?

12 MR. SINCLAIR:

13 No, I have not.

14 CHAIRMAN:

15 Okay. Just put your name on the record
16 and spell your last name.

17 MR. SINCLAIR:

18 It's Sebastian Sinclair,
19 S-I-N-C-L-A-I-R.

20 CHAIRMAN:

21 And who are you with, sir?

22 MR. SINCLAIR:

23 Christiansen Capital Advisors.

24 CHAIRMAN:

25 Okay. Thank you.

1 MR. SINCLAIR:

2 Now, the way those numbers were derived
3 is similar to Mr. Morowitz, we constructed a gravity
4 bar for South Philadelphia and Central Philadelphia.
5 We started by doing individual casinos. But as --- in
6 the process of doing it, we found that the casinos
7 were so close together, if we assume an average casino
8 is in those locations, the differences aren't
9 meaningful between those --- the South Philadelphia
10 sites and the Central Philadelphia sites.

11 Now, in the process of constructing
12 those models, what we found is that the South
13 Philadelphia casino, when --- our numbers are a little
14 higher than Mr. Morowitz, like we construct ---. I
15 did a quick calculation because this was the first
16 time we had seen his numbers. Ours were about ten
17 percent higher. So, we're a little north of \$400
18 million for a stabilized year. And from the estimates
19 that are all included in the documentation that was
20 provided with the application of study of market
21 saturation of the markets, we concluded that 17
22 percent of that roughly, would come from other
23 suppliers in the market, namely SugarHouse and Chester
24 for the most part, and that ---. And so we've added
25 that up over three years. That's how we get to net

1 new gaming revenue.

2 Now, the differences between Central
3 Philadelphia and South Philadelphia are that we have
4 found that according to our models, the Central
5 Philadelphia casino will win a little bit more. I
6 think it's around \$450, \$475 in a stabilized year, but
7 it has greater impacts on existing suppliers in the
8 market. And in this particular case, primarily
9 SugarHouse. And that's how we arrived at those
10 numbers.

11 CHAIRMAN:

12 Okay. Thank you both.

13 MR. CHRISTIANSEN:

14 I wonder if I ---

15 CHAIRMAN:

16 Yes, sir.

17 MR. CHRISTIANSEN:

18 --- could just add one point. There's
19 been so much discussion here about saturation, and I
20 understand your concern. The fact that the
21 Commonwealth's gross gaming revenue finally saw a dip,
22 after I don't know how many months of uninterrupted
23 month over month gains from 2006, only means that the
24 Philadelphia --- or the Pennsylvania market is finally
25 maturing. Everything matures. Nothing grows to the

1 sky. When a gaming market or a movie market or a fast
2 food market matures, the solution is not to circle the
3 wagons and stop capital investment. The solution is
4 more capital investment. That's the lesson of
5 Atlantic City.

6 And if this clarifies anyone's thinking,
7 I would at least like to offer the thought.

8 CHAIRMAN:

9 Thank you very much. Any other
10 questions from the Board? Any questions from ---

11 ATTORNEY PITRE:

12 No, we have no ---.

13 CHAIRMAN:

14 --- OEC?

15 ATTORNEY PITRE:

16 No questions.

17 CHAIRMAN:

18 I will now ask the Director of Licensing
19 and the Chief Enforcement Counsel to address the Board
20 regarding their Bureau's view of the application.

21 ATTORNEY PITRE:

22 Okay. First, we'll have the testimony
23 of Mr. Hanney, concerning the traffic impact study
24 review.

25 ATTORNEY ARMSTRONG:

1 James Armstrong, A-R-M-S-T-R-O-N-G, for
2 the OEC. Chairman, with your permission, may I ask
3 Mr. Hanney some questions in regard to the traffic
4 impact studies?

5 CHAIRMAN:

6 Go right ahead, sir.

7 -----

8 FRANCIS HANNEY, HAVING BEEN PREVIOUSLY SWORN,
9 TESTIFIED AS FOLLOWS:

10 -----

11 DIRECT EXAMINATION

12 BY ATTORNEY ARMSTRONG:

13 Q. Mr. Hanney, can you state your name and spell it
14 for the record?

15 A. Good afternoon, members of the Board and
16 Chairman. My name is Francis Hanney, H-A-N-N-E-Y.

17 Q. Where are you employed, Mr. Hanney?

18 A. I'm employed at the Pennsylvania Department of
19 Transportation, Engineering District 6 headquarters in
20 King of Prussia.

21 CHAIRMAN:

22 Mr. Armstrong, I think we've seen the
23 witness enough in the last two days that we can forego
24 the qualifications and get right down to the meat of
25 his testimony.

1 ATTORNEY ARMSTRONG:

2 Certainly, Mr. Chairman.

3 BY ATTORNEY ARMSTRONG:

4 Q. Mr. Hanney, was PennDOT asked to review traffic
5 studies for a Category 2 slot machine license process?

6 A. PennDOT was asked to conduct a review of the
7 traffic studies for the Category 2 slot machine
8 license process. And the PA Gaming Commission made
9 this request.

10 Q. Was Orth-Rodgers hired on behalf of PennDOT to
11 review the traffic study of PHL Local Gaming?

12 A. Orth-Rodgers was contracted by PennDOT to conduct
13 an independent review of the traffic impact studies.

14 Q. When was the study reviewed?

15 A. The study was reviewed and was conducted over the
16 spring, summer and fall of 2013.

17 Q. And what was your involvement in the review?

18 A. My role was as project manager to oversee the
19 review and comment process.

20 Q. Were the results provided to the Pennsylvania
21 Gaming Control Board?

22 A. The results were provided to the Gaming Board.
23 And I have those results with me today.

24 Q. Have you reviewed those results and do you have
25 --- or I'm sorry. Have you reviewed those results?

1 A. I have.

2 Q. At any time during the review and assessment of
3 the information, did anyone --- attempt to influence
4 you or coerce you to provide a favorable or
5 unfavorable review?

6 A. I was never approached in such a manner by any of
7 the applicants, their engineers or any third parties.

8 Q. Were you notified of anyone of attempts to
9 influence or coerce Orth-Rodgers during the view?

10 A. I have no knowledge of any attempts to coerce
11 Orth-Rodgers during the study review period.

12 Q. Can you please present a summary of your report
13 regarding PHL Local Gaming?

14 A. Sure. Okay. We reviewed the study for Casino
15 Revolution, location at Front and Pattison, within the
16 food distribution district in South Philadelphia, near
17 the stadium complex area. Developers, PHL Local
18 Gaming, LLC. Traffic consultant was Langan
19 Engineering. The Applicant study has undergone
20 several reviews and has been updated and conditionally
21 approved. Our reviews were coordinated with the City
22 of Philadelphia Streets Department. The study now
23 meets the guidelines provided by the City of
24 Philadelphia and the Pennsylvania Department of
25 Transportation.

1 The following is a summary of our findings. The
2 Applicant was asked to review a traffic model of the
3 local road system during a Friday evening commuter
4 peak during a pre-Phillies baseball game time period,
5 thus simulating the highest level of traffic impact.

6 This exercise indicated that the local area roads
7 were able to manage the additional casino trips during
8 this critical time period, with recommended
9 improvements. The site is not in the City's central
10 business district, and during non-commuter travel
11 peaks and non-sports complex events. The local roads
12 are underutilized and can efficiently manage the
13 addition of the casino trips, specifically during the
14 casino's Friday and Saturday evening peaks.

15 The Applicant has agreed to provide shuttle
16 service to and from the southern terminus of SEPTA's
17 Broad Street line, AT&T Station formerly known as the
18 Pattison Station. If the Applicant is granted a
19 license, they have agreed in writing to investigate
20 and provide a number of things, intelligent
21 transportation system or ITS, other offsite
22 improvements at various locations to improve overall
23 traffic locations. Some examples of the operational
24 improvements could be to improve corridor signal
25 timing and phasing improvements along Front Street,

1 Pattison Avenue and other line striping upgrades.

2 Obviously, the big thing that I heard them commit
3 to today was the willingness to provide the westbound
4 on-ramp at 7th Street. Previously, prior to today,
5 they had committed to studying it. So, it's good to
6 hear that, because that is a tremendous mitigation
7 improvement for the area.

8 Other examples, they're going to install a new
9 traffic signal at their site driveway, modification of
10 the traffic signal timing at the I-95 off-ramps and
11 South Front Street, some modification of timings right
12 at Pattison Avenue and South Front Street to provide
13 an additional right turn overlap phase. Sorry for the
14 traffic jargon, but that is a critical improvement to
15 allow that intersection to function efficiently.

16 Much like all the other applicants, we are
17 recommending a post-development study approximately
18 six months after opening day to analyze the actual
19 casino trips and traffic operations in order to
20 address any unforeseen traffic operational concerns.

21 In conclusion, if granted a license, the
22 Applicant has committed in writing to the City of
23 Philadelphia and the Pennsylvania Department of
24 Transportation to come back and finalize the traffic
25 analysis and the design details necessary for traffic

1 mitigation. Coordination with the stadium district,
2 the Delaware River Port Authority will also be
3 required to pursue the committed to on-ramp. And that
4 is the summary.

5 Q. Thank you. Now, you just testified that you
6 listened to Mr. Disario of Langan Engineering make his
7 presentation to the Board. But in addition to the
8 testimony you just gave about the on-ramp for
9 westbound on Interstate 76, was the other testimony
10 consistent with the independent review provided to the
11 Board?

12 A. Yes, it is.

13 Q. Was there anything in that testimony that was
14 invalid, erroneous or contrary to your findings?

15 A. Not that I heard.

16 Q. Is there anything further you have to provide
17 today regarding the independent traffic review
18 associated with PHL Local Gaming?

19 A. I have nothing further to offer.

20 ATTORNEY ARMSTRONG:

21 Thank you. I have no further questions.

22 CHAIRMAN:

23 Thank you, sir.

24 ATTORNEY PITRE:

25 Next, I'd ask that Susan Hensel,

1 Director of Licensing, Paul Mauro, Director of BIE and
2 Rich O'Neil, Supervisor of the Financial
3 Investigations Unit come forward. And if we could
4 start with Susan reading her statement into the
5 record.

6 MS. HENSEL:

7 Thank you, Cyrus, Chairman Ryan and
8 members of the Board. PHL Local Gaming, LLC timely
9 filed a Category 2 Slot Operator Application and
10 Disclosure Form with the Bureau of Licensing. The
11 Bureau of Licensing reviewed the application and
12 worked with the Applicant to ensure the provision of
13 all required information.

14 The Bureau of Licensing deemed the
15 application complete and transmitted it to the BIE for
16 investigation. Upon completion of the background
17 investigation, the Bureau of Licensing completed and
18 compiled a background investigation and suitability
19 report using information and documentation received
20 from the Applicant, the Bureau of Licensing, the OEC
21 on behalf of the BIE, the Bureau of Gaming Operations,
22 the Office of Diversity, the Office of Compulsive and
23 Problem Gambling and the Pennsylvania Departments of
24 Revenue and Labor & Industry.

25 The draft suitability report was

1 provided to the Applicant to identify material, errors
2 and omissions, if any, and the final report was
3 provided to the Applicant and to the Pennsylvania
4 Gaming Control Board. Based on the application
5 process, the Bureau of Licensing is not at this time
6 aware of any issues that would preclude the approval
7 of a Category 2 Slot Machine License for PHL Local
8 Gaming, LLC.

9 ATTORNEY PITRE:

10 Next, Rich O'Neil.

11 MR. O'NEIL:

12 Chairman Ryan, Commissioners, in
13 preparation of the Financial Investigation Unit's
14 report, and when necessary supplemental reports, all
15 information provided by the Applicant, its
16 intermediaries, subsidiaries and holding companies and
17 management companies was fully reviewed and analyzed.
18 This included any organizational documents, debt
19 documents, management agreements, financial statements
20 and any other contracts or agreements.

21 In this case, PHL Local Gaming, LLC and
22 its related entities provided all the authorizations,
23 contracts and agreements necessary to conduct the
24 investigation. It also provided clear and convincing
25 evidence to enable the Financial Investigations Unit

1 to make the determination of the financial
2 suitability, integrity and responsibility of its
3 application for Category 2 licensure and also that the
4 Applicant is likely to maintain operational viability
5 and maintain a steady level of growth.

6 At this time, based on the information
7 contained in the application and other related
8 documents, as well as the financial suitability
9 analysis performed, the Financial Investigations Unit
10 did not discover anything material which would
11 preclude PHL Local Gaming, LLC from being financially
12 suitable to obtain a Category 2 License.

13 ATTORNEY PITRE:

14 Next we'll hear from Paul Mauro.

15 MR. MAURO:

16 Chairman Ryan, members of the Board,
17 Paul Mauro, M-A-U-R-O, Director of BIE. The Bureau of
18 Licensing transmitted the Category 2 Application of
19 PHL Local Gaming, LLC which included, but was not
20 limited to, any and all associated forms, releases and
21 disclosures to the BIE for the initiation and
22 completion of a background investigation as
23 contemplated by the Act.

24 The BIE's background investigation into
25 PHL Local Gaming consisted of, but was not limited to,

1 an investigation into the criminal history, the credit
2 history, the litigation history including civil
3 judgments and bankruptcies, the business history, the
4 federal tax history, and if applicable, the
5 Commonwealth and its political subdivision tax history
6 and the gaming regulatory history in the Commonwealth
7 and/or other gaming jurisdictions for the Applicant,
8 affiliated entities and management company.

9 Additionally, the Bureau's background
10 investigation of each principal associated with PHL
11 Local Gaming included information pertaining to the
12 family habits, character, reputation, criminal history
13 background, credit history, business activities and
14 history, litigation history including civil judgments
15 and bankruptcies, financial affairs, federal tax
16 history and business professional and personal
17 associates covering at least a ten year period
18 preceding the filing of the application. Also, if
19 applicable information pertaining to the Commonwealth
20 and its political subdivision tax history and any
21 applicable gaming regulatory history in the
22 Commonwealth or in any other legalized gaming
23 jurisdiction was investigated and reported.

24 The results of the Bureau's background
25 investigation were placed in the Bureau's reports of

1 investigation and forwarded along with the Bureau's
2 Financial Investigation Unit report to the OEC for the
3 preparation of a final background investigation
4 report.

5 As a result, based upon information
6 obtained through the background information process,
7 the BIE is not aware of any issues at this time that
8 would preclude suitability of Category 2 Applicant PHL
9 Local Gaming, LLC.

10 ATTORNEY PITRE:

11 The OEC has been fully engaged with the
12 Applicant and Board staff throughout the process. The
13 OEC worked in conjunction with the BIE and its
14 Financial Investigations Unit throughout the
15 background process.

16 Once the Bureau completed its report of
17 investigation and its financial investigation, those
18 reports were transmitted to the OEC for final
19 completion of the background investigation report for
20 each applicant, affiliate, principal and management
21 company as contemplated by the Act.

22 The OEC drafted and prepared each
23 associated financial final background investigation
24 report and forwarded the same to the Bureau of
25 Licensing for inclusion in Category 2 Applicant PHL

1 Local Gaming's suitability report which has been
2 delivered to the Board for its review and
3 consideration.

4 I would like to remind the
5 representatives and principals of PHL Local Gaming
6 that suitability is an ongoing rolling process, and as
7 a result, each applicant has a duty to maintain
8 suitability and to provide information and updates to
9 Board staff as it becomes known or available, and that
10 as along as PHL Local Gaming's applications are
11 pending before the Board, my office will provide
12 supplemental background investigation reports to the
13 Board anytime there is an issue that may have an
14 impact on any applicant. That concludes the
15 statements of staff. And should the Board have any
16 questions, we are available to answer them.

17 CHAIRMAN:

18 Thank you, Cyrus. Okay. Before we
19 bring this proceeding to a conclusion, does PHL Local
20 Gaming have any final statements to make?

21 ATTORNEY O'RIORDAN:

22 Nothing other than to thank you for your
23 time and your attention and to thank the staff as
24 well.

25 CHAIRMAN:

1 Thank you. Do any members of the Board
2 have anything they would like to add to the record in
3 this matter? This concludes the hearing for Applicant
4 PHL Local Gaming, LLC. PHL Local Gaming, as with all
5 applicants, has the opportunity to file a post-hearing
6 memorandum on or before Monday, February 10th, 2014 in
7 which it should address any questions to the Board for
8 which supplemental information was requested or is
9 required. Do I have a motion to adjourn?

10 MR. FAJT:

11 So moved.

12 CHAIRMAN:

13 Second? All right. This meeting is
14 adjourned. Thank you, ladies and gentlemen.

15 * * * * *
16 HEARING CONCLUDED
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CERTIFICATE

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I hereby certify that the foregoing proceedings,
hearing held before Chairman Ryan was reported by me
on 1/29/2014 and that I Sami Zeka read this transcript
and that I attest that this transcript is a true and
accurate record of the proceeding.

Sami Zeka