

1: 1 LOUISIANA GAMING CONTROL BOARD

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4 BOARD OF DIRECTORS' MEETING

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9 Thursday, December 16, 2010

10 House Committee Room 1

11 Louisiana State Capitol

12 Baton Rouge, Louisiana

13

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16 TIME: 1:00 P.M.

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1 APPEARANCES:

2

3 DANE K. MORGAN

4 Chairman

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6 VELMA ROGERS

7 Vice-Chairman

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9 AYRES BRADFORD

10 Board Member

11

12 ROBERT JONES

13 Board Member

14

15 MARK STIPE

16 Board Member

17

18 GERALD JUNEAU, SR.

19 Board Member

20

21 JAMES SINGLETON

22 Board Member

23

24 DENISE NOONAN

25 Board Member

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1 APPEARANCES CONTINUED:

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3 MAJOR MARK NOEL

4 Ex-Officio Board Member

5

6 LANA TRAMONTE

7 Executive Assistant to the Chairman

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10 REPORTED BY:

11 SHELLEY G. PAROLA, CSR, RPR

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1 I. CALL TO ORDER

2 CHAIRMAN MORGAN: Call the roll.

3 THE CLERK: Chairman Morgan?

4 CHAIRMAN MORGAN: Here.

5 THE CLERK: Miss Rogers?

6 MS. ROGERS: Here.

7 THE CLERK: Mr. Bradford?

8 MR. BRADFORD: Here.

9 THE CLERK: Mr. Jones?

10 MR. JONES: Here.

11 THE CLERK: Mr. Stipe?

12 MR. STIPE: Here.

13 THE CLERK: Mr. Juneau?

14 MR. JUNEAU: Here.

15 THE CLERK: Mr. Singleton?

16 MR. SINGLETON: Here.

17 THE CLERK: Miss Noonan?

18 MS. NOONAN: Here.

19 THE CLERK: Colonel Edmonson?

20 MAJOR NOEL: Major Noel for Colonel
21 Edmonson.

22 THE CLERK: Secretary Bridges? [No
23 response.]

24 II. COMMENTS FROM THE CHAIR

25 THE COURT: We have a quorum. Thank

7

1 you for being here. We have a full
2 agenda today. We'll be moving pretty
3 quickly through the regular agenda, and
4 then we'll hear from Penn Gaming and
5 take a short recess to allow the other
6 applicants to prepare for their
7 presentation.

8 III. APPROVAL OF THE MINUTES

9 CHAIRMAN MORGAN: Members, have you
10 had an opportunity on Item III to review
11 the minutes? Are there any questions on
12 the minutes? Are there any public
13 comment with regard to the minutes? [No
14 response.] I'll entertain a motion to
15 waive formal reading.

16 MR. SINGLETON: Move approval of the
17 minutes.

18 CHAIRMAN MORGAN: Approval by
19 Mr. Singleton.

20 MS. NOONAN: Second.

21 CHAIRMAN MORGAN: Seconded by Miss
22 Noonan to waive formal reading of the
23 approval of the minutes. Hearing no
24 objection, they're approved.

25 IV. REVENUE REPORTS

8

1 CHAIRMAN MORGAN: Item IV, they're
2 Revenue Reports. I hope they're
3 favorable. Go ahead, Miss Jackson.

4 MS. JACKSON: Good afternoon,
5 Mr. Chairman, Board Members, my name is
6 Donna Jackson with the Louisiana State
7 Police Gaming Audit Section.

8 The riverboat revenue report for
9 November 2010 is shown on page one of
10 your handout. During November, the 13
11 operating riverboats generated Adjusted
12 Gross Receipts of \$124,301,288, down
13 \$11 million or 8 percent from
14 October 2010, but up \$1.5 million or one
15 percent from November 2009.

16 Adjusted Gross Receipts for fiscal
17 year 2010-2011 to date are \$674,410,124,
18 a decrease of one percent or \$6 million
19 from fiscal year 2009-2010.

20 During November, the State collected

21 fees totaling \$26,724,777. As of
22 November 30th, 2010, the State has
23 collected \$145 million in fees for
24 fiscal year 2010-2011.

25 Next is a summary of the

9

1 November 2010 gaming activity for
2 Harrah's New Orleans found on page
3 three. During November, Harrah's
4 generated \$27,765,884 in gross gaming
5 revenue, a decrease from October of
6 6 percent or \$1.9 million and a minimal
7 decrease of .4 percent from last
8 November. Fiscal year-to-date gaming
9 revenues for 2010-2011 to date are
10 \$143,434,721, up \$1.8 million or one
11 percent from fiscal year 2009-2010.

12 During November, the State received
13 \$4,931,507 in minimum daily payments.

14 As of November 30th, 2010, the State has
15 collected \$25,150,685 in fees for fiscal
16 year 2010-2011.

17 Slots at the Racetracks revenues are
18 shown on page four. During November,
19 the four racetrack facilities combined
20 generated Adjusted Gross Receipts of
21 \$28,548,856, a decrease of 9 percent or
22 \$2.8 million from last month, but a one
23 percent increase from last November.

24 Adjusted Gross Receipts for fiscal
25 year 2010-2011 to date are \$158,018,140,

10

1 virtually even with last fiscal year's
2 total.

3 During November, the State collected
4 fees totaling \$4,330,861. As of
5 November 30th, 2010, the State has
6 collected \$23,971,352 in fees for fiscal
7 year 2010-2011.

8 Are there any questions about the
9 revenues before I present the Harrah's
10 employee numbers?

11 CHAIRMAN MORGAN: Any questions?

12 MS. JACKSON: I've included the
13 spreadsheet for the employee numbers in
14 your chart folders. Harrah's New
15 Orleans is required to maintain at least
16 2,400 employees and a bi-weekly payroll
17 of \$1,750,835. This report covers the
18 two pay periods in November 2010. For
19 the first pay period, we verified 2,451
20 employees with a payroll of \$2,075,200.
21 For the second pay period, we verified
22 2,479 employees with a payroll of
23 \$2,066,400.

24 CHAIRMAN MORGAN: Any questions?

25 MS. JACKSON: Thank you.

1 CHAIRMAN MORGAN: Video gaming.

2 MR. BOSSIER: Good afternoon,
3 Chairman Morgan and Board Members. My
4 name is Jim Bossier with the Louisiana
5 State Police Gaming Audit Section. I'm
6 reporting video gaming information for
7 November 2010 as shown on page one of
8 your handout.

9 During November 2010, 33 new
10 licenses were issued: 21 bars, 11
11 restaurants and 1 device owner.
12 Twenty-two new applications were
13 received during November and are
14 currently pending in the field: 12
15 bars, 7 restaurants, 1 truckstop and 2
16 device owners.

17 During November 2010, the Gaming
18 Enforcement Division assessed no
19 penalties and collected \$750 in
20 penalties. There are currently no
21 outstanding penalties. Please refer to
22 page two of your handout.

23 There are presently 14,540 video
24 gaming devices activated 2,195
25 locations. Net device revenue for

12

1 November 2010 was \$48,852,835, a
2 \$2.1 million increase or 4.1 percent
3 when compared to net device revenue for

4 October 2010, and a \$2.5 million
5 increase, or 5.4 percent when compared
6 to November 2009.

7 Net device revenue for fiscal year
8 2010-2011 to date is \$246,737,217, a
9 \$2.7 million increase or 1.1 percent
10 when compared to net device revenue for
11 fiscal year 2009-2010. Page three of
12 your handout shows a comparison of net
13 device revenue.

14 Total franchise fees collected for
15 November 2010 were \$14,537,950, a
16 \$613,000 increase -- excuse me, decrease
17 when compared to October 2010, and a
18 \$708,000 increase when compared to
19 November 2009.

20 Total franchise fees collected for
21 fiscal year 2010-2011 to date are
22 \$73,409,336, a \$776,000, or 1.1 percent
23 increase when compared to last year's
24 franchise fees. Page four of your
25 handout shows a comparison of franchise

13

1 fees.

2 Does anybody have any questions?

3 CHAIRMAN MORGAN: Any questions?

4 Thank you.

5 V. VIDEO GAMING ISSUES

6 A. Consideration of the following truckstop

7 applications:

8 1. Rice Palace, Inc., d/b/a Exit 80 Travel
9 Plaza - No. 0101506042 (transfer of
10 interest)

11 CHAIRMAN MORGAN: Move to Item V,
12 Video Gaming Issues, A. Consideration of
13 the following truckstop applications.

14 A(1) is Rice Palace, Incorporated, doing
15 business as Exit 80 Travel Plaza.

16 MR. PITRE: Chairman Morgan and
17 Board Members, I'm Assistant Attorney
18 General, Earl Pitre, Jr., here in the
19 matter of Rice Palace, Incorporated,
20 doing business as Exit 80 Travel Plaza.

21 The licensee is a Louisiana company
22 incorporated on February 17th, 1994. On
23 March 3rd, 2006, John Dan Gielen sold
24 all of his 315 shares of stock in the
25 licensee to Lazar Gielen. John Dan

14

1 Gielen also resigned as president of the
2 licensee.

3 Lazar Gielen is an owner slash
4 stockholder/director with 92.647 percent
5 ownership. John Bryant Gielen is an
6 owner/stockholder with 1.4706 percent
7 ownership. He was elected as president
8 of the licensee. Chad Gielen is an
9 owner/stockholder with 1.4706 percent

10 ownership. He was elected as secretary
11 of the licensee. Louis Saab is an
12 owner/stockholder with 1.4706 percent
13 ownership. He was elected as the
14 treasurer of the licensee. Stephen
15 Stefanski is an owner/stockholder with
16 2.9412 percent. Jo Ann Broussard was
17 appointed as the financial manager of
18 the licensee.

19 Master Trooper Kevin Smith conducted
20 an investigation and is present to
21 report the Office of State Police's
22 findings to the Board.

23 M.T. SMITH: Good afternoon,
24 Mr. Chairman, Members of the Board, I'm
25 Master Trooper Kevin Smith with the

15

1 Louisiana State Police Gaming
2 Enforcement Section. I conducted a
3 suitability investigation of Jo Ann
4 Broussard and found no information that
5 would preclude her from participating in
6 the video gaming industry. Lezar Gielen
7 and Carol Gielen, spouse of Lezar; John
8 Bryant Gielen, Elizabeth Gielen, spouse
9 of John Bryant; Chad Gielen, Deana
10 Gielen, spouse of Chad; Louis Saab,
11 Veronica Saab, spouse of Louis; Stephen
12 Stefanski, Mary Ann Stefanski, spouse of

13 Stephen, met suitability and previous
14 investigations of gaming license for
15 Rice Palace, Incorporated, d/b/a Exit 80
16 Travel Plaza.

17 MR. PITRE: The Office of the
18 Attorney General has reviewed the file
19 compiled as result of the investigation
20 conducted by the Office of State Police.
21 Our review indicates that no information
22 has been found to preclude a finding of
23 suitability for Jo Ann Broussard and the
24 continued licensing of Rice Palace,
25 Incorporated, doing business as Exit 80

16

1 Travel Plaza.

2 CHAIRMAN MORGAN: Thank you. Are
3 there any questions? Do we have a
4 motion for approval of the transfer of
5 interest?

6 MR. JONES: So moved.

7 CHAIRMAN MORGAN: Moved by
8 Mr. Jones.

9 MS. ROGERS: Second.

10 CHAIRMAN MORGAN: Seconded by Miss
11 Rogers. Is there any objection?
12 Hearing none, that's approved. Thank
13 you.

14 2. Webster P II, LLC d/b/a Webster P II, LLC

15 - No. 6000516216 (new application)

16 CHAIRMAN MORGAN: Item 2 is Webster
17 P II, LLC, doing business as Webster P
18 II, LLC, a new application.

19 MR. PITRE: Chairman Morgan, Board
20 Members, again, Earl Pitre, Jr.,
21 Assistant Attorney General.

22 The applicant is a licensed --
23 Louisiana limited liability company
24 organized on July 30th, 2009. The sole
25 member and manager of the company is

17

1 James Worthey.

2 The establishment is located at 2198
3 Highway 532 in Minden, Louisiana, in
4 Webster Parish. The applicant leases
5 the property from Webster P, LLC.

6 Master Trooper Kevin Smith conducted
7 the suitability investigation of the
8 relevant persons associated with
9 applicant and also conducted an on-site
10 inspection of the facilities. He will
11 present the Office of State Police's
12 findings to the Board.

13 M.T. SMITH: Mr. Chairman, Members
14 of the Board, Master Trooper Kevin Smith
15 again. I conducted a suitability
16 investigation on the relevant persons
17 associated with the applicant. I found
18 no information that would preclude the

19 following persons from participating in
20 the video gaming industry: James
21 Worthey and Kelli Worthey.

22 An on-site inspection was conducted,
23 and it was determined the establishment
24 meets all the criteria set forth in
25 video gaming law as a qualified

18

1 truckstop facility. Tax clearance
2 certificates and inquiries reveal the
3 applicant and its owners are current in
4 the filing and payment of all required
5 taxes and returns.

6 All applicable state and local
7 permits were posted. The establishment
8 consists of 6.55 contiguous acres. No
9 fuel sales reports were submitted;
10 therefore, the applicant will be
11 operating with 25 devices until fuel
12 sales data supports qualification for
13 additional machines.

14 The truckstop also has a separate
15 gaming area that is restricted to adult
16 patrons.

17 MR. PITRE: The Office of the
18 Attorney General has reviewed the file
19 compiled as a result of the
20 investigation conducted by the Office of
21 State Police. Our review indicates that

22 no information has been found which
23 would preclude the issuance of the Type
24 5 license to Webster P II, LLC.

25 CHAIRMAN MORGAN: Okay, thank you.

19

1 Any questions, Board Members? Is there
2 any public comment with regard to this
3 applicant? Hearing none, I'll entertain
4 a motion by --

5 MS. NOONAN: I'll move.

6 CHAIRMAN MORGAN: Motion by Ms.
7 Noonan.

8 MR. JUNEAU: Second.

9 CHAIRMAN MORGAN: Seconded by
10 Mr. Juneau. Is there any objection?

11 This is approved.

12 VI. CASINO GAMING ISSUES

13 CHAIRMAN MORGAN: Thank you Item VI,
14 Casino Gaming Issues. Item A, we have a
15 request from the applicant, the licensee
16 and also from the Attorney General's
17 Office to continue this matter until the
18 January meeting. If there's not any
19 objection, I'll continue that matter.

20 The matter is continued.

21 B. Consideration of Certificate of

22 Compliance for the Alternate Riverboat

23 Inspection of the gaming vessel of St.

24 Charles Gaming Company, Inc., d/b/a Isle

25 of Capri-Westlake - No. RO11700174

20

1 CHAIRMAN MORGAN: Item B is
2 Consideration of Certificate of
3 Compliance for the Alternate Riverboat
4 Inspection of the gaming vessel of St.
5 Charles Gaming Company doing business as
6 Isle of Capri-Westlake, License No.
7 RO11700174.

8 MR. TYLER: Chairman Morgan, Board
9 Members, I am Assistant Attorney
10 General, Michael Tyler, and today I'm
11 joined by John Fransic of ABSC. We come
12 before you seeking the acceptance of the
13 Alternate Inspection Report of Isle of
14 Capri Casino's, Crown Casino vessel as
15 performed and prepared by ABSC, as well
16 as the renewal of the Certificate of
17 Compliance for Crown Casino.

18 On November 17th, 2010, Crown Casino
19 began the Alternate Inspection Process
20 for the renewal of its Certificate of
21 Compliance. For more on this process
22 and the findings of the Alternate
23 Inspection of Crown Casino, I now turn
24 this presentation over to John Fransic
25 of ABSC.

21

1 MR. FRANSIC: Good afternoon,

2 Chairman and Board Members. I'm John
3 Francis with ABS Consulting here to
4 report the results of the annual
5 inspection of the Isle of Capri Casino.

6 The surveyor for ABS Consulting,
7 John Kahler, did attend the riverboat
8 Crown Casino, also known as Isle of
9 Capri Casino, on November 17th, 2010.

10 The inspection was carried out in
11 accordance with the Louisiana Gaming
12 Control Board Riverboat Gaming
13 Checklist.

14 The life safety equipment, fire
15 protection equipment, mooring and
16 machinery were inspected. The vessel
17 was found to be in compliance, with the
18 exception of a damaged emergency
19 generator circuit breaker. The failure
20 of the emergency generator system should
21 not be considered a life safety issue
22 for the gaming patrons as long as the
23 ship's service main generator systems
24 are maintained and in operational
25 condition.

22

1 Based on this survey, the vessel
2 ship's service generator systems are
3 fully operational and will come on line
4 immediately following a short power

5 failure. The ship's service generators
6 will afford the power required for the
7 normal operation of all vessel and
8 gaming systems to maintain a safe
9 environment for the patrons onboard.

10 In this situation, the emergency
11 generator is a redundant system, and by
12 the system being out of commission for a
13 short period of time, the vessel will
14 meet the intentions of the Coast Guard
15 certificated vessel.

16 It is the recommendation of ABS
17 Consulting that the riverboat Crown
18 Casino be reissued the Certificate of
19 Compliance.

20 MR. TYLER: We now present these
21 findings to this honorable board for
22 acceptance and request that upon
23 accepting the inspection report, the
24 Board will move for the renewal of the
25 Certificate of Compliance of Crown

23

1 Casino. Any questions?

2 CHAIRMAN MORGAN: That was Item K
3 that you were referencing with the
4 emergency --

5 MR. FRANSIC: Generator, yes.

6 CHAIRMAN MORGAN: What's the status?

7 MR. FRANSIC: The status is they had

8 another breaker that came on -- on
9 December the 9th, they had a breaker
10 that was shipped there to be replaced,
11 but it didn't work for some reason. And
12 they couldn't take it apart, so they had
13 to ship it back to the manufacturer.

14 So on the 20th of December, they
15 expect that breaker back to replace
16 that, so as soon as they replace that
17 breaker, we'll send somebody out there
18 to inspect it.

19 CHAIRMAN MORGAN: If I understood
20 you correctly, that's not a life safety
21 issue at all?

22 MR. FRANSIC: No, no.

23 CHAIRMAN MORGAN: Any questions?
24 I'll entertain a motion to approve the
25 report --

24

1 MR. BRADFORD: So moved.

2 CHAIRMAN MORGAN: -- and issue the
3 certificate. Motion by Mr. Bradford.

4 MR. JONES: Second.

5 CHAIRMAN MORGAN: And seconded by
6 Mr. Jones. Is there any objection?
7 Hearing none, it's approved.

8 C. Consideration of Certificate of
9 Compliance for the Alternate Riverboat
10 Inspection of the gaming vessel of Grand

11 Palais Riverboat, Inc., d/b/a Isle of
12 Capri - No. R011000841

13 CHAIRMAN MORGAN: And the next item
14 is Item C, Consideration of the
15 Certificate Compliance for Alternate
16 Riverboat Inspection of the gaming
17 vessel of Grand Palais Riverboat,
18 License No. RO11000841.

19 MR. TYLER: Again, Assistant
20 Attorney General, Michael Tyler,
21 appearing in this matter. I'm joined by
22 John Fransic of ABSC. We come before
23 you seeking the acceptance of the
24 Alternate Inspection Report of Isle of
25 Capri Casino's Grand Palais vessel as

25

1 performed and prepared by ABSC, as well
2 as the renewal of the Certificate of
3 Compliance for Grand Palais.

4 On November 16th, 2010, Grand Palais
5 began the alternate inspection process
6 for the renewal of its certificate of
7 compliance. For more on this process
8 and the findings of the alternate
9 inspection of Grand Palais, I now turn
10 this presentation over to John Fransic
11 of ABSC.

12 MR. FRANSIC: Good afternoon, Mr.
13 Chairman and Board Members. I'm John

14 Fransic with ABS Consulting here to
15 report the results of the annual
16 inspection for the Isle of Capri Casino.
17 The surveyor for ABS Consulting, John
18 Kahler, did attend the riverboat Grand
19 Palais, also known as Isle of Capri
20 Casino, on November 16th, 2010. The
21 inspection was carried out in accordance
22 with the Louisiana Gaming Control Board
23 riverboat gaming check sheet.

24 The life saving equipment, fire
25 protection equipment, mooring and

26

1 machinery were inspected and found in
2 full compliance. It is the
3 recommendation of ABS Consulting that
4 the riverboat Grand Palais be reissued
5 the Certificate of Compliance.

6 MR. PITRE: We now present these
7 findings to this honorable board for
8 acceptance and request that upon
9 accepting the inspection report, the
10 Board will move for the renewal of the
11 Certificate of Compliance for Grand
12 Palais. Any questions?

13 CHAIRMAN MORGAN: Any questions?

14 MR. SINGLETON: Maybe you can answer
15 my question. The Isle of Capri and
16 Grand Palais, why do we have those two

17 names?

18 MR. FRANSIC: Well, the Isle of
19 Capri is the casino, and the boat, the
20 vessel name of the boat that -- the
21 riverboat is the Grand Palais. Like
22 Crown Casino -- they have two vessels
23 there, so it's the Crown and the Grand
24 Palais.

25 MR. SINGLETON: Okay.

27

1 CHAIRMAN MORGAN: I forgot to ask
2 for public comment on either one of
3 these issues. So public comment on
4 either of these issues? [No response.]
5 I'll entertain a motion to accept the
6 finding and reissue the Certificate of
7 Compliance.

8 MR. JONES: So moved.

9 CHAIRMAN MORGAN: Motion by
10 Mr. Jones.

11 MR. SINGLETON: Second.

12 CHAIRMAN MORGAN: Seconded by
13 Mr. Singleton. Is there any objection?
14 Hearing none, that's approved.

15 VII. PROPOSED SETTLEMENT APPROVAL

16 1. In Re: Grand Palais Riverboat, Inc., d/b/a
17 Isle of Capri - No. R011000841

18 CHAIRMAN MORGAN: Thank you. Item
19 VIII -- VII, Proposed Settlement

20 Approval, In Re: Grand Palais
21 Riverboat, Incorporated, doing business
22 as Isle of Capri, RO11000841.

23 MR. HEBERT: Good afternoon,
24 Chairman, Members of the Board, I'm
25 Christopher Hebert representing the

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1 Louisiana Office of State Police.

2 The facts giving rise to this
3 settlement are as follows: On or about
4 May 17, 2010, an agent of State Police
5 was notified by the Isle of Capri that
6 the Isle of Capri had exceeded the
7 \$200,000 per calendar year threshold of
8 payments to Talens Marine & Fuel, a
9 nongaming supplier of fuel to the Isle
10 of Capri, whose license had expired in
11 July of 2007.

12 A settlement agreement was reached
13 whereby in lieu of administrative action
14 of its gaming license, the Isle of Capri
15 agrees to pay a civil penalty of
16 \$12,000. The hearing officer has signed
17 the settlement agreement, and I'm here
18 this afternoon seeking the Board's
19 approval.

20 MR. JONES: I have got a question.

21 CHAIRMAN MORGAN: Mr. Jones.

22 MR. JONES: What's the significance

23 of the \$200,000 number? Where did that
24 come from?

25 MR. HEBERT: That is -- that is the

29

1 amount that the industry -- I'm sorry,
2 State Police came up with. Just a few
3 years ago that amount was \$100,000, but
4 that was --

5 MR. JONES: And that's how much you
6 can buy from a nonlicensed?

7 MR. HEBERT: Exactly, up to
8 \$200,000, the business --

9 MR. JONES: Above that they have to
10 have a nongaming license?

11 MR. HEBERT: Exactly.

12 CHAIRMAN MORGAN: They have a
13 provision. Even if it's below that,
14 they can't add somebody to file
15 suitability. It's just a mandatory
16 civil servant industry. Mr. Stipe, do
17 you have a question?

18 MR. STIPE: I just move acceptance
19 of it.

20 CHAIRMAN MORGAN: Let me ask if
21 there's any public comment on this? [No
22 response.] We have a motion by Mr.
23 Stipe to accept.

24 MS. NOONAN: Second.

25 CHAIRMAN MORGAN: Seconded by Miss

1 Noonan. Is there any objection? It's
2 approved. Thank you.

3 MR. HEBERT: Thank you.

4 VIII. PRESENTATIONS BY APPLICANT FOR AVAILABLE

5 RIVERBOAT LICENSE

6 1. Penn National Gaming, Inc.

7 CHAIRMAN MORGAN: Item VIII, before
8 we get into the presentations, I want to
9 make everyone aware that you'll be
10 strictly limited to 45 minutes on your
11 presentation. Some of the board members
12 said there will be points given if you
13 were shorter than 45 minutes.
14 Seriously, I will cut your mike off at
15 45 minutes because we have to be out of
16 the room, and you'll have another
17 opportunity to be before the Board. We
18 need to stick to the 45 minute
19 limitation.

20 After the presentation, board
21 members will have an opportunity to ask
22 you questions. This will not be an
23 opportunity for public comment. This is
24 only for your presentation. Once we
25 receive your presentation, we will

1 schedule another meeting once State
2 Police has concluded with their

3 investigation and the Attorney General's
4 Office with their investigation. At
5 that time, we will have another public
6 meeting, and once we receive the
7 information of the suitability, then the
8 Board has ten days by law to either
9 issue or not issue a license; and we
10 will convene another meeting after that
11 next meeting. And both of the future
12 meetings will be an opportunity for
13 public comments.

14 The only other issue is, whoever is
15 presenting and will testify will need to
16 state clearly your name -- name and
17 address, and you will be placed under
18 oath.

19 We'll take Penn Gaming now, and upon
20 conclusion and after questions from the
21 board members, then we'll take a brief
22 recess to allow Creative Casinos to load
23 up their information and give the board
24 members a break.

25 Is there any question by board

32

1 members? [No response.]

2 MR. MCDANIEL: I'm Dan McDaniel with
3 the Baker Donelson Law Firm, 2033
4 Burgundy, New Orleans, Louisiana.

5 MR. CARLINO: I'm Peter Carlino,

6 C-A-R-L-I-N-O, Chairman, Chief Executive
7 Officer Penn National Gaming, 825
8 Berkshire, B-E-R-K-S-H-I-R-E, Boulevard,
9 Wyomissing, W-Y-O-M-I-S-S-I-N-G,
10 Pennsylvania.

11 MR. SNYDER: I'm Steve Snyder,
12 Senior Vice-President of Corporate
13 Development for Penn National, same
14 address.

15 MR. FISHER: Scott Fisher,
16 F-I-S-H-E-R, President of Leisure
17 Dynamics Research, 7105 Walmsley Avenue,
18 W-A-L-M-S-L-E-Y, New Orleans.

19 MS. BAILEY: Karen Bailey, Director
20 of Public Affairs for Penn National and
21 the same address as the two gentlemen
22 before me.

23 MR. STOLYAR: Alex Stolyar,
24 S-T-O-L-Y-A-R, Vice-President of
25 Corporate Development for Penn National,

33

1 same address.

2 MR. BURKE: Thomas Burke, B-U-R-K-E,
3 same address, Senior Vice-President of
4 Regional Operations.

5 COURT REPORTER: All right.
6 Everybody raise their right hands for
7 me, please. Do you swear or affirm that
8 the testimony you will give in the cause

9 now in hearing will be the truth?

10 PENN REPRESENTATIVES: I do.

11 MR. MCDANIEL: Good morning, Mr.

12 Chairman, Members of the Board. I'm Dan

13 McDaniel of the Baker Donelson Law Firm.

14 I, along with my partner and colleague,

15 Paul West, represent Penn National

16 Gaming. We're here to make this

17 presentation today.

18 I would like to introduce to you

19 Steve Snyder sitting at the far left end

20 of the table. Mr. Snyder is Senior

21 Vice-President for Development for Penn

22 National Gaming, and he will be

23 coordinating our presentation.

24 MR. SNYDER: Thank you, Danny, and

25 welcome, Mr. Chairman and Members of the

34

1 Board, as well as staff. We're going to

2 start off with a brief, about,

3 four-minute video to give you an

4 overview of the company as well as our

5 project, and then we'll move into our

6 formal presentation.

7 [VIDEO PLAYING.]

8 MR. SNYDER: Again, thank you for

9 allowing us to be before you this

10 afternoon. Before we get into the

11 presentation, we've got a team of about

12 eight professionals representing the
13 senior management of the company in
14 front of you. So hopefully we'll be
15 able to answer most, if not all, of your
16 questions.

17 You will hear from many of us. In
18 addition to those whom you'll hear from,
19 I'd like to ask Jim Baum, who is our
20 Senior Vice-President of Construction to
21 stand up, as well as Jim Baldacci, who
22 is our Director of Compliance. So we
23 collectively hope to be able to answer
24 all of your questions as we work through
25 the presentation this afternoon.

35

1 In addition to our own team, we've
2 got a group of professionals with whom
3 we've been working on this project now
4 close to six months, including, you
5 heard before we started, Baker Donelson,
6 Danny McDaniel representing that firm.
7 Also in the audience we've got
8 representatives of Corner Stone
9 Government Affairs, with whom we're
10 working on both local as well as
11 statewide relationships to tell the
12 story of our project on the West Bank.
13 We've had a number of professionals look
14 at the existing riverboat, the travel

15 plan, the design and renovation plan for
16 that riverboat, which we'll get into
17 this afternoon, and they're represented
18 there as you can see, Terracon
19 Consulting Engineers, Lay Pitman and our
20 designers and architects who have worked
21 on many of the Hollywood projects in our
22 portfolio, Urban Design Group.

23 So with that, I'd like to turn it
24 over to really the founder of our
25 company who has been involved here in

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1 Louisiana for nearly ten years, since we
2 as a company did enter the State, our
3 Chairman, Peter Carlino.

4 MR. CARLINO: Thanks, Steve, and
5 good afternoon, Mr. Chairman, Members of
6 the Board and Staff. I don't know what
7 we failed to cover in our little film
8 and in Steve's introduction, but I'm
9 here first and foremost to underscore
10 our company's commitment to this
11 project; and that's the reason I'm here,
12 and the staff, our group is fully
13 capable of doing this without me. But I
14 thought it was important for me to
15 arrive here to let you know that we are
16 serious about this project.

17 As was outlined in the film, Penn is

18 the largest publicly traded gaming
19 operator -- regional gaming operator in
20 the United States. We're trading on the
21 NASDAQ. This year we'll have revenues
22 of \$200 billion as the slide indicates,
23 but that number will certainly grow to
24 more than \$3 billion over the next two
25 years as we open new facilities --

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1 brand-new facilities in Ohio, one in
2 Toledo, one in Cleveland, very, very
3 large facilities in unchallenged
4 markets. We're under construction and
5 have gone vertical in a brand-new
6 facility in Kansas City, Kansas, and we
7 just opened less than two months ago in
8 Prairieville, Maryland, the very first
9 facility to open in that state.

10 So we have many projects under
11 construction today. We have
12 approximately 16,000 employees today.
13 That number will grow to well more than
14 20,000 as we roll out these new projects
15 already committed, and we are today, I
16 think, without any question the most
17 financially stable domestic gaming
18 company in America. About that there is
19 no dispute.

20 We expect that you'll see a variety

21 of projects today and hear a lot of
22 promises. In our case, we can assure
23 you that this project is financed from
24 the very first. We can write a check,
25 and we will.

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1 So moving to the next slide, Penn
2 today pretty much spans America. We've
3 listed several of the -- I'll call them
4 amber colored sites as perspective, but,
5 in fact, they are not. We will be
6 moving in Nevada early next year. We
7 are under construction in Kansas; we are
8 under construction in Ohio, in both
9 Toledo and in Columbus, so that we now
10 have 24 racing and gaming facilities
11 around the United States and Canada, in
12 16 jurisdictions with three new
13 jurisdictions coming on and a whole host
14 of new projects. We'd like one of the
15 newest projects to be here in Louisiana.

16 I think you know we've been here
17 with a pretty good record for a decade.
18 We've bought a nice little boat here in
19 town which -- whose performance, by the
20 way, we've dramatically improved over
21 the years, and I think that is a
22 testament to the skill of our operating
23 staff and our local folks, as well.

24 So with that, let's get on with the
25 program, and I'm going to be here for

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1 questions as they may arise. I think
2 you can kind of skip through the
3 accolades. We probably told you that
4 story, but they're there for your
5 interest.

6 MR. SNYDER: Let me drill down on
7 why we're here before you. Obviously,
8 the availability of the 16th license
9 here in the State of Louisiana has been
10 known for some time. We, and
11 particularly myself and my associate,
12 who just joined me, Alex Stolyar, have a
13 responsibility inside the company,
14 inside Penn National, to look for growth
15 opportunities for the company, to grow
16 inside our existing jurisdictions as
17 well as to look at other jurisdictions.

18 We had, in evaluating the State of
19 Louisiana, an opportunity for Penn
20 National to be involved in the
21 consideration for this 15th license. We
22 looked at all corners of the state. We
23 looked at all quadrants of the state
24 that are currently eligible under law,
25 recognizing that places like Monroe or

40

1 Slidell would require changes in the
2 law, and those just don't present
3 themselves today.

4 So with that being said, looking at
5 Shreveport, looking at Lake Charles,
6 looking at other market opportunities,
7 based on our knowledge and our
8 experience with a very recent investment
9 in the State of Texas, we quickly
10 arrived at the best and really the only
11 place practically that we were able to
12 identify to achieve a reasonable return
13 on an investment in a market place was
14 in the Jefferson Parish, in the greater
15 New Orleans metropolitan area.

16 So with that, I'd like to ask Alex
17 to drill down a little bit on the site
18 that we have identified off the West
19 Bank Expressway and go through some of
20 the general concepts that we do plan to
21 include in the Hollywood Casino Harvey.

22 MR. STOLYAR: Thank you, Steve. My
23 name is Alex Stoiler. As Steve alluded
24 to, this was -- you know, we started
25 looking at the Jefferson Parish area.

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1 We got very excited about the West Bank,
2 A, because of the population growth
3 there; B, we saw what was going on with

4 the Huey P. Long Bridge expansion, how
5 that's going to open up that area, not
6 just to more residents but to more
7 visitors, as well.

8 We did find a site for scouring the
9 locations along the Harvey Canal.
10 There's a 15-acre site. This site used
11 to -- was the former home of Evans
12 Cooperage, which everybody around that
13 area, including Harvey Canal Industrial
14 Association whom we met with, was very
15 familiar with. This is, to put it
16 bluntly, not a clean site. There was --
17 there were many terrain reconditionings,
18 steel drums for the petroleum industry.
19 They filed for bankruptcy a couple years
20 ago and lost the site to a lease hold
21 back company -- lease holding company
22 out of California. The site was then
23 marketed, and we now have it under full
24 control.

25 We have completed Phase I and Phase

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1 II Environmental Remediation Studies on
2 this sight, and this site, like I said,
3 is going to require some major
4 environmental cleanup, but we are --
5 with Terracon, our partners on this,
6 confident that it is well within our

7 scope, and it definitely helps us there
8 because it -- to put it bluntly, if it's
9 not us or a gaming company that's
10 cleaning up this site, as others around
11 us have told us, it will probably sit
12 vacant and unremediated for quite some
13 time.

14 And I just want to point out: I'm
15 here to make it abundantly clear that we
16 have this site under our full, legal
17 control, and we have for the last few
18 months since we filed our application.

19 So on this site, we are proposing a
20 two-phased project. Phase I is
21 obviously going to start with the
22 environmental cleanup, and then we're
23 going to dock the gaming vessel there.
24 And we've got a plan for how we're going
25 to get it there. We are going to go

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1 with up to 1,500 slots, 44 table games,
2 including a ten-table poker room; we're
3 going to have our epic buffet, about 188
4 seats, our steak house with 74 seats;
5 we're going to have three different
6 casino bars and a multi-purpose room,
7 which will serve for light events as
8 well as our other entertainment options.

9 We're going to have an entry

10 pavilion come in from the parking
11 garage, it's going to be 1,280 spaces,
12 so we will have plenty of parking there,
13 and the support building obviously for
14 our back house support. We're also
15 going to have surface parking across the
16 street.

17 Phase II then, which will be around
18 another \$150 million, is going to
19 include a 250-room full service hotel.
20 We've got it slated right now to be
21 eight stories. We're going to include a
22 meeting space center of about 25,000
23 square feet, and now we're also going to
24 do a dedicated showroom, roughly 500
25 seats, as well as the retail and food

44

1 and beverage to help support that. And
2 with -- that will be built on some --
3 where the surface parking is going in
4 Phase I, so we're going to replace that
5 with a second parking garage.

6 MR. SNYDER: In addition to the
7 project itself, the employment that we
8 as a company can create at this
9 location, the commitment from Penn to
10 finance it to get this completed,
11 another strong consideration for this
12 board is time to market, because right

13 now that license is sitting there; it is
14 not generating any revenue in the form
15 of tax revenues for the State of
16 Louisiana or for any host community.

17 We thought it best to give you a
18 case study, and a case study, as Peter
19 had mentioned, that we just completed.
20 We opened this facility in September of
21 this year. This is the Hollywood Casino
22 in Perryville, Maryland. We were
23 selected, that site was selected and
24 approved by the Maryland authorities in
25 October of 2009. That was a former

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1 surface strip mine, and from the
2 selection in 2009 in October, we were
3 able to build out of the ground a
4 complete new facility, all surface
5 parking in that particular location, an
6 entire facility to house 1,500 slot
7 machines in the State of Maryland within
8 11 months of being selected by the State
9 of Maryland for the awarding and
10 designation of that license.

11 What does that mean for the West
12 Bank project that we're proposing before
13 you this afternoon? We feel very
14 strongly that based on the work that
15 we've done to date, the condition of the

16 existing riverboat, which is currently
17 moored in Indiana which was originally
18 built, believe it or not, here in
19 Louisiana, we can be open and operating
20 within 14 months of the completion of
21 the referendum -- final approval of the
22 referendum in Jefferson Parish.

23 We think that's a little bit
24 conservative. We are optimistic that we
25 can be done within 12 months, within a

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1 year of the referendum, but in order to
2 be a little more conservative today,
3 we'd like to leave you with the thought
4 that absolutely within 14 months of that
5 final referendum, we can be opening our
6 doors and employing the over 600 people
7 you saw in an earlier slide.

8 In terms of the project cost itself
9 and the investment that we are prepared
10 to make in the State of Louisiana, these
11 are the categories that staff had
12 identified and had asked to see in our
13 presentation. I think they are
14 self-explanatory. You can see from the
15 facility design, through land
16 acquisition, site preparation as
17 mentioned, there is a great deal of
18 remediation that is necessary on this

19 site since it is a former or is a
20 current ground field site, and we are
21 very comfortable, based on the Phase II
22 environmental work that's been
23 completed, that we can complete it both
24 within the budget and within the time
25 schedule that I referenced on the

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1 previous slide.

2 The construction and renovation,
3 including taking the existing 107,000
4 square foot riverboat -- which just by
5 comparison, those of you here that have
6 ever visited our riverboat literally
7 across the street, that boat is about
8 45,000 square feet. So what we're
9 talking about here is a boat that is
10 more than two and a quarter times in
11 terms of the usable square footage than
12 the existing Hollywood Casino riverboat
13 here in Baton Rouge.

14 So in total, as Alex mentioned, our
15 Phase I construction project is in
16 excess of \$144 million, and our
17 aggregate project when fully built out
18 will approach \$300 million of investment
19 here in Louisiana.

20 Looking at the site plan itself, we
21 are right on Peters Road. The site is,

22 in fact, divided by Peters Road. You
23 can see this Phase I site plan, the
24 casino location with the stern of the
25 boat sticking out a bit into the Harvey

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1 Canal. We've had marine engineers look
2 at it. It does not encroach on any of
3 the navigable waterways. We don't
4 believe there will be any issues with
5 respect to a mooring permit for this
6 location, for this boat at this
7 location.

8 In taking this boat into a Louisiana
9 shipyard to renovate it, we are going to
10 be stripping it down, stripping the
11 interior down literally to the metal
12 studs. So it will -- it was built
13 originally 107,000 square feet. It will
14 contain the same amount with most, if
15 not all, of the services provided on the
16 boat.

17 You'll see there is a structured
18 parking facility. We think it's very
19 important to provide that easy access
20 right off the West Bank Expressway into
21 a parking facility that is covered that
22 will allow for enclosed walkways right
23 into the casino riverboat facility. All
24 of our support, everything will be

25 self-contained on this location with

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1 that support building which you see
2 immediately to the right of the casino
3 riverboat.

4 As we move into future development,
5 so that you can see this site is not
6 only adequate for our Phase I but
7 adequate for our full master plan build
8 out, there is opportunity to connect the
9 site via a pedestrian walkway over
10 Peters Road to a new hotel tower. That
11 hotel tower would also include both
12 meeting space, as well as showroom
13 space, and we do have adequate space
14 under existing contract to add a second
15 parking deck, which will add in excess
16 of a thousand parking spaces to support
17 that full-phased build out of this
18 project.

19 Just drilling down a little bit,
20 flying into the facility itself, you can
21 see the parking structure on the left;
22 you can see how people will come in
23 right off of Peters Road either to the
24 porte-cochere and have their car dropped
25 off in valet or enter that structured

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1 parking immediately to the left or to

2 the north of the facility. We've
3 drilled down a little bit too far to see
4 the entrance into the parking garage,
5 but they will walk through the landing
6 area which will have both retail as well
7 as the small restaurant. And then as we
8 move into the casino riverboat itself,
9 it will have, as you heard in the video
10 presentation -- it will have a number of
11 food and beverage restaurants, outlets,
12 as well as bars and lounges on the three
13 floors of the three public access floors
14 of the casino riverboat.

15 I think each of these slides just
16 gives you a slightly different
17 perspective. The one I'd like to leave
18 the Board with in particular is the fact
19 that the size of this facility, the
20 volume that is available in this
21 facility will make it certainly, in the
22 New Orleans market place, other than the
23 landbased facility, really the premier
24 location in the New Orleans market
25 place.

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1 Finally, as part of the submission,
2 we were asked to show the mooring plan
3 for the boat. We will, of course,
4 review this with staff. It has been

5 reviewed by our marine engineers to give
6 you further comfort that that facility
7 can be accommodated at the location,
8 which we do have under option.

9 With that I'd like to ask Scott
10 Fisher, who's the principal of Leisure
11 Dynamics Research, to come forward to
12 address the demographics and the market
13 potential for this facility.

14 MR. FISHER: Thank you, Steve.
15 Thank you, Board. As Steve mentioned,
16 my name is Scott Fisher. I'm the
17 President of Leisure Dynamics Research,
18 and I would assume that most of you
19 aren't familiar with my company. It's a
20 company that I formed a year ago. Prior
21 to being there, I was one of the
22 managing partners and managing directors
23 of the Innovation Group based in New
24 Orleans. I managed that office for a
25 couple of years.

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1 After Hurricane Katrina, I was there
2 for about 13 years. At Innovation Group
3 I was responsible for getting market
4 assessments, proformas and the bulk of
5 the economic impact assessment studies
6 that we've done there. I've done casino
7 resort development studies in, I

8 believe, 37 states, in approximately 30
9 countries, probably over a hundred
10 studies during the course of my tenure
11 there, so it's certainly something that
12 I'm very experienced at with the volume
13 and quality of my work there with
14 anybody else in the industry.

15 In Louisiana I did various studies
16 for gaming and resort-type developments
17 and economic impact studies for
18 properties such as Vernon Downs,
19 Evangeline Downs, Belle of Baton Rouge,
20 as well as proposed projects in Morgan
21 City, Jen and Choctaw projects and
22 Mr. Chartres' proposed racetrack
23 property in Baton Rouge to name a few.

24 Prior to being at Innovation Group
25 -- sorry, I was at Oakland

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1 Econometrics, which was headed by Bill
2 Oakland in New Orleans where I learned
3 to do economic impact studies using the
4 internationally renowned econometrician
5 and taxation expert, and we did studies
6 for the Department of Tourism, as well
7 as studies for the Morial
8 Administration.

9 So Leisure Dynamics is still in its
10 infancy. I've done projects, several

11 studies in the U.S, several states in
12 the U.S., as well as internationally,
13 and hopefully you'll hear my company's
14 name a lot positively in the future.

15 Additionally, I've been a New
16 Orleanian for over 20 years, so this
17 project -- like I said, I'm not new to
18 the industry, and I'm not new to New
19 Orleans. I know the area, go on the
20 West Bank several times a month to visit
21 friends, to play golf, to eat and so
22 forth, so I know the region very well.

23 In order to do this study, I did
24 what -- basically what I do for a gaming
25 market assessment, I did a gravity model

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1 for this market, and you can see up
2 here, it's a zoom of the market. I
3 carved into ten market areas, with the
4 three, sort of, northern Jefferson
5 Parish market being carved in half, East
6 Bank and West Bank, as well as Orleans
7 Parish.

8 The West Bank market is obviously
9 the largest of the markets that I
10 believe that the casino is going to draw
11 patrons from, approximately 43 percent
12 of the patrons; roughly the same
13 percentage when it breaks down in terms

14 of gaming revenues. West Jefferson, New
15 Orleans Parish, the three uncombined,
16 roughly 60 percent of the total gaming
17 revenue projected. I then carved out
18 seven additional market areas comprising
19 southeast Louisiana. As you can see on
20 the map there, the black outlined area
21 inserted there, that's where the zoom
22 came in.

23 So the balance essentially, the
24 majority came from what was defined as
25 the Houma market. It's a large market

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1 comprised of Houma, Thibodaux and some
2 of the towns around there. Secondary
3 South is essentially southern Jefferson
4 Parish and northern Lafourche and
5 Plaquemines Parish, and the rest of the
6 market area is a very small,
7 St. Charles, St. James, sort of the
8 River Parish area, and the rest
9 essentially is a journey to work type of
10 a component. The folks that really
11 aren't that proximate but a combination
12 of journey to work and the fact that
13 Penn National has properties in
14 Mississippi and Baton Rouge, which they
15 have got a player database they can
16 divert some gamers to if they have

17 events going on or promotions. That's
18 how I get the balance. And, of course,
19 there's a nonlocal component which is
20 estimated at approximately 16 and a half
21 percent, which is sort of consistent
22 with what I believe the Boomtown is
23 doing.

24 In order to do these models really,
25 I developed three gravity models. The

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1 first was a baseline for 2010 to
2 estimate what everybody in the region
3 was doing, expanded for 2012 to include
4 the new property in Baton Rouge and then
5 expanded again to include Penn
6 National's property into the market.
7 The result was I came up with a
8 five-year revenue projection, years one
9 and two being the Phase I development;
10 years three, four and five being after
11 the development of a hotel and other
12 ancillary amenities, and you can see the
13 gaming revenue projections and state tax
14 projections right there.

15 The other slide essentially shows
16 the impact on other gaming operations.
17 The column to the far right shows where
18 I projected gaming revenues would be
19 diverted from to total a hundred percent

20 of the revenues diverted, approximately
21 36 percent of revenues are projected to
22 be new to the Louisiana market.
23 Obviously, the biggest impact would be
24 the most prospect competitor, Boomtown,
25 for which I see a possible revenue

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1 decline of 32 percent, and next being
2 Amelia just under 15 percent.
3 These figures came from Penn
4 National in terms of their projected
5 construction expenditures. I broke that
6 down in terms of construction materials
7 also up in this and business services in
8 order to do an economic impact
9 assessment. As you can see, the Phase
10 II numbers are slightly larger because
11 in Phase I the significant question of
12 the construction cost is buying an
13 already constructed boat, which, of
14 course, is going to need to be
15 renovated.

16 The slide here demonstrates the
17 impacts, the direct impact being the
18 spending on goods and services and labor
19 for the construction, indirect impacts
20 being calculated based on multipliers
21 that are purchased from the U.S. Bureau
22 of Economic Analysis applied to

23 construction spending and household
24 spending, roughly almost a 1 to 1 ratio
25 in terms of indirect spending to direct

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1 spending; roughly .7 to 1 on earnings,
2 and it's .9 to 1 on jobs creation.

3 Roughly 900 jobs created for the first
4 phase of the development.

5 The total economic impact again here
6 was an issue of looking at multipliers
7 for the amusement and recreation
8 industry; the service industry,
9 professional services, food and beverage
10 and household spending, and the
11 projected nearly \$80 million economic
12 impact to the state, 33 million in
13 earnings and just over a thousand jobs
14 created statewide. Penn has also
15 committed to pay 6 percent of the gaming
16 revenues to the local government.

17 I'll turn it back to Steve.

18 MR. SNYDER: Thank you, Scott. With
19 that, an overview of the project and an
20 understanding of where the revenue will
21 come from, I'd like to ask Tom Burke --
22 Tom is our Senior Vice-President in
23 Regional Operations. He currently
24 oversees operations which include the
25 Hollywood Casino here in Baton Rouge.

1 MR. BURKE: Mr. Chairman, Board
2 Members, it's a pleasure to be here, and
3 perhaps the -- almost all of my slides
4 were covered in the video, so I thought,
5 well, how do I present this on a more
6 global macro view? And I'd just like to
7 take literally a couple minutes to talk
8 about relationships. I'd like to talk
9 about our relationship with the team
10 members or the employees, our vendor
11 relationship, minority participation and
12 relationships in general with the
13 community, which Karen Bailey will cover
14 in a moment once I step away from the
15 mike.

16 We anticipate 600 new positions, and
17 if I could talk about our relationship,
18 as Peter mentioned, with the 16,000 team
19 members throughout the country, we do
20 much of the training ourselves. When I
21 say much of it ourselves, often we'll
22 partner with local groups, be it a
23 community college, whatever, to assist
24 with the training.

25 We do a lot of technical training as

1 far as dealers, engineering, slot
2 mechanics, electronics, food and

3 beverage and grow people both in the
4 position and in their career.

5 As it often bothers us for people to
6 move on, it's also a sign of success
7 when they move to -- whether it's
8 competitors or outside entity, the
9 hospitality industry in general. We do
10 a lot of customer service training. We
11 have a standard by which all of 16,000
12 team members operate, which is called
13 the Red Carpet Standard. That's
14 intensive training that they are paid
15 for. Everyone from the general manager
16 down to all the team members at every
17 property participate in that. We do
18 supervisory management training, and if
19 I could take a minute to expand upon
20 that. That's often the thing that you
21 just say, well, we train; you know, we
22 do the required training. But we have a
23 very unique program that we started
24 within the last couple of years which is
25 called the Talent Review Process, where

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1 originally it was just the top five or
2 six team members at each property, the
3 directors, vice-presidents, general
4 manager; and we reviewed them and talked
5 about what the potential was, where they

6 could go, what their pluses and minuses
7 were, and we recently expanded that to
8 the next level.

9 So what that really brings to the
10 table to the ability for us to move
11 people around, to identify the people,
12 to know way down in the depths of this
13 organization of the 16,000 team members
14 where there's quality team members and
15 people worth developing. Part of that
16 talent review process is also to say,
17 okay, well, this team member is good at
18 this, but we could spend a little more
19 resources on that.

20 Obviously, we offer all of the
21 things that were in the video, and I
22 won't go over that. But in conjunction
23 with what I just spoke about, there's
24 tuition reimbursement, and on at least
25 one or two of our properties we actually

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1 do college courses on the property.

2 Minority participation, again, it
3 was covered in the video; I won't take
4 up what precious time is left, but the
5 numbers are there for -- we have a --
6 the point appears that we have a track
7 record in Baton Rouge, whether it's MB,
8 WBE, minorities or women in the

9 workforce; and certainly the numbers are
10 there for you to review, and we're here
11 to answer any questions.

12 I appreciate your time. Thank you
13 very much.

14 MR. SNYDER: Thanks, Tom. With that
15 I'd like to move into just a little bit
16 of our commitment to the communities in
17 which we do business, and I'm going to
18 ask Karen Bailey, our Director of Public
19 Affairs, to come forward to address
20 these next two slides.

21 MS. BAILEY: Good afternoon, and as
22 we mentioned before, much of this has
23 been covered in the video that we
24 presented earlier on, but one of the
25 things that's really important and a key

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1 part of Penn National's fabric is
2 community support and the communities in
3 which we operate. And one of the key
4 parts of that is the fact that our
5 decisions are made locally by the
6 property management teams, and the
7 groups that they assemble support
8 organizations here within their local
9 communities. It's not decisions that
10 are made out of the corporate office in
11 Pennsylvania. They are made right here

12 at home in each of our local
13 communities.

14 This is just a quick sampling of
15 some of the organizations that we
16 support here already with out Baton
17 Rouge property, including LSU
18 scholarships as well as Baton Rouge
19 Community College. When Tom mentioned
20 doing programs with education, that's
21 one of the organizations in which we
22 work with, as well as other social
23 service and economic development type
24 opportunities that we -- that we do
25 support here in Baton Rouge.

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1 I'd also like, before turning this
2 back over to Steve, just to give you a
3 bit of an overview of what we've been
4 able to achieve in terms of community
5 outreach in Harvey and Jefferson Parish.
6 This is something that over the course
7 of the last couple months since we
8 submitted our application, we have taken
9 the initial steps in reaching out to
10 various members of the community in
11 Jefferson Parish, including a number of
12 Jefferson Parish Council members and the
13 President of Jefferson Parish Council,
14 the Harvey Canal Industrial Association

15 in which -- which appreciatively on our
16 part has endorsed our project and
17 supports our project.

18 We've also -- our construction team
19 and development team have already
20 reached out to Louisiana-based shipyards
21 to start exploring how we can work with
22 them in terms of the renovations of our
23 boats, and we've received letters of
24 support from those organizations, as
25 well as via our environmental --

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1 environmental consultant, Terracon; the
2 Louisiana Department of Environmental
3 Quality is actually -- is also
4 supportive of our project given the
5 extensive cleanup that we are prepared
6 to engage in Harvey and on that
7 property.

8 So we'll be available for additional
9 questions.

10 MR. SNYDER: Thanks, Karen. So I
11 think you as a board have a lot to
12 consider. With the project that we've
13 described to you, with our skill set, I
14 think the most important thing is
15 certainty. If you select Penn National,
16 will this project on the Harvey Canal in
17 Jefferson Parish be completed? And one

18 of the questions that we also run into
19 in front of bodies like yours around the
20 country is, well, these guys are so
21 large, do they really have the resources
22 to get a project like this one done?
23 And we have both the human resources to
24 get this project done, and we've proven
25 it over the years. In the last 24

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1 months, we've completed in excess of a
2 billion dollars in construction
3 projects.

4 The other question is the financial
5 resources, and you have in front of you
6 today the people that make the decision.
7 We are not reliant on any banks. We're
8 not reliant on any third party
9 investors. You have the people in front
10 of you that can make the commitment to
11 provide the funding.

12 The slide that you have in front of
13 you right now is an analyst estimate of
14 the cash flow. We're certainly not
15 going to give any financial projections
16 here since we are a publicly traded
17 company, but these are analyst estimates
18 from J.P. Morgan Securities, their
19 analyst who covers the gaming industry,
20 and what this says is based on the

21 current liquidity of the company over
22 the next 24 months with the projects
23 that we have in front of us that you've
24 already heard about in Ohio and Kansas,
25 we have in excess of \$800 million of

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1 available capital to be applied to
2 projects around the country, including
3 this one.

4 So we do not, again, need any third
5 party approvals from banks or third
6 party investors. How comfortable are we
7 of that? We've got a portion of our
8 presentation which we're making in the
9 form of a proposal -- not a contract,
10 we'll get to a contract -- but that
11 proposal is actually to put in place,
12 once you select us, an escrow account of
13 \$75 million. That 75 million, I think,
14 goes a long way, over half of the
15 project costs in giving you the comfort
16 that if you select Penn, the Hollywood
17 Casino in Harvey will be built; it will
18 be open because we're going to want to
19 generate a return for our shareholders
20 on those escrow dollars, so it will be
21 built as quickly as we humanly can get
22 it done. That escrow account would be
23 funded, as I said, up front,

24 \$75 million. The first \$50 million
25 would be used towards the hard

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1 construction cost to build the facility,
2 and we would leave in the account \$25
3 million until you come in and approve
4 our opening. Your staff says, we can
5 now open to the public, at which point
6 we'd ask it to be released.

7 So with the five minutes that we
8 have left, I'd like to ask Peter to sort
9 of summarize for you the components of
10 our proposal.

11 MR. CARLINO: Steve, I think you've
12 said it all and have done so very well.
13 You know, I would like maybe to take our
14 five-minute period and ask if there's
15 anything -- any questions we can answer,
16 anything we can clarify?

17 CHAIRMAN MORGAN: We'll get to that.
18 You want to close?

19 MR. CARLINO: I'll concede the mike
20 and get to your business, because that's
21 what we're here to talk about.

22 CHAIRMAN MORGAN: Let me see if I
23 can get up there again.

24 MR. CARLINO: Do we get points for
25 that?

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1 CHAIRMAN MORGAN: You do. Thank you
2 for your presentation, and thank you for
3 showing interest in Louisiana. I will
4 tell you, I saw our commissioner. It's
5 good to have you here, Colonel.

6 COLONEL EDMONSON: Thank you, sir.

7 CHAIRMAN MORGAN: I did see the
8 commissioner flinch when you mentioned
9 \$75 million, so I think he's interested
10 in that going straight to the state
11 coffers.

12 I'll ask just a few questions, and I
13 really want to turn it over to the
14 members to ask any more. What -- the
15 600 employees, do you have an estimate
16 of how many would be considered
17 full-time equivalents.

18 MR. SNYDER: That is the full-time
19 equivalent, Mr. Chairman. That's the
20 number we've reported. The 633 is the
21 full-time equivalent, and you'll see it
22 on the slide.

23 CHAIRMAN MORGAN: So those would be
24 entitled to benefits?

25 MR. SNYDER: The equivalent of 633

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1 full-time employees. There may be some
2 part-time that would equate to -- two
3 that would equate to one, but everyone

4 who is a full-time employee, yes, would
5 be entitled to benefits.

6 CHAIRMAN MORGAN: And you had
7 mentioned the riverboat. Is that in
8 your possession now?

9 MR. CARLINO: The answer is, yes.
10 It was our former boat in Lawrenceburg,
11 Indian. It was, until about two years
12 ago, the largest riverboat and most
13 successful, by the way in the world, in
14 the world. It's just a fantastic
15 property until we replaced it with an
16 even larger boat, and it sits. It's an
17 asset that we're very anxious to use.
18 It was built here. We'll take it back
19 here, and we'll strip it down to
20 brand-new. It will be a new boat when
21 we who move it to Harvey.

22 CHAIRMAN MORGAN: The value of the
23 boat, is that considered part of your
24 cost for your project?

25 MR. CARLINO: It is.

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1 CHAIRMAN MORGAN: And what is that
2 value?

3 MR. SNYDER: Yeah, it was originally
4 constructed for \$40 million, just over
5 \$40 million here in Louisiana.

6 CHAIRMAN MORGAN: How much are you

7 carrying to the -- considering for this
8 project?

9 MR. SNYDER: The original cost.

10 CHAIRMAN MORGAN: Forty?

11 MR. SNYDER: Yes.

12 MR. CARLINO: It would cost more to
13 replace it today.

14 CHAIRMAN MORGAN: And you plan on
15 using a Louisiana shipyard?

16 MR. CARLINO: Absolutely.

17 MR. SNYDER: Yes.

18 CHAIRMAN MORGAN: That's the right
19 answer.

20 MR. CARLINO: We knew it was, so.

21 CHAIRMAN MORGAN: And in particular,
22 obviously, a slide that was of interest
23 to me was the percentage of revenue
24 diverted, in particular from the
25 Boomtown project. I guess my question

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1 is: What is the potential growth of the
2 market with regard to our existing
3 property, in your estimation?

4 MR. SNYDER: I'm going to ask Scott
5 Fisher from Leisure Dynamics to answer
6 that.

7 MR. FISHER: I had not seen much
8 growth potential for the market aside
9 from the fact that as you're all aware

10 right now between 2007-2008 and right
11 now the markets are all down somewheres
12 in the 12, 13 percent range. So I see
13 with a recovery by 2012, 2013, to be
14 hopefully back up to that area, so
15 that's part of our growth potential.

16 There's also, with the development of
17 the Huey P. Long Bridge, with the
18 completion of the Churchill Technology
19 Park, that there's going to be a lot
20 more traffic in that area.

21 That said, this property has a far
22 superior accessibility or a proximity to
23 a major roadway than any other property
24 in the market, barring Harrah's, and
25 that has no other issues as far as

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1 whether people want to drive downtown,
2 but proximity to a major roadway like a
3 West Bank Expressway, that's where I saw
4 to potentially grow the market
5 significantly.

6 MR. SNYDER: Mr. Chairman, if I may
7 from an operations standpoint, when this
8 facility is completed, we'll have a
9 Hollywood Casino in Baton Rouge, we'll
10 have a Hollywood Casino in Harvey; we'll
11 have a Hollywood Casino in Bay
12 St. Louis, of course a different

13 jurisdiction, but we think with those
14 dynamics, the marketing of those
15 facilities, that we will be able to
16 drive incremental growth over and above
17 that which would be normal with the
18 repopulation coming in New Orleans as a
19 result of the -- that community becoming
20 its dynamic self again.

21 MR. CARLINO: Just a quick comment
22 about our selection here: Penn National
23 is the master of operating monopolies.
24 We do that very ably in the face of no
25 competition in various places in the

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1 United States. So needless to say, if
2 we could have found one in Louisiana, we
3 would have selected that site. There's
4 virtually no place where one would put a
5 boat that will not have some impact on
6 another property.

7 The other issue that drives our
8 thinking or drove our thinking is simply
9 safety. You know, some of our former
10 monopolies, the places people thought
11 were untouchable, West Virginia where we
12 have one of the largest casinos in the
13 world with over 5,000 machines, it's a
14 huge operation to have a billion dollars
15 a year, now will be dramatically

16 impacted when the impossible has
17 happened, Maryland has slots. We have
18 \$1.3 billion invested in Lawrenceburg,
19 Indiana. After thinking that was a
20 great place to put additional cash, the
21 State goes ahead and authorizes two
22 competitive facilities just north of us,
23 has a dramatically negative impact on
24 our property. Ohio, the inevitable has
25 happened. Ohio, after failing eight

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1 times, now has casinos. The facility in
2 Cincinnati, which we don't own, will
3 have a dramatic impact on us.

4 So part of it is a question of where
5 can we safely invest capital in a market
6 that is large enough to absorb it, and
7 that's what led us to this location.

8 Markets are dynamic.

9 CHAIRMAN MORGAN: Thank you.
10 Members, if you ask a question, if you
11 would please push your button so we can
12 make sure we get everything on the
13 record. Okay. I open it up to the
14 Board Members. Mr. Jones.

15 MR. JONES: Yeah, a couple things.
16 What -- from the opening of the
17 facility -- and you may have said this
18 in your remarks and I missed it -- from

19 the opening, how long would it be before
20 you initiate Phase II?

21 MR. SNYDER: We don't know. The
22 projections that we showed you showed
23 the opening two years after the initial
24 opening. What will happen is that will
25 be driven by market conditions. Based

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1 on the current economy, we are a hundred
2 percent comfortable investing \$145
3 million. The subsequent \$150 million is
4 going to be driven by how this market
5 absorbs this additional capacity and New
6 Orleans continues to grow.

7 MR. CARLINO: Yeah, and let me -- I
8 will say this: We have a great track
9 record of reinvesting in properties very
10 large amounts of money. We've done it
11 in Baton Rouge and large amounts
12 elsewhere. I mean, we're in the
13 business of building our business, so
14 we'll seize the first opportunity to
15 take it to the next level.

16 MR. JONES: Okay. On the financial
17 front, what was your most recent sale of
18 bonds, financing, and what rate of
19 interest and what ratings did you get
20 from the rating agencies? Have you had
21 a recent bond financing?

22 MR. SNYDER: Our most recent bond
23 financing was 18 months, almost two
24 years ago at this point in time.

25 MR. JONES: That was a rough time.

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1 MR. SNYDER: It was a rough time. I
2 think the better benchmark is where do
3 those bonds trade today and what is the
4 yield to maturity if an investor were to
5 buy our bonds today, and it's in a 6
6 percent range, six and a half.

7 MR. JONES: Six percent, what
8 material?

9 MR. SNYDER: 2019 is the last --
10 2017, I believe.

11 MR. JONES: 2017. So do they have a
12 rating?

13 MR. SNYDER: They were not
14 investment grade; however, it was Double
15 B.

16 MR. CARLINO: They were trading
17 about a hundred -- 111 the last time I
18 looked. Where it is today, no idea.

19 MR. SNYDER: 111 with an eight and
20 quarter coupon. It's an eight handle.
21 I'm sorry, Mr. Jones.

22 MR. JONES: Okay. That's all I've
23 got.

24 CHAIRMAN MORGAN: Mr. Bradford.

25 MR. BRADFORD: This is probably for
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1 Steve, I guess. The environmental
2 situation there on the property now, I
3 noticed that you had 5.7 million in your
4 budget for site preparation?

5 MR. SNYDER: Yes.

6 MR. BRADFORD: Are you comfortable
7 that that completes the renewal of the
8 site and prepares it for construction?
9 Is that possible that that number could
10 go up?

11 MR. SNYDER: We're very comfortable
12 with it based, as I said, on the Phase
13 II environmental work that's been done,
14 the history of the property. Almost
15 half -- to give you a point of
16 reference, almost half of that budget is
17 for remediation and cleanup itself.

18 MR. BRADFORD: And you had -- it
19 says here that the Phase II study "has"
20 been completed, and you said, I thought,
21 verbally that it "is" being completed.
22 So has it been completed?

23 MR. SNYDER: Excuse me just one
24 second. Yes, it has been completed.

25 MR. BRADFORD: Okay. And one more
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1 quick question concerning Phase II of

2 construction after you get opened on
3 Phase I after 14 months and you can open
4 up, what if it were a condition of the
5 license that you were required to begin
6 Phase II at a certain point? What would
7 your position be on that?

8 MR. SNYDER: We've had these
9 conversations with others who've been in
10 your shoes, and what we've arrived at in
11 other situations and others in your
12 shoes have felt comfortable with is not
13 a time threshold, but a performance
14 threshold, so that if the facility
15 produces revenue per a gaming position
16 in excess of -- pick a number -- those
17 are the kind of thresholds that we have
18 been comfortable with.

19 We believe it would be imprudent to
20 make a commitment to invest capital if
21 the market doesn't absorb what we
22 thought it was going to absorb. So we
23 would be anxious to negotiate financial
24 thresholds, not necessarily timing
25 thresholds, because we've learned over

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1 the course of the last four months in
2 these United States that a lot of things
3 change.

4 MR. BRADFORD: And your hotel is in

5 Phase II, right, as well as your concert
6 hall and showroom?

7 MR. SNYDER: Yes.

8 MR. BRADFORD: So Phase I does not
9 have a hotel; it has the parking garage
10 and the casino?

11 MR. SNYDER: It has the first
12 parking garage, yes. It has one of
13 potentially two.

14 MR. BRADFORD: All right.

15 CHAIRMAN MORGAN: Mr. Singleton?

16 MR. SINGLETON: I want to go back to
17 this -- I'm not quite sure I understand
18 the impact on the gaming operations that
19 are already there. I just need a little
20 more detail. Because these numbers.
21 I'm not sure I understand the impact
22 that it's going to have on the other
23 casino.

24 MR. FISHER: Okay. Let me just take
25 the example of just Boomtown for this

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1 table. Essentially, I divided out the
2 five casinos in the market and lumped
3 together Baton Rouge, but Boomtown would
4 comprise 57 percent of the diverted
5 revenues. So I had a total of
6 \$80 million worth of diverted revenues
7 to comprise \$125 million of the total,

8 44 million being what would be new to
9 the market. So of the 80 million that
10 is being diverted, 45 million would come
11 from Boomtown.

12 Now, looking at the column just to
13 the left of that, percent diverted
14 relative to what I projected to be their
15 baseline, my estimate is that Boomtown's
16 revenues would be 32 percent less than
17 what they would do without Penn's
18 property in the market, and the other
19 figures work down from there.

20 MR. SNYDER: Mr. Singleton, if I
21 may, given the 15th license, and we've
22 seen it circling here in Baton Rouge,
23 every new location in Louisiana will
24 have some impact on existing operators.
25 The challenge for us as we looked around

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1 the State in where we might come and
2 apply before you for the 15th license is
3 what can we as developer, as an
4 investor, as an operator, control; and
5 if we're here in Louisiana, we think we
6 can get a better understanding of what
7 happens in Louisiana. We can't get
8 comfortable with what might happen
9 across the State line in Texas and get
10 comfortable with investing in a market

11 that could be swept away.

12 Because as Peter mentioned it, we as
13 a company have lived it all too often in
14 Maryland with its impact on West
15 Virginia and other locations in Indiana
16 and its impact when Ohio is about to
17 open.

18 So we understand your question. We
19 understand the challenges. Those
20 challenges are present everywhere. We
21 think they're less present at this
22 location than anywhere because of the
23 New Orleans market itself being the
24 driving market for this location.

25 MR. FISHER: Mr. Singleton, I just

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1 wanted to point out to add to what Steve
2 is saying, to save redundancy of adding
3 another slide, this slide can also be
4 the impact if there's gaming in Texas.
5 These numbers are the same, and there's
6 no other operator that can show you
7 these kind of impacts that they don't
8 change if there's gaming in Texas or
9 not.

10 MR. SINGLETON: The second question
11 is related to minority participation,
12 and I think your group has mentioned the
13 executive and management level, and I'd

14 like to understand that a little bit
15 better. What level are we talking
16 about? Because looking around I don't
17 see where the managers are. The top
18 people, I'm trying to see what level
19 you're dealing with here.

20 MS. BAILEY: The numbers that we've
21 provided were here in our Hollywood
22 Casino Baton Rouge because we thought it
23 was appropriate for us to look at a
24 local model, and so those numbers, you
25 know, to answer your question -- because

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1 I thought it was important in terms of
2 executive management, which is your
3 executive team, vice-president above --
4 30 percent of those are represented by
5 minorities and women; and then our
6 management and above, manager level and
7 above, supervisory and above that, then
8 we're representing, I think, the number
9 was 51 percent.

10 MR. SINGLETON: Okay.

11 MS. BAILEY: So we're looking here
12 specific in Louisiana. Just as, you
13 know, I spoke earlier about community
14 participation and charitable activities,
15 our hiring's also reflective of the
16 communities around us in our hiring

17 practice of the communities around us.

18 MR. SINGLETON: Okay.

19 CHAIRMAN MORGAN: Mr. Stipe.

20 MR. STIPE: A couple of questions:

21 The case study in Perryville, Maryland,
22 was there any environmental remediation
23 that was necessary there?

24 MR. SNYDER: There was. It was a
25 former strip mine, so there was a quite

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1 a bit of environmental remediation.
2 Fortunately we had acquired that site
3 from the people who did the mining work,
4 so they were able to mobilize relatively
5 quickly, but it was not a ground field
6 site. It was ground field in a
7 different nature having served that
8 prior use.

9 MR. CARLINO: I'll let Steve
10 describe it. We're doing a major -- I
11 mean, a very, very major environmental
12 site in Ohio, Columbus. Steve, why
13 don't you describe what we have done.

14 MR. EUFPLT: Yeah, just to give you
15 a better feel or the members a better
16 feel for our experience, because
17 remediation here is an issue, we bought
18 a 123-acre parcel on the west side of
19 Columbus. It was a delfide (phonetic)

20 manufacturing plant. It was 1.2 million
21 square feet that had been built back in
22 the 1940's with some expansion. It had
23 three rail spurs into it; it had its own
24 on-site sewer system.

25 So we've had, as a company, probably

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1 as much, if not more, experience -- I
2 think more experience than any other
3 gaming operator in the United States.
4 So we're very comfortable with the Phase
5 II that we've done on this site with the
6 cost and equally importantly with the
7 time frame in terms of our ability to
8 open the doors in the time frame.

9 MR. STIPE: And as I understand it,
10 your slides or maybe -- I don't want to
11 confirm -- you've anticipated about a 45
12 day timeframe for remediation? Do I
13 read the slide correctly?

14 MR. SNYDER: You do, because we
15 expect to do a lot of the planning work
16 and the permitting work as we lead into
17 the referendum.

18 MR. STIPE: The casino, the vessel
19 itself, how far out into the Industrial
20 Canal does that protrude?

21 MR. SNYDER: Excuse me. It's
22 approximately 25 feet, but it does not

23 impinge on the navigable waterway, the
24 navigable portion of the canal, so it is
25 not in any of the areas where there

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1 would be barge traffic.

2 MR. STIPE: Are there any other
3 facilities or vessels that are currently
4 in the canal that would protrude out
5 that far?

6 MR. SNYDER: There are, but I can't
7 give you a specific address or specific
8 name, so I'm relying on sources that
9 you're hearing as well at the same time.

10 MR. STIPE: As I look at your
11 anticipated patron base for year two,
12 you assume that the nonlocal patrons,
13 that you've got it estimated at
14 16.5 percent. You assume those are all
15 from outside of the State of Louisiana.
16 As I look at your anticipated patron
17 base, it would be 16.6 percent would be
18 patrons from outside of Louisiana. The
19 remainder would be patrons from within
20 the State that you would be drawing on.

21 Do I read that correct?

22 MR. FISHER: You do, that's correct.

23 MR. STIPE: The other facilities
24 that you mentioned, those are also being
25 funded with internally generated cash,

1 all of them?

2 MR. SNYDER: The point of that slide
3 was to show that they could be. As
4 these capital markets continue to
5 improve, we may access the bond markets,
6 but we wanted to leave with the Board
7 the notion that there are internally
8 generated funds that are in place today
9 that can fund everything and provide
10 \$800 million for this project and
11 others.

12 MR. CARLINO: We can't release
13 numbers, obviously, but as these new
14 facilities open, our already significant
15 free cash flow, which is essentially how
16 we run our business, will be growing
17 significantly. I think -- we talked to
18 staff, if you want to probe that
19 further. Our financial situation gets
20 stronger and stronger as every year goes
21 by, so we're in a very good place right
22 now.

23 MR. FISHER: Mr. Stipe? I'm sorry.
24 Can I change my answer to the last
25 question? As far as the nonlocal, not

1 necessarily out of state, because this
2 is just southeast Louisiana is where the

3 carved out market was, so it could be
4 someone from Monroe coming.

5 MR. STIPE: And I guess maybe asked
6 a different way: The maximum amount
7 under your current projection would be
8 16.5.

9 MR. FISHER: From outside southeast
10 Louisiana, yes.

11 MR. STIPE: And what do you
12 believe -- you're familiar generally
13 with the other two projects that we're
14 going to hear about today?

15 MR. SNYDER: Just what we read.

16 MR. STIPE: Okay. Based on what
17 you've read, what do you believe is the
18 biggest strength you-all have? What do
19 you believe is the biggest strength of
20 your project versus what you've read
21 about the other two projects?

22 MR. SNYDER: If I have to answer
23 that with one thing, I think it's the
24 financing. If I can expand on that a
25 little bit?

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1 MR. STIPE: Sure, absolutely.

2 MR. SNYDER: I think the diversity
3 of our company should give you the
4 comfort that not only are the financial
5 resources there, which I think we've

6 proven, but the human resources are
7 there to build it, to open it and to
8 operate it.

9 So I think there's a significant
10 difference as Wall Street has identified
11 between single property operators and
12 multi-jurisdictional operators, like
13 Penn National, and as was said earlier,
14 by relying on markets that are within
15 the control of the State of Louisiana
16 and not relying on feeder markets that
17 are two hours away that could be
18 intercepted depending on what happens in
19 a city like Austin, Texas. Starting in
20 January, or in January of every odd
21 numbered year going forward, it is a
22 risk that we would not be comfortable
23 investing our shareholder capital in
24 that kind of an undertaking.

25 MR. STIPE: And let me, I guess,

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1 flip it the other way because you do
2 have a number of projects that are
3 ongoing. As you look at this project,
4 what is the biggest concern that you
5 have for this particular project? I
6 would ask you the weakest part of your
7 project, but I know you would tell me
8 there wasn't one.

9 MR. CARLINO: I don't think there's
10 any major concerns. The usual stuff:
11 Can we deliver it on time and on budget?
12 We generally do that quite well. I
13 don't think we have a --

14 MR. SNYDER: I think if there's one
15 concern that we have, we've got the
16 local referendum question, and that is
17 something that we saw play out here in
18 East Baton Rouge Parish 12, 18, 24
19 months ago, but I think that the project
20 itself is of no concern. The location,
21 the facility, the financing, none of
22 that is of any concern from our
23 perspective given our knowledge of the
24 situation.

25 The one issue that is, to answer

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1 your question specifically, is what will
2 the local referendum result in? And we
3 are prepared -- I should have said it
4 earlier. We are prepared to sit down
5 with parish council and fund a special
6 election so that we could hold that
7 referendum as early as practical to try
8 and get that risk taken off the table as
9 soon as possible.

10 MR. STIPE: Thank you for traveling
11 here for the presentation. I appreciate

12 it.

13 MR. CARLINO: Well, thank you-all
14 very much.

15 MR. STIPE: Thank you for answering
16 our questions.

17 CHAIRMAN MORGAN: Okay.

18 MR. BRADFORD: I just had a quick
19 follow-up to one of Mark's questions
20 about the casino barge protruding into
21 the Harvey Canal. Are y'all -- I don't
22 want to speak for you, but are you
23 certain that there are not Coast Guard
24 or corps of engineer issues that
25 officially need to be addressed? I know

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1 you're not going on the assumption that
2 where the barge sits is okay with
3 everybody.

4 MR. SNYDER: No. It's a great
5 question. I mean, we've got what we
6 think are some of the best marine
7 engineers in the country who we've
8 worked with on a number of things. One
9 is a transportation plan to make sure
10 that we can get the riverboat into the
11 Harvey Canal, and we can. And the other
12 is in its proposed location, will it
13 have an impact at all on any of the
14 shipping channels or anything that do

15 currently go through the canal? And we
16 are comfortable before you today, based
17 on the work we've done -- we don't have
18 a permit in hand to moor the riverboat
19 there, but we are comfortable based on
20 the work that we've done that there are
21 no impediments.

22 MR. BRADFORD: That's great. Thank
23 you.

24 CHAIRMAN MORGAN: Miss Noonan.

25 MS. NOONAN: I have a question about

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1 the impact on the existing businesses in
2 that area during construction. Have you
3 spoken to the business -- I'm sure you
4 have spoken to the businesses on Peters
5 Road in that area. What's the impact
6 for the local businesses and the local
7 traffic since it is close to a major
8 thoroughfare?

9 MR. SNYDER: Yeah, we've met with
10 representatives of the Harvey Canal
11 Industrial Association, so I'm going to
12 ask Alex to address that.

13 MR. STOLYAR: Yeah, we've met with
14 the Harvey Canal Industrial Association,
15 sort of everybody we've met with in
16 Jefferson Parish said that's the main
17 group you should be talking to. There

18 was no issues raised with that at all.
19 You know, it's right in the middle of an
20 industrial area, so it's -- you know,
21 it's prime for this. They're looking
22 for the development there, so there was
23 no concern about that whatsoever.

24 MS. NOONAN: Thank you very much.

25 CHAIRMAN MORGAN: Vice-Chair.

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1 MS. ROGERS: My question was really
2 Mr. Ayres'. I think he read my mind.
3 How much attention have you given to --
4 like the liability of having that boat
5 sticking out? Have you contacted Coast
6 Guard, navigational entities? I'm
7 concerned with it sticking out.

8 MR. SNYDER: Again, I think the
9 relevant question there is: Are others
10 that are moored there having the same
11 intrusion into the canal.

12 MS. ROGERS: No. What have you done
13 liability wise?

14 MR. SNYDER: Right. We've relied on
15 our marine engineers.

16 MS. ROGERS: But how about the local
17 entities? You have a Coast Guard
18 station right there that --

19 MR. SNYDER: Yeah, I'm sure that the
20 marine engineers -- because, believe me,

21 they have a liability based on the
22 representations that they've made to
23 us -- have made those calls. We will
24 bring them to the next presentation for
25 public comment.

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1 MS. ROGERS: How far is your
2 facility from the existing Boomtown
3 Casino? How far is it distance wise?
4 I'm not too familiar with that area.

5 MR. STOLYAR: So that it's just over
6 three miles.

7 MS. ROGERS: Three miles? And
8 specifically what is the environmental
9 problem with the area that you're
10 planning to spend \$5 million to prepare?
11 What is it?

12 MR. SNYDER: It's from the prior
13 use. The prior use was --

14 MR. STOLYAR: You're asking the
15 specific environmental issues on the
16 site?

17 MS. ROGERS: Yeah.

18 MR. SNYDER: So it's hydrocarbons
19 and heavy metals, so it was the oil
20 processing, the oil that was used in
21 processing at that facility in the past.

22 MS. ROGERS: Okay. Thank you.

23 CHAIRMAN MORGAN: One of the things

24 of curiosity to me is we ran into an
25 issue where we had to evacuate that area

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1 for Coast Guard, and I think Boomtown
2 worked through with the Coast Guard to
3 mitigate that issue. It would be
4 interesting; you might not have an
5 answer today, but that is going to be of
6 interest to me if you have to actually
7 move the vessel.

8 MR. SNYDER: Yeah, and we've looked
9 at that, Chairman, because it's a
10 concern for us. I commend them. They
11 were the first ones obviously up after
12 the 2005 storm. We're very comfortable
13 that given the fact that this is a
14 riverboat -- it's not a permanently
15 moored barge, but it is a riverboat.

16 CHAIRMAN MORGAN: A big riverboat.

17 MR. SNYDER: But it's a
18 self-propelled riverboat.

19 CHAIRMAN MORGAN: I know, but to get
20 that thing underway, if you have to
21 move --

22 MR. SNYDER: Understood.

23 CHAIRMAN MORGAN: -- you're weeks,
24 weeks out before a hurricane.

25 MR. SNYDER: No. It's not weeks out

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1 for.

2 CHAIRMAN MORGAN: If we could get
3 something in writing from y'all to
4 provide to State Police just to address
5 that issue, it would be helpful.

6 MR. SNYDER: Sure. We'll do that.

7 CHAIRMAN MORGAN: Mr. Singleton?

8 MR. SINGLETON: Just a follow-up.

9 Y'all put a lot of emphasis on
10 employment hiring and local hiring.
11 When you get to your professionals or
12 your engineers and others, are any of
13 those people local?

14 MR. STOLYAR: Yeah, Terracon, our
15 environmental firm, is a local firm.

16 MR. SNYDER: The civil engineers
17 that we have been working with on
18 environmental issues are a New Orleans
19 based firm.

20 MR. SINGLETON: They're not listed
21 here, though.

22 MR. SNYDER: Yeah, Terracon is,
23 Terracon Consulting.

24 MR. SINGLETON: That's a local firm?

25 MR. SNYDER: Yes.

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1 MR. SINGLETON: What part of the
2 state? I'm just not familiar with it.

3 MR. SNYDER: New Orleans.

4 CHAIRMAN MORGAN: That's all you
5 had? The board's clear. Are there any
6 other questions? [No response.] Mr.
7 Carlino and staff, thank you very much.
8 Again, thank you for your interest in
9 Louisiana. We're very pleased to have
10 you as an applicant, and I look forward
11 to seeing you again.

12 MR. CARLINO: Thank you very much.

13 CHAIRMAN MORGAN: We'll take a five
14 minute recess.

15 (Off the record from 2:39 p.m. to 2:52 p.m.)

16 2. Creative Casinos, LLC

17 CHAIRMAN MORGAN: Let's come to
18 order. Mr. Duncan, we're going to need
19 to have everyone who's going to testify
20 state their name and address, and then
21 we will swear them in.

22 MR. DUNCAN: My name is Kelly
23 Duncan. I'm a partner at Jones, Walker
24 Law Firm at 201 St. Charles Avenue in
25 New Orleans.

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1 MR. LEE: I'm Dan Lee with Creative
2 Casinos, 10801 West Charleston, Las
3 Vegas, Nevada, 89135.

4 MR. BERGMAN: I'm Joel Bergman with
5 Bergman, Walls & Associates architects,
6 2965 S. Jones Boulevard, Las Vegas,

7 Nevada, 89146.

8 MR. PICOU: Alex Picou, head of the
9 gaming, lodging, travel and leisure
10 group at FBR Capital, 237 Park Avenue,
11 New York, New York.

12 COURT REPORTER: Can you spell your
13 last name, please.

14 MR. PICOU: P-I-C-O-U, and y'all
15 pronounce it correctly down here.

16 MR. PAULEY: Matthew Pauley, head of
17 west coast banking for Cantor
18 Fitzgerald, 1925 Century Park East, Los
19 Angeles, California, 90067.

20 MR. NEWBY: William Newby, I'm the
21 global head of investment banking for
22 gaming and leisure for Jeffries &
23 Company, and the last name is Newby,
24 N-E-W-B-Y, address is 11100 Santa Monica
25 Boulevard, 10th Floor, Los Angeles,

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1 California, 90025.

2 MR. GEER: Carleton Geer, I'm the
3 partner and managing partner of the
4 Global Gaming Group -- I'm sorry, Global
5 Gaming & Hospitality in Las Vegas,
6 Nevada, 3243 East Warm Springs Road, Las
7 Vegas, 89120, last name is spelled
8 G-E-E-R.

9 COURT REPORTER: Is that everybody?

10 So everybody that just gave their name
11 and address please stand and raise your
12 right hands. Do you swear or affirm the
13 testimony you will give in the cause now
14 in hearing will be the truth, the whole
15 truth and nothing but the truth?

16 CREATIVE CASINOS' PANEL: Yes.

17 CHAIRMAN MORGAN: And also, to help
18 us, when you -- Mr. Lee we'll know and
19 Mr. Duncan we'll know y'all because
20 you'll be there at the table most of the
21 time, but if you come up to offer
22 testimony, if you can just reintroduce
23 yourselves to make sure we have the
24 correct person listed on the transcript.

25 Then, also, we have a -- I don't

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1 know if y'all were in the room. We have
2 a 45-minute time limit. I have to hold
3 you to that because we actually have to
4 be out of this room at a certain period
5 this evening, but after the 45 minutes,
6 your presentation, we will open it up
7 for board members to ask you some
8 questions, and I just ask that your
9 responses to the questions be as
10 succinct as possible.

11 All right, I'll turn it over to you.

12 MR. DUNCAN: Mr. Chairman, Members

13 of the Board, Kelly Duncan here on
14 behalf of Creative Casinos. I'm very
15 pleased to introduce Dan Lee, who is CEO
16 and managing member of Creative Casinos,
17 and I would say his much better half,
18 Suzie, who is sitting over there to my
19 right.

20 Dan is somewhat as known to many of
21 us as a former CEO and Chairman of
22 Pinnacle. In those capacities, he was
23 instrumental in building L'Auberge du
24 lac. He's a graduate of the renowned
25 Cornell Hotel School and got an MBA from

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1 Cornell, as well. He spent 12 years on
2 Wall Street and was integrally involved
3 in the financing of many of the casinos
4 in Las Vegas -- built in Las Vegas and
5 Atlantic City in the 1980s.

6 Afterwards, Dan worked with Steve
7 Wynn and Mirage for a number of years,
8 ultimately becoming chief financial
9 officer, senior vice-president of
10 finance and development, as well as
11 treasurer; and he was involved
12 integrally in virtually every aspect of
13 casino financing and development while
14 at Wynn. And those projects, of course,
15 include ones well known to all of us

16 such as Bellagio and Beau Rivage.

17 At this time, I'd like to turn over
18 the mike to Dan. Thank you.

19 MR. LEE: Okay. I think this is
20 going to be interesting that we come
21 from this very different approach as we
22 watched the previous presentation. We
23 think we can grow the market. We think
24 we can stimulate people's imaginations,
25 and we can bring people in from out of

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1 state. We did it before. Largely this
2 same group is responsible for L'Auberge
3 du lac, of course which is the most
4 successful riverboat in the state. And
5 we sat down and looked at it and said,
6 well, we think we can do this again.
7 How do we do it? And we came up with
8 the following design, which we'll show
9 you quickly.

10 And you can see the -- we don't have
11 the sound, but you can see from the
12 front, it has a wonderful driveway, and
13 then you have the tall tower like that.
14 This is coming in the driveway towards
15 the front door, and then you curve
16 around. We actually have two hotels.
17 That's the four-star hotel, 370 rooms
18 initially. It is able to be expanded,

19 but we're going to build the 370 rooms
20 in Phase I, and then there's a second
21 hotel which is all suites, with the 30
22 suites, which is designed to be a
23 five-star hotel. And here's the
24 four-star hotel from the pool area.
25 That is the all suite hotel, the

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1 five-star. It has its own separate
2 lobby. That's the spa, and now we'll
3 curve around looking back at the
4 building; it's a very handsome building
5 as you can see.

6 Here is the -- over on the -- as
7 you're driving in, you go between the
8 spa and the golf clubhouse to get into
9 the motor court for the five-star hotel,
10 which has its own entry, its own
11 parking. You go into the five-star
12 hotel, and we've created maybe the
13 world's largest Florida room, a
14 conservatory. It will be a beautiful
15 tropical garden, and the suites are
16 accessed directly off the garden. And
17 it's bug free, so there's a netting.

18 In Lake Charles, if you spit on the
19 ground, you get a vine, so we thought
20 we'd grow a great garden. The issue is
21 really the bugs. So we kept it bugged

22 controlled. And it's a beautiful
23 environment, all new, all to be built at
24 once and really designed to bring people
25 into the state from Texas.

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1 So -- help me out. It's going to
2 stop on its own? I'll switch back over
3 to the presentation.

4 Okay. So it's actually a big
5 opportunity. The abandonment of the
6 Sugarcane Bay license created a big
7 opportunity. I think it's one of the
8 largest, most underserved gaming markets
9 in the country, and it deserves a major
10 resort casino complex, not unlike
11 L'Auberge itself which has proven to be
12 so successful.

13 We think we have the best location
14 for the 15th license. It's large. It's
15 easy to get in and out of, no school, no
16 church nearby or anything. It's adjoins
17 an existing casino already, and you get
18 synergies from that. We know how to do
19 it; we've done a lot of them, and both
20 myself and the team that we've put
21 around here and the team we'll have
22 going forward, and obviously we know
23 Lake Charles extremely well.

24 The total investment of

25 approximately \$400 million should

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1 generate about 75 million per year of
2 EBDIT. That's 19 percent cash on cash
3 return, and that's important because
4 that means it can be financed. And if
5 you look at the equity alone, about
6 three quarters of that money would be
7 borrowed money. The return on the
8 equities is up in the twenties, a \$100
9 million equity investment. That's a
10 very handsome return. And the financial
11 markets have come back, and we will show
12 that to you. And this is financeable in
13 the current market.

14 And, of course, the benefits for
15 Louisiana: Approximately 2,000
16 permanent jobs, as well as 2,000 jobs
17 during construction. We may not be open
18 for three years, but we will have a heck
19 of a lot of construction jobs in
20 between, and then we'll have the
21 permanent jobs thereafter. About
22 75 million per year in incremental
23 gaming tax revenue. We're not just
24 shifting this from another casino. This
25 is incremental to the state, and this

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1 would help solidify Lake Charles as a

2 destination resort.

3 Obviously, I don't believe Texas is
4 likely to legalize casinos, and if you
5 want to see a dramatic difference from
6 the group before, they obviously believe
7 so. They actually have kind of bought
8 into racetracks in Texas to help make
9 that happen. I think it's unlikely to
10 happen. The first time Texas was
11 pitched to me I was an investment banker
12 on Wall Street, and it was in 1983. And
13 Charles Horowitz (phonetic) told me he
14 was going to have slot machines
15 imminently. I heard about it a great
16 deal when we were getting ready to build
17 L'Auberge, and we went ahead and built
18 L'Auberge anyway. And five years later
19 L'Auberge has certainly proved itself
20 and paid for itself. And I think
21 they're no closer today than they were
22 20 years ago.

23 But if they do eventually legalize,
24 then it is more important than ever that
25 Lake Charles build itself out as a

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1 destination resort. For example, there
2 are now 60 odd casinos on Indian tribes
3 in California. About forty percent of
4 visitation to Las Vegas comes from

5 California. The visitation from
6 California to Las Vegas has stayed up
7 because you have an installed base. You
8 have interesting things in Las Vegas,
9 whether it's a golf course or the
10 dolphins or the sharks or all of the
11 other infrastructure that gets people to
12 skip past the Indian tribes in
13 California and come to Las Vegas, and I
14 think that's important in Lake Charles.
15 There's some of it there now, and we
16 would double that and make it more
17 interesting as a destination resort.

18 Let's look at the market. This is,
19 of course, the major cities in the
20 region. You know one thing that I think
21 is interesting to point out, if you take
22 Lake Charles, which has 194,000 people
23 and Lafayette, which I think is a
24 small -- pronunciation, I apologize for
25 that --- Lafayette is 263,000 people,

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1 and Beaumont is 378,000. Well, if they
2 had drawn the border a little
3 differently and Beaumont had been in
4 Louisiana, it would be the second
5 largest metropolitan area in the State
6 of Louisiana. There's 800,000 people in
7 those three neighboring cities. But the

8 big market is really Houston with
9 6 million people, and then Lake Charles
10 does provide the closest casinos to
11 Austin and San Antonio, which are
12 2 million people each.

13 If you look at where the casinos are
14 in the region, obviously none in Texas.
15 Dallas, which is six and a half million
16 people, has the casinos in Shreveport.
17 It's about three hours east of there,
18 and then it has casinos up in Oklahoma,
19 big tribal casinos which are an hour and
20 a half north of Dallas. From New
21 Orleans, not only does it have four
22 casinos of its own, but all the casinos
23 in the Mississippi Gulf Coast; Baton
24 Rouge has casinos in every direction and
25 so on. And it's really Lake Charles

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1 that sits at an interesting spot versus
2 people in the region who don't have
3 casinos at home.

4 If you look within Lake Charles
5 itself, you have L'Auberge and Isle of
6 Capri right near the lake of Lake
7 Charles, and Mohito Pointe would be
8 next-door to L'Auberge. Delta Downs is
9 about a half hour closer to Beaumont
10 than the Lake Charles casinos, and then

11 there is the large tribal casino which
12 is 45 minutes past Lake Charles. And
13 I've always thought that if L'Auberge
14 and now Mohito Pointe -- that I've
15 always thought we would grow the market,
16 and we certainly did with L'Auberge.
17 And I thought if I was wrong in that
18 assumption and we cannibalize from
19 anybody, it would probably be the Indian
20 casino because you have to drive past
21 Lake Charles to get to it. And, of
22 course, from the State's perspective,
23 they don't pay taxes so that doesn't
24 project your revenues. But I really
25 don't think we would impact anybody, and

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1 here's why.

2 If you look at U.S. gaming in 2009,
3 the commercial casinos did \$31 billion
4 of revenues. The slot machines at
5 racetracks did 6, and the tribal casinos
6 did 26, so \$63 billion of revenues.
7 This is a very large business. There's
8 307 million people in the U.S. these
9 days, so that's 270 per capita of every
10 woman and child.

11 Now, that's an average. The people
12 who live in Hawaii probably don't gamble
13 that much because there's no casinos in

14 Hawaii. The people who are in Las Vegas
15 probably gamble more because we have
16 slot machines everywhere.

17 So then I started looking at some
18 individual cities, and I always thought
19 Kansas City was an interesting one to
20 look at. It was in the middle of the
21 country, very much middle America. Very
22 few people, if any, fly from Chicago to
23 Kansas City to gamble. The revenues of
24 the casinos in Kansas City are
25 principally from the people who live in

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1 Kansas City, and there's half a dozen
2 casinos there, one more coming which
3 Penn is building. And they're all
4 pretty good quality casinos for the most
5 part, and virtually everybody in this
6 metropolitan area lives within half an
7 hour of a decent casino. And you can
8 see the gaming revenue per capita is
9 \$384, almost twice the U.S. average.

10 Another example, Lafayette,
11 Louisiana -- and, again, I apologize to
12 anybody from Lafayette for pronouncing
13 that -- but in Lafayette, Louisiana,
14 there's 263,000 people. There's one
15 casino, which is Evangeline Downs. It
16 doesn't have tables. There are casinos

17 in every direction, so I don't think a
18 lot of people travel from Lake Charles
19 to Lafayette to gamble, and those that
20 do are probably offset by people that
21 live in Lafayette and travel to Lake
22 Charles to gamble. So roughly speaking,
23 it's another 380 per capita.

24 St. Louis is about 370 per capita;
25 and, of course, a new casino opened

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1 there six months ago, so it's probably
2 closer to 400 now. Detroit has four
3 casinos. Three are in downtown Detroit
4 and one is across the river in Windsor,
5 Ontario. Now, they're -- they're nice
6 casinos, but they're in downtown
7 Detroit, which is not nice. So it's not
8 quite 400 per capita.

9 And you can see Baton Rouge, itself,
10 here we use the estimate of the Paragon
11 Casino, which you see in there; that's
12 their revenues. They do issue bonds, so
13 I was able to verify that that's
14 approximately what their revenues are,
15 and the population of Baton Rouge plus
16 Alexandria, because Alexandria is close
17 to that tribal casino, too, and it works
18 out to about \$350 per capita.

19 Now, going to a second group of

20 cities, here's Dallas. Now Dallas
21 doesn't have casinos in it. You either
22 drive three hours east of Shreveport or
23 an hour and a half north to Oklahoma,
24 and it seems that the gaming revenue per
25 capita is about 275. Not surprisingly,

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1 it's not that convenient.

2 Chicago has an awful lot of people.

3 They do have casinos, but they have a
4 limited number of casinos; they're
5 limited in size; they're very crowded.

6 And apart from those, you have to drive
7 over to northern Indiana, which is a bit
8 of a drive, to the Indiana casinos.

9 Added up, they're about 236 per capita.

10 Denver has two little towns way up in
11 the mountains that have a -- in '09 they
12 had a cap on gaming. You can only
13 gamble five dollars a hand. They've now
14 removed the cap, but in '09 it was in
15 effect. So you'd drive up in the
16 mountains, even so Denver is 232.

17 If you look at Houston, Beaumont,
18 Port Arthur, Lake Charles, it's 150 per
19 capita. It's one of the least gaming
20 per capita that I know of in the
21 country.

22 You can look at that another way and

23 say, well, what if everybody in Lake
24 Charles gambled like the people in
25 Kansas City do? And the people in

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1 Beaumont, let's use 300, similar to some
2 of those other cities. It's not quite
3 as convenient to Beaumont as it is to
4 the people living in Lake Charles, so
5 300 is a good estimate, and actually
6 Delta Downs is pretty close to Beaumont.
7 But what drives the numbers is Houston.
8 Houston is 6 million people. Now, as
9 you recall, Dallas was 275 per capita.
10 Well, if Houston got to 250 per capita,
11 that's a billion and a half dollars a
12 year just from the people in Houston. I
13 didn't want to ignore Austin and San
14 Antonio. The closest casinos to those
15 cities are in Lake Charles, but I only
16 used \$50 per capita because they are 300
17 miles away.

18 I live in Las Vegas. As you know,
19 plenty of people come over from to Los
20 Angeles all the time to Las Vegas, so
21 Lake Charles has not really reached out
22 to those cities, but it's a market that
23 could be sought. And if you go over to
24 the right and you see that \$1.8 billion,
25 that's the potential gaming revenue

1 based on the '09 numbers, and the
2 existing gaming revenue is 965. So
3 basically you could approximately double
4 the gaming revenue out of the Lake
5 Charles market.

6 The other thing to look at is the
7 population growth rates. If you look at
8 the total U.S., the population grows
9 about .9 percent a year. Texas is about
10 twice that, 1.9 percent a year.
11 Louisiana is less than that. Basically
12 the decline of the population in New
13 Orleans offsets the growth elsewhere in
14 the state.

15 When you look at the feeder cities
16 for Lake Charles, they are not only
17 large cities, but they are growing
18 rapidly. They're growing generally at
19 three time the national average, and if
20 you look at what that means, when you
21 have large cities growing that fast,
22 well Houston in nine years added
23 1.1 million people. Houston added more
24 people than live in Baton Rouge in nine
25 years. And if you add up those four

1 cities, it adds up to about 2 million
2 people, and that's like the entire

3 population of New Orleans and Baton
4 Rouge in nine years. And there's no
5 sign that it's slowing down. Texas is
6 the center of the Sun Belt. It's
7 business friendly, low taxes, no income
8 taxes. You know, people are continuing
9 to move there in big numbers. The
10 unemployment rate is 8 percent. The
11 U.S. average is 10 or 11 percent. So
12 it's driving people.

13 Now, what's that mean? You start
14 looking at it and say, well, the 380,
15 let's just grow it with two percent
16 inflation for five years, because that
17 was '09 numbers. By the time we can be
18 open, it's going to be late 2013. So by
19 then, just two percent inflation a year,
20 that should be 420, and the 300 becomes
21 331 and so on. And then let's take the
22 historical population growth rate and
23 assume that that's going to be the
24 population in 2014.

25 Now, in the case of Lake Charles, it

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1 hasn't grown at all, so we didn't grow
2 it at all. In the case of Beaumont, we
3 actually assumed a trend a little. But
4 if Houston continues to grow, it will
5 grow from 5.8 million to 6.6, and Austin

6 will got from 127 to 2 million and so
7 on. And then you factor through, and
8 the \$1.8 billion market that we cited
9 before becomes 2.3 billion, meaning that
10 while we're under construction, the
11 increase in the potential gaming market
12 goes up by \$423 million. We're
13 forecasting Mohito Pointe over
14 \$265 million.

15 We don't lay a glove on the existing
16 casinos. We only take the revenue from
17 the growth in population of those
18 cities. That's enough to keep Mohito
19 Pointe busy and successful.

20 Now, I turn to Carleton Geer, who is
21 a prominent consultant on gaming issues,
22 and I tasked him with a slightly
23 different issue. I said, if you were
24 the Governor of Louisiana and could put
25 this license anywhere -- and I want you

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1 to look at every nook and cranny in the
2 state -- and tell me where the governor
3 should want to put the casino.

4 MR. GEER: Good afternoon, my name
5 is Carleton Geer. I'm a managing
6 partner with the Global Gaming &
7 Hospitality. A brief bio, I have a
8 degree in hotel administration from

9 Cornell University. I was in the gaming
10 operations for 20 years, culminating in
11 positions as President of Showboat
12 Indiana and Showboat Nevada. I was the
13 founding member of the Global Gaming
14 Group and CB Richard Ellis in 2001, and
15 I'm co-founding member and managing
16 partner of the Global Gaming and
17 Hospitality, a small advisory firm
18 located in Las Vegas with offices in New
19 York City.

20 This is a very brief synopsis of a
21 60-page report that we delivered to you
22 earlier this week. We identified, as
23 Dan just indicated, Creative Casinos
24 engaged our company to take a look at
25 Louisiana as a whole, evaluate it and

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1 identify the most underserved gaming
2 market. We identified ten possible
3 locations. Of those locations we
4 removed two as not being permissible
5 under your regulations. We then
6 evaluated each of those remaining eight
7 for six metrics.

8 The first metric is adults per
9 gaming position. This metric is
10 particularly important because the
11 higher the number, this is the leading

12 indicator of an underserved market. As
13 you can see, both Shreveport and Lake
14 Charles benefit from being in proximity
15 to large MSAs. In the case of
16 Shreveport, you have Dallas, Fort Worth.
17 In the case of Lake Charles, Houston.
18 Lake Charles is the clear winner in this
19 metric.

20 The second metric was gaming winning
21 per position per day. This is a measure
22 of the utilization -- current
23 utilization of the gaming supply in each
24 of the markets. As you can see, Lake
25 Charles is the winner in that metric, as

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1 well. East Bank is -- and that's driven
2 primarily by the Harrah's landbased
3 facility at 305, and you'll notice both
4 Shreveport and the West Bank are
5 considerably lower in the 230's.

6 The third metric was gaming win
7 growth since 2000. This is a indicator
8 of the sustainability of a market, and
9 obviously the higher the number, the
10 better and more sustainable that market
11 is. Lake Charles is again the winner at
12 7.7 percent.

13 The fourth metric is win per capita.
14 This is the sister metric of the adults

15 per gaming position in metric number
16 one. In this case, lower is best, and
17 Lake Charles happens to be the lowest
18 win per capita. It is closely followed
19 by Shreveport/Bossier City; however,
20 because the tribal gaming win, which is
21 significant on the border of Oklahoma
22 and Texas, is not included in this
23 metric, that particular metric is skewed
24 downward, so that even makes Lake
25 Charles a more compelling answer as an

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1 underserved market.

2 We then also looked at population
3 growth rates since 2000. On the local
4 basis, the St. Tammany Parish had the
5 highest growth rate in the markets that
6 we evaluated; however, that 2.1 percent
7 only amounts to about 39,000 people over
8 a ten-year period, which is not
9 significant. And then, of course, the
10 feeder market growth -- compounded
11 annual growth rates, Dallas/Fort Worth
12 was the leader at 2.3 percent; Lake
13 Charles is a close second at
14 2.2 percent. The variance in the two
15 population growth rates in nominal terms
16 is about 200,000 over the ten-year
17 period.

18 Just to recap, Lake Charles was
19 first in every measured category except
20 the population compound and annual
21 growth rate. It has the highest
22 adjusted and unadjusted adults per
23 gaming position. The adjusted is for
24 tribal gaming supply; highest existing
25 win per position at \$310 win position

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1 per day; highest compounded annual
2 growth rate in gaming since 2000, and it
3 has the lowest gaming win per capita
4 indicating substantial opportunity for
5 additional gaming supply absorption.

6 In our analysis, I guess the final
7 point is that we did not undercover a
8 close second as far as a market to Lake
9 Charles for -- as an interested market
10 or for the potential of new gaming
11 development.

12 MR. LEE: Thank you, Carleton. One
13 of the things you requested was a
14 development and construction schedule,
15 so we looked at that and said it's
16 really kind of three periods here. One
17 is the entitlement period that we're in,
18 and not only does that require securing
19 the license, but a joint tax agreement
20 with the local governments like most of

21 the casinos have. We've done this
22 before; we anticipate doing another one
23 in Lake Charles, a local referendum.

24 Now, if the Gaming Board acts
25 quickly, in January we could be on the

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1 ballot in April 30th. If it's March, we
2 would miss April 30th and probably be in
3 October. We might be able to do a
4 special election in between, which we'd
5 be willing to do, and February could go
6 either way. If it's a February thing,
7 we might be able to make April 30th, but
8 it would be a little tight.

9 The cost during the entitlement
10 period is about \$5 million, and it takes
11 about four to six months from the
12 selection date. So, obviously, if the
13 selection date was January, we'd hope to
14 finish the local referendum in April.

15 Second, you get into the working
16 drawings, construction contracts and so
17 on. Recognize in the world today you
18 really want to have a guaranteed maximum
19 price contract. It protects me and it
20 protects investors. To do that you have
21 to have working drawings, engineering
22 studies, soil testing and so on. That
23 takes about \$10 million and about six

24 months; and so after passing the local
25 referendum, we'll do that, and then it

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1 takes about two years to build. And so
2 we would envision being open
3 approximately three years from now, one
4 year of six months for getting the local
5 referendum done, six months for getting
6 the construction contracts done and then
7 two years to build it, and it would be
8 open late 2013.

9 In terms of our commitment to local
10 and minority initiatives, I thought
11 about this, and I think something we're
12 willing to commit to do and probably
13 should have done when we were at
14 Pinnacle, is to actually create an
15 office of local minority participation.
16 And I would want to do this before we
17 start construction. And one of the
18 issues sometimes is just finding the
19 local and minority purveyors. Sometimes
20 they're out there; you just don't know
21 where they are.

22 So we have an office to say, look,
23 it's your job to see if you can find a
24 local supplier of tomatoes that meets
25 our quality and price standards and so

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1 on; and maybe there is a minority
2 purveyor that we just haven't thought to
3 look for, and that would be their job to
4 help find those. It would be also their
5 job to ensure diversity and local
6 participation in the construction
7 workforce.

8 I remember in St. Louis we were
9 building in downtown St. Louis, and I
10 remember going to the job site one day
11 and just noticing that there was very
12 little diversity in the workforce. And
13 it was really kind of startling in a
14 city that's very diverse; and we started
15 investigating why that was, and it was
16 really -- it was a union construction
17 environment, and the unions didn't let
18 diversity into the union. And so we
19 actually went and started pushing the
20 union saying, listen, you need a more
21 diverse workforce on the site, and we
22 were able to improve the diversity. And
23 that would be the sort of thing that --
24 not that -- I'm not saying that the
25 unions in Lake Charles aren't diverse.

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1 I'm just saying that was an experience.
2 I'm saying we need to have more
3 diversity in the work site, and that's

4 what this office would do.
5 And it's not just a matter of
6 minority subcontractors; although,
7 that's important, as well, but whatever
8 the ethnic background of the
9 subcontractor, let's make sure that the
10 high paying construction jobs under that
11 subcontractor are available for
12 minorities as well as non-minorities.

13 Sometimes it takes training
14 programs. Sometimes people are able,
15 willing and capable of working but maybe
16 didn't have the educational background
17 that gets them there; and if you invest
18 in some training with them, sometimes
19 it's helping the local communities,
20 community college and so on, and
21 sometimes it's helping themselves in
22 order to help people get to where they
23 are. And then, of course, those are
24 goals that we would establish with the
25 Louisiana Gaming Control Board.

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1 And then once open, you continue
2 this and continue to identify and assist
3 both the local and minority employment
4 candidates. You know, let's say we're
5 looking for a food and beverage manager.
6 Let's make sure we have beat the bushes

7 in the local community and the minority
8 community before we're looking somewhere
9 else, and let's track the career
10 development of the minority workforce.
11 I want to make sure that people have the
12 opportunity to move up and have careers
13 irrespective of their ethnic background,
14 and, of course, ensure fair treatment,
15 equal opportunity, training programs.
16 Again, similar with purveyors, let's
17 make sure we're not ignoring the local
18 purveyor, and let's track it.

19 The -- you know, the best way I know
20 to do that is you set the policy from
21 the top, and then you have an office
22 making sure that it's followed through
23 on. So that's the goal.

24 The construction budget, we've
25 provided this to you. We've actually

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1 provided it in much more detail than
2 this cut different ways, but this is a
3 big deal. This is \$400 million. We're
4 not bringing in a used boat or something
5 like this. We are building a full
6 \$400 million place all at one time. We
7 have designed it to be expanded, but
8 this does not include a subsequent
9 phase.

10 It's the same way we told you that
11 L'Auberge would be \$370 million, and it
12 was. And then we came back and added
13 rooms at an additional 60 million, which
14 we weren't obligated to do; but the
15 market called for that, and we were
16 happy to do it. And so it's \$400
17 million, with a pretty good contingency
18 in there.

19 And our forecast of the cash flow is
20 as you can see right now. The cash
21 spending is fairly small, and frankly,
22 my wife and I have been funding it,
23 which is fine. We anticipate bringing
24 in other investors and going to the
25 financial markets as time goes on if

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1 we're chosen. The big spending ends up
2 being in 2013. 2012 and 2013 you're
3 spending 20 million a month on the
4 construction. 2014 you're open; and we
5 expect to be profitable, but that's also
6 the last construction bill, so the two
7 offset each other. And so that's why
8 it's a near zero number, and then 2015
9 it's starting to mature.

10 And the real maturity point is 2016,
11 when we get that \$75 million number, and
12 from there we just grew it with

13 inflation of two percent a year. And
14 then for investing in the project, you
15 either have objection that goes off into
16 infinity, or you say, well, in 2024, you
17 say it's worth \$770 million, so they
18 compute their returns on it.

19 Just to put that in perspective, the
20 pinkish line there, that is the
21 L'Auberge actuals -- L'Auberge actuals
22 through 2009 based on their SEC
23 statements. The 93.7 for 2010 is from
24 J.P. Morgan. I see Penn used J.P.
25 Morgan, as well. I guess that's a

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1 testament to the quality of their
2 research, and then from there we grew at
3 2 percent a year going forward. And
4 what's interesting, is by the time we
5 get open, L'Auberge just with inflation
6 should be up to over a hundred million
7 dollars a year of EBDIT. So you can see
8 our \$75 million numbers is not that
9 aggressive.

10 Now, they have more guest rooms than
11 we do, but otherwise the facility is
12 pretty similar. And frankly, a lot of
13 the L'Auberge customers, I'm guessing,
14 do not stay at L'Auberge. There's a lot
15 of hotels built in the neighborhood.

16 Now I think there's as many hotel rooms
17 built at the doorstep of L'Auberge as
18 L'Auberge itself has. There's a La
19 Quinta; there's a Holiday Inn; there's a
20 Wingate, and I think with Mohito Pointe
21 that will continue. There's other
22 pieces of land that people can build
23 other nongaming hotels added.

24 And as I said before, I don't think
25 we lay a glove on L'Auberge, but it's

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1 interesting to start adding the numbers
2 up that that initial property had was
3 370 million. In 2006 it made 72; 2007,
4 75; 2008, 84; 2009, 79, and it paid for
5 itself. So it paid for itself in about
6 four years, and so it's been very
7 successful, and that's part of what will
8 assist us on this.

9 Let me introduce Matt Pauley. I
10 will tell you we have three different
11 investment banks that we turn to. Any
12 of the three is frankly capable of
13 financing this; but I've always found
14 it's better to not bet on just one
15 horse, and I asked them not to be
16 redundant as to the -- we don't want to
17 have three banks each saying the same
18 things, so I had them each address a

19 different side of how you get the
20 financing on this. Matt.

21 MR. PAULEY: Matthew Pauley, I'm
22 the managing director and head of west
23 coast investment banking for Cantor
24 Fitzgerald. Just a quick background on
25 myself: I've been working in banking

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1 for over 14 years. Prior to Cantor
2 Fitzgerald, I was with Bank of America
3 and Bear Stearns. I'm part of the real
4 estate and gaming and lodging effort at
5 Cantor Fitzgerald, which includes two
6 other individuals.

7 If you can see up here, based on our
8 collective background, we've financed
9 quite a few different projects and
10 corporations in the gaming industry.
11 I'm going to spend a little bit of time
12 here -- this is some more background.
13 You're going to see a lot of these from
14 myself and my colleagues. I'm going to
15 spend a little bit of time just talking
16 about the project. I've been working
17 with Dan for over six months on the
18 project here and just specifically about
19 the project and returns and the project
20 itself, and then my colleagues from
21 other firms can tell you about the

22 financial markets.

23 This is a project that will be a
24 financial combination of debt and
25 equity. We have assumed from our

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1 perspective that we'd be able to get
2 75 percent debt and 25 percent equity.
3 This represents \$300 million of debt on
4 the project, which is, in this example,
5 250 million of senior debt split between
6 a revolver and a delayed draw term loan
7 and a \$100 million of high yield bonds.
8 The pricing on bank debt would be around
9 9 percent and the pricing on the high
10 yield bonds at 12 percent, and then a
11 \$100 million of equity would be at the
12 bottom of the capital structure.

13 What drives the interest here is
14 what we discussed at the beginning. You
15 start with the construction costs of
16 \$400 million and a construction start
17 date late 2011, an opening date of 2013,
18 and an EBIDTA maturity at \$75 million.
19 What that gives you is an unleveled
20 return on just the simple cash stent of
21 19 percent. That return, when you layer
22 in some debt for the ability to do the
23 project, allows you to drive anticipated
24 equity returns of in the mid twenties,

25 and it's going to be these returns which

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1 really speak to the ability to attract

2 investor interest.

3 And you look at next page, what

4 we're estimating here on the bonds for

5 the project and the debt for the

6 project, at 10 percent and then

7 12 percent for the bonds, you're looking

8 at how that compares to the rest of

9 marketplace today; and as I'm sure we're

10 all aware, today the returns in

11 government securities and treasuries and

12 various different instruments is very

13 low, which has driven a lot of interest

14 over on the marketplace to look at

15 higher yielding instruments such as

16 bonds. And on the equity front, a lot

17 of interest is being able to be derived,

18 you know, mid to high 20 returns for

19 projects such as this, and it's one of

20 the leading factors which has caused --

21 which my colleagues will talk about -- a

22 return of the project finance market

23 that we've seen in the last couple of

24 years after the major downturn.

25 One other point I just want to make

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1 here, the Lake Charles and surrounding

2 market has been remarkably successful.
3 You look at all these projects that have
4 been done in the market, and all of them
5 have been successful in their own right.
6 L'Auberge is one of the most
7 successful -- or the most successful
8 project in Louisiana. Isle of Capri,
9 when it was done, was a successful
10 project, and it's still one of the
11 driving factors behind that company.
12 Harrah's Lake Charles was the original
13 presence, international project in Lake
14 Charles, was one of the driving factors
15 for Harrah's to acquire that property.
16 Evangeline Downs is a large driver of
17 the profitability for Peninsula Gaming.
18 The Coushatta Tribe does very well, and
19 Delta Downs for Boyd does very well, so
20 -- and all of these projects, when you
21 look at the overall market for gaming in
22 Lake Charles, have grown the market.
23 They're primary contributors; they were
24 all addressing different needs, and they
25 all grew the market. And I'll let --

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1 when Dan comes back on, he'll talk about
2 how his project will be different and
3 also contribute to growing the market.

4 With that I'm going to step aside

5 here for my colleague Alex.

6 MR. PICOU: Thank you Matt. My name
7 is Alex Picou. I head the gaming,
8 lodging, travel and leisure investment
9 banking group at FBR Capital Markets.
10 FBR Capital Markets is a full-service
11 investment bank based in Arlington,
12 Virginia. We have offices in New York
13 City, London and five other major U.S.
14 cities. My background, and then we'll
15 go to some other qualifications about
16 the firm.

17 I've been involved in investment
18 banking for over 22 years. Eighteen
19 plus of those years I focused on the
20 gaming industry, been involved in over
21 225 transactions in investment banking;
22 71 of those have been in the gaming
23 sector going back to companies like
24 Grand Casinos, Isle of Capri and many
25 others.

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1 FDR Capital Markets is a leader; and
2 this is a lead table chart to show you
3 Book Runner, and Book Runner is when you
4 are leading the transaction, getting the
5 orders and are responsible for getting
6 it done, not a co-manager during a
7 transaction. And this is raising public

8 equity capital for real estate
9 companies -- reading this across left to
10 right -- IPOs of all capitalizations.

11 "Cap" stands for capitalizations.

12 Reading the middle row, you will see
13 that is IPOs and follow-ons and where we
14 rank in raising equity capital for all
15 U.S. real estate companies, U.S. REITs,
16 and then -- excuse me, all REITs and
17 equity REITs, and you see we rank number
18 three, number three and number ten in
19 those categories. And then if you look
20 at market cap below a billion, because
21 we focused on mid cap projects
22 primarily, for all common stock for real
23 state companies, you'll see our
24 rankings. So just to give you a
25 relative basis for what our firm has

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1 accomplished, and this is the last ten
2 years.

3 Very pertinent to this project, what
4 have you done in raising private equity
5 capital? Because that's going to be
6 part of the capital structure here.

7 This is the last ten years. It's a
8 little hard to read, and apologize up
9 there, in the blue background, but since
10 January 1, 2000, to date how much

11 private common stock have you raised?
12 And you'll see we've done over 50
13 transactions, over 16 billion in
14 capital, and you'll see where the number
15 two and three firms are with respect to
16 private common stock.

17 What's been going on in the markets?

18 That's what I've been asked to talk
19 about, and what are investors'
20 attitudes? There's a lot going on in
21 this chart with boxes and events, but
22 what really is happening here is,
23 starting in July 3rd of 2005, coming
24 forward to present, it's an index, that
25 blue line, of the public gaming

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1 companies. The light sort of aqua line
2 is the S&P 500.

3 So indexed what has happened since
4 2005? You'll see a huge peak in
5 valuation of the stocks being
6 exceedingly high towards the ends of
7 '07, and then you'll see the financial
8 downturn. Lehman Brothers going
9 bankrupt; Bear Stears being acquired by
10 J.P. Morgan in the middle of that chart.

11 The takeaway here really is the very
12 end where you'll see S&P is actually up
13 2.35 percent going back to 2005. The

14 gaming index or gaming stocks is only
15 down 18.35 percent. If you read the
16 popular press, you'd think it would be
17 much worse.

18 Let's look, let's take a snapshot
19 from that long time period to the
20 trough, the downturn and coming back.
21 So the left-hand side chart is from
22 October '07 to March 2009, and you have
23 the S&P down 56.26 percent -- that
24 hurts -- the gaming stocks, the index of
25 the public gaming stocks down 96.4

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1 percent. The discretionary spend not
2 immune from what happened in the economy
3 in the financial markets.

4 But what's happened since then on
5 the right-hand side starting again in
6 March '09 to present? If you invested
7 in the index of gaming stocks, your
8 money returned 713 percent. Okay,
9 gaming stocks have come back extremely
10 strong, S & P only up 83 percent since
11 that point in time.

12 Let's turn our focus to the debt
13 capital markets. Part of this capital
14 structure's going to be high yield
15 bonds, bank credit facilities, and this
16 time frame again starts in January 2005.

17 This shows you yields in the blue line
18 of high yield bonds that are Triple C
19 rated, below investment grade. The
20 green line or lime green line is high
21 yield bonds that are Double B rated, and
22 the dark blue line is an index for the
23 amusement and leisure sector.

24 You'll see that the yields are
25 pretty consistent going through 2005 to

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1 2008. You'll have the financial crisis
2 where the cost of money -- and that's
3 what this is really showing you -- the
4 cost of debt capital dramatically
5 increased with the events you see there
6 that I mentioned before, J.P. Morgan and
7 others, the bailouts in Europe, the
8 bailouts here in the United States.

9 Where are we today is the takeaway
10 at the very end? You'll see
11 October 2010. This actually goes
12 through to December 13th, 2010. We're
13 back to the levels of normality we were
14 at in January of 2005.

15 MR. LEE: The takeaway really is
16 things were crazy for a couple of years.
17 You couldn't have done this deal then.

18 MR. PICOU: Well, I'm going to show
19 actually in the next couple of charts,

20 we got deals done during that crazy
21 time, okay? And the takeaway on this
22 chart -- these are the last three
23 Greenfield Commercial financings in the
24 United States, and starting at the top,
25 Midwest Gaming, which was financed in

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1 April of 2010 this year, okay,
2 295 million, which is scheduled to open
3 in August 2001. Greenfield means
4 development ground up, new casino build.
5 Sugar House, which was financed in
6 September of 2009, that was a very tough
7 time in the financial markets, that
8 recently opened September 2010. And
9 then my team personally led the second
10 lien financing for Rivers Casino in
11 Pittsburg. We financed that in August
12 of 2008. The world was coming to an end
13 in August 2008, and we financed that
14 then, an over \$700 million project.
15 You'll see there's a \$780 million
16 project, and that facility opened in
17 August of 2009.

18 So despite what you see in those
19 charts with the spikes up and back to
20 normality today, transactions for
21 development, Greenfield casinos did get
22 done during those tough times, and we

23 are very confident -- and we've
24 submitted letters along with my
25 colleagues from the other investment

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1 banks -- very confident of being able to
2 get a \$450 million financing done for
3 this project because of the project
4 itself, because of the receptivity of
5 the capital markets and because of the
6 management in someone like Dan Lee in
7 building something that is different,
8 taking gaming and accessing another
9 level of demand in the gaming industry.

10 MR. LEE: Bill.

11 CHAIRMAN MORGAN: You have 10, 15
12 minutes.

13 MR. LEE: My clock's a little wrong.
14 Actually, I thought it was worse than
15 that, so.

16 MR. NEWBY: My name is Bill Newby,
17 Managing Director and head of gaming
18 investment banking for Jeffries &
19 Company globally. Just to give you a
20 little background on myself before we go
21 into the credentials: I was involved in
22 gaming investment banking back in the
23 80's, and then in the early 90's was
24 tasked at Bank of America of putting
25 together its investment banking practice,

1 which we built into what was formerly
2 the largest and most successful practice
3 following in the gaming sector.

4 I left Bank of America and spent
5 just over a year at UBS where we did 16
6 different transactions in less than a
7 year, including the two largest IPOs for
8 casino companies done to date, and those
9 are both in Macau for Sands and Steve
10 Wynn. I left UBS a couple of months ago
11 and started at Jeffries, again, as I
12 said, global head of investment gaming
13 practice, and have built a team there
14 largely from other institutions that
15 focuses specifically on the gaming
16 industry.

17 What you don't know that my
18 resume -- the official resume is that my
19 family is from Louisiana, and I've spent
20 time here over the years, you know,
21 clearly in that capacity. We still own
22 property in Iberia Parish and pay taxes
23 to the State, and a month ago I was here
24 not too far from here in Tiger Stadium
25 rooting my grandfather's team on to --

1 I'll say victory. We were not wearing
2 crimson that day.

3 So there's a history here, and the
4 point of making this up -- and the point
5 is: I've been doing this for a long
6 time; I've been financing casinos for a
7 long time. I have a history here in the
8 state. We've been looking at projects
9 here back in early 90's. I think I have
10 a pretty good idea of what this place is
11 about.

12 And how does that translate into
13 reaching the investor community in Wall
14 Street? My colleagues very correctly
15 pointed out that there's an appetite on
16 Wall Street for this kind of financing,
17 this kind of project. Wall Street
18 understands it, they like the returns;
19 they like the parameters generally.

20 To point out some of the tombstones
21 here as we call them, these are just the
22 deals that we've done in the history --
23 in my history, and I think it's
24 important what we're building up to is
25 that part of what drives investor

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1 interest in a project like this are the
2 individuals involved, and particularly
3 the primary individual, which is Dan
4 Lee.

5 Yeah, these are some projects,

6 again, just illustrative of the fact
7 that I've been involved with project
8 financing in the casino industry for a
9 number of years. You see names in Las
10 Vegas, probably many are familiar to
11 you, some domestic corporate projects
12 around, and then, of course, the
13 international ones that I've talked
14 about.

15 So, again, the point being, I've
16 done a few of these internationally,
17 locally and nationally and have a pretty
18 good idea of how they get done and why
19 they get done, and obviously ultimately
20 the success of the ones that are
21 successful.

22 We've talked about the keys to
23 successful financing. My colleagues
24 pointed out that attractive investor
25 returns are critical. Obviously, the

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1 folks on Wall Street are looking to make
2 money. A project that makes money is
3 going to be attractive; it goes without
4 saying.

5 Capital markets are back. It's a
6 fact. We've seen a spike in financing
7 in the last six to eight months. All
8 indications are it's going to continue

9 at a fairly robust pace going into 2011.
10 Needless to say, it makes the investment
11 bankers happy, warms the coffers of our
12 heart to know that there's actually
13 something to do out there. But I would
14 argue that probably the most important
15 factor to getting something like this
16 done -- and, again, it would be great if
17 we had a big line of credit. We don't
18 have that; but it's not necessary to
19 have that, and that's the point here.

20 Capital markets are there; the
21 project's good, and, again, the most
22 important factor is Dan Lee himself and
23 the team that he's assembled, the
24 experience that he's got, the respect
25 that his management team has earned on

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1 Wall Street. And just to give you a
2 sense of that, we went through this a
3 couple days ago. I put together a list
4 of all the transactions that I have done
5 personally with Dan over the last 20 or
6 so years. These are financings largely,
7 of course. Going back to the early 90's
8 when he started at the Mirage company,
9 and I was a young guy in Vancouver when
10 they were putting together that
11 franchise, and we roll through, of

12 course, the Pinnacle years.

13 We did the math on this, and we came
14 out to something, like, \$5 billion of
15 capital raised, Dan and I, throughout
16 the last 20 years. The most interesting
17 tombstone there on the upper right
18 middle row is Monte Carlo, 200 million.
19 And what makes that interesting and why
20 it's kind of relevant for this is that
21 that was the first transaction that was
22 -- it was a casino, like I said, in the
23 Greenfield financing that was done
24 exclusively in the bank market without
25 recourse to any of the sponsors; and the

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1 sponsors were a company called Gold
2 Strike and Mirage, and Dan, of course,
3 was the CFO, Chief Financial Officer,
4 for Mirage.

5 Without Dan and his leadership in
6 tapping the capital markets, we never
7 would have been able to get that done
8 that way. Again, the first transaction
9 ever done without recourse to the
10 sponsors. The other point to note there
11 is that Monte Carlo paid back the loan
12 in two years; and all of the banks
13 involved got their money back and
14 interest paid on time, and naturally we

15 were delighted by the outcome of that.

16 There we go. This last slide, I
17 wanted to point out that during Dan's
18 tenure, first at Mirage and then at
19 Pinnacle, that he was involved in a
20 number of projects, and other than,
21 perhaps, Treasure Island where he wasn't
22 initially involved but raised the
23 financing, he has done a substantial
24 amount of this work and raised a
25 substantial amount of money on the

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1 streets for projects at Mirage and at
2 Pinnacle. All of these were successful,
3 and I would say all of them would not
4 have happened were it not for Dan's
5 involvement with those projects. We
6 wouldn't have been able to raise the
7 money for one of them if it were not for
8 Dan directly.

9 MR. LEE: Thank you. Well, now let
10 me show you the property. The numbers
11 get a little boring; the property is lot
12 more interesting. It's 220 acres.
13 That's the site. That parking lot at
14 the upper right is a little bit of a
15 quandary to figure out; and I can see
16 the gentlemen here from the port, and
17 they can certainly tell you better. But

18 that was where Sugarcane Bay was
19 supposed to go, and Pinnacle actually
20 kind of destroyed that parking lot
21 getting ready for construction. Then
22 they rebuilt it, but they rebuilt it on
23 the Sugarcane Bay lease. And so the
24 port has now evicted them or they
25 vacated it, so there's a piece of land

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1 between Mohito Pointe and L'Auberge that
2 the port still owns.

3 But otherwise, it's a great site.
4 It's got water on three sides, expansive
5 views to the left. You can see a little
6 snippet of the I-210 bridge coming from
7 Texas over here. This is what's known
8 as the Klein Canal, and importantly
9 that's not a natural waterway. It's
10 where they dug up the mud to build up
11 the road bed for the freeway. So it's
12 possible to just culvert it and go right
13 over it.

14 Now, we have an actual option to
15 lease from the port authority that says
16 for two years we have an option to lease
17 it. Currently the payments are 10,000 a
18 month. They escalate up. It becomes
19 exercisable after we have been chosen;
20 we pass the local referendum and we put

21 up a \$15 million deposit, and \$10
22 million of the deposit is released at
23 opening, the other \$5 million is
24 released when the casino achieves a
25 certain level of EBDIT, and if it ever

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1 falls below that, we have to put the
2 deposit back.

3 It's 220 acres. It's a ten-year
4 lease term plus six ten-year renewal
5 options, so it's 70 years. 1.2 million
6 per year escalating but not to exceed a
7 CPI of 5 percent. And then the port has
8 agreed to use its full powers to ensure
9 ingress and egress including its right
10 of imminent domain if necessary. The
11 developer has agreed to build all the
12 essential elements as proposed. As you
13 can imagine, they were sensitive to that
14 after Sugarcane Bay, and I said I was
15 happy to do it.

16 Now, the transportation in an out is
17 pretty important. People coming from
18 Texas are this way. A large part of the
19 Lake Charles community lives to the
20 south off this, and they work at the
21 plants that are across this bridge. At
22 this spot, you're 38 miles from the Gulf
23 of Mexico; and there is no other bridge.

24 Yet there's a bridge further north, the
25 I-10 bridge, but you have to drive

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1 through the City of Lake Charles to get
2 to it.

3 So you tend to get a real congestion
4 here, and that's because people are
5 driving up Nelson Lake Road to make this
6 left turn and get on the freeway and go
7 to work. When they come home, they can
8 get off here or here, but getting to
9 work is a problem. And there are
10 traffic signals there, there, there and
11 there, so four traffic signals right in
12 a row without enough cuing for the left
13 lanes, and this intersection gets really
14 backed up.

15 The original L'Auberge entrance was
16 here, and then we figured out when
17 L'Auberge was halfway built, this was
18 going to be a real bottleneck; this was
19 going to be a real problem. And so we
20 stepped up and spent the money to build
21 the Texas turnaround where we added a
22 lane underneath that bridge, and we
23 called it the Texas turnaround because
24 they're fairly common in Texas; they're
25 not common elsewhere in the country.

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1 So as you get off, you pull into the
2 left lane, you zip underneath that
3 bridge, and it's a little bit of the odd
4 movement because you're in the left most
5 lane. And then you come back this way,
6 and you intermingle with the ongoing
7 traffic and then zip into the property.
8 And, frankly, that Texas turnaround was
9 pretty important to the success of
10 L'Auberge, but exiting L'Auberge you
11 come out and back into that same
12 intersection.

13 And this intersection is likely to
14 get worse. The port has a long-term
15 plan they've been working on for many
16 years to try to bridge across Contraband
17 Bayou so that the trucks from the
18 port -- you can see the port in the very
19 upper part of the picture -- the trucks
20 of the port don't have to drive through
21 the City of Lake Charles to get to the
22 freeway. They haven't built that
23 bridge; and I guess there's some
24 uncertainty if they do, but they would
25 certainly like to. But it will worsen

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1 the traffic here.

2 So when I looked at the site, I said
3 how do you get in? The first thought I

4 had was, the port still owns it, the
5 land across where that red line is.
6 Let's get a left fork off the Texas
7 turnaround -- not a left turn but a left
8 fork to bring you into the property.
9 We'll put a traffic circle which ties
10 right into an entrance road into Mohito
11 Pointe.

12 Then I noticed over here, this is an
13 existing road that ends up by three
14 fishing camps up in here, and it goes
15 underneath the 210 bridge and ties
16 around. I said, wait, we can culvert
17 the Klein Canal and connect into that.
18 So we have a direction into the
19 community with a two-lane road for
20 employees and, frankly, you know,
21 regular customers might know enough to
22 get off at this interchange and come
23 back around. It's kind of a back
24 doorway in; and then we talked to
25 transportation engineers, and then they

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1 pointed out that this is a one quarter
2 interchange, and the federal government
3 would like them all to be full
4 interchanges. This on-ramp motion has
5 already gotten approvals, gotten
6 funding, has not yet been built, but

7 it's coming. They said, we can put a
8 new on-ramp on I-210 west over there and
9 an off-ramp on I-210 west over here. So
10 we tie it altogether and provide ways to
11 get in and out of the property, and it
12 materially improves the transportation
13 grid of the entire community and will
14 take a great deal of the pressure off
15 that Nelson Road interchange.

16 CHAIRMAN MORGAN: Dan, we're out of
17 time.

18 MR. LEE: Can I get five minutes?

19 MR. JUNEAU: I'd like to give him
20 five more minutes.

21 CHAIRMAN MORGAN: Five it is, out of
22 fairness to the others.

23 MR. LEE: Okay. This is the overall
24 layout. You can see the golf course.

25 We have a tennis thing which is with

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1 bleachers, mostly about having views of
2 the tennis game. We've put in a croquet
3 court which is nice for weddings and
4 businesses; we have a school of
5 falconry, which is -- the Mirage has
6 their dolphins and Mandalay Bay has
7 sharks, and MGM has their lions. And I
8 said, you know, we can do falcons. It's
9 something I saw in Ireland, and they

10 have it now at the Greenbrier and the
11 Equinox. I'll skip a little video we
12 have on that, and, Joel, you have four
13 minutes.

14 MR. BERGMAN: Well, four minutes to
15 cover 42 years of designing resort
16 hotels. Quickly, I've done a ton of
17 them; and I've done them all over the
18 United States and all over the world,
19 and I happen to have done L'Auberge. So
20 as -- give me that, please.

21 As we approach the porte-cochere, we
22 arrive at a lobby area that is two
23 levels high, and we have a rather unique
24 registration system where our
25 registration is for all things related

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1 to the facility. It's not only where
2 you get your room key, but it's where
3 you get your club activities, your
4 reservations for restaurants, the
5 theater, anything that takes place. We
6 created some axes here where we have
7 our retail along the long axes that --
8 these are stores, swimming pool and at
9 the same time takes us to our guest
10 elevators, a four-star hotel; our
11 ten-story building and our four-story
12 building. At the same time, we have our

13 coffee bar and our Irish pub and another
14 access that takes us to our 2,500 seat
15 theater, which is also a multi-purpose
16 facility because we're able to do all
17 kind of exhibits and special shows where
18 we could do things such as boat shows or
19 whatever that can take place in this
20 rather large facility.

21 The casino itself, about 1,500 slot
22 machines and up to 62 table games,
23 features a special Asian gaming area
24 adjacent to a noodle bar, a cocktail
25 area that overlooks the Calcasieu

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1 waterway and our boat dock, and our high
2 limit gaming area for both slots and
3 tables.

4 In addition, we have a high-end
5 restaurant and our food facility that
6 supports it. Our high-end hotel, our
7 five-star with our 30 deluxe suites is
8 accessed from our road that comes -- I'm
9 not having fun here -- along the road
10 that passes underneath our sumptuous spa
11 and golf clubhouse. The spa is two
12 levels and features all manner of
13 massage, both European and Eastern, and
14 comes to a private parking area. We
15 pass through a registration area into

16 the conservatory that you saw in the
17 video; and we have 27 deluxe suites on
18 three levels here, and four 5,000 square
19 foot suites, two-bedroom suites in this
20 position here, all accessed through the
21 conservatory.

22 On the second level, we have a
23 ballroom/banquet area, a selection of
24 smaller meeting rooms varying from 600
25 to a thousand square feet each, and a

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1 special outdoor meeting area over the
2 porte-cochere. In addition, we have a
3 spine connecting the back of the house
4 to the hotel area. All of our employee
5 back of the house area kitchens incur
6 along the spine, and along the Calcasieu
7 area, we have our buffet, our two-level
8 bar area and our dining room with an
9 outdoor bar area. Above the buffet, we
10 have our club area for the preferred
11 guests.

12 In addition, of course, we have our
13 second level of the showroom with our
14 tiered seating. We have a 1,500 seat
15 garage -- 1,500 car garage which is --
16 has direct access into the facility, and
17 on the ground we have an additional
18 1,500 parking spaces. We have a

19 selection of guest rooms that include
20 king and double queen; and the king
21 rooms normally set the standard for
22 size, and when we do a double queen,
23 they're normally cramped.

24 In this case, we've added an
25 additional four feet to the length of

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1 the rooms so that we can provide the
2 same living room accommodation as we do
3 in a king room. Our bathrooms are five
4 fixture with a separate shower and tub
5 in addition to the two labs and a water
6 closet compartment. So these are very,
7 very generous rooms.

8 And let's just move on. This is our
9 5,000 square foot deluxe suite. We have
10 a private patio as you enter where you
11 can have room service dining, your own
12 spa -- soaking spa, an entry with a game
13 table, a living room two stories high
14 with a bar and a dining table, an
15 outdoor pool, a master bedroom with a
16 very, very posh bathroom; and when you
17 go upstairs, you arrive at a game room
18 with a pool table and a second master
19 bedroom.

20 So we have two master bedrooms.
21 This one overlooks the pool area through

22 a balcony, and this is also covered with
23 a mosquito netting. And now we have a
24 series of slides of what the deluxe
25 suite might look like.

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1 MR. LEE: If you'll notice the
2 seashells, the lightness of it. The
3 high roller suites have private massage
4 rooms in it. This is one of the
5 bathrooms with the lights built into the
6 mirror and television built into the
7 mirror; that's looking at it from
8 another angle. These are all studies
9 done by our design firm, and this is the
10 master bedroom. Again, this is kind of
11 a light feel, tropical, palm trees, that
12 all fits in pretty well.

13 MR. BERGMAN: Some the inspirations
14 we used to get to Mohito Pointe.

15 MR. LEE: There you go. We do have
16 some picture books that have the
17 pictures. I apologize if we went five
18 minutes over.

19 CHAIRMAN MORGAN: Mr. Lee, thank you
20 very much again for your interest in
21 Louisiana. Very impressive. It looks
22 just like my house. If it did, I would
23 be under investigation.

24 MR. LEE: I was going to say, I

25 didn't realize they paid you that well.

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1 CHAIRMAN MORGAN: They don't. Mine
2 didn't even look like the lowest guest
3 room. Members, if you would, if you
4 want to be recognized, we can go ahead
5 and indicate so by pushing the button.
6 Mr. Jones.

7 MR. JONES: Let's talk about legal
8 matters and how your progress might be
9 impeded by the lawsuits going back and
10 forth right now. Can you comment on
11 that?

12 MR. LEE: I'd rather have my
13 attorney comment on that.

14 MR. DUNCAN: Mr. Jones, the Port of
15 Lake Charles was successful last week
16 getting a very decisive summary judgment
17 granted relative to the lease involving
18 Pinnacle. That lease, as you recall,
19 was conditioned upon Pinnacle
20 constructing a riverboat casino. The
21 court determined that that cannot occur
22 in as much as the license has been
23 surrendered and has now -- as a result
24 of that summary judgment and the ruling
25 dismissed with prejudice the claim to

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1 convey title to Pinnacle of 50 acres, as

2 well as to dismiss with prejudice the
3 claim of Pinnacle seeking to enjoin the
4 Port Authority from performing its
5 option under its option agreement with
6 Creative Casinos.

7 MR. JONES: So you're comfortable
8 that were the license granted to this
9 project, that other legal matters might
10 not come up to impair the -- you
11 know....

12 MR. DUNCAN: Yes, I'm very
13 comfortable with that, and I think Mr.
14 Stipe, as an attorney, and anyone else
15 in this group, as an attorney knows,
16 that when you have a summary judgment
17 granted in the first place, that's
18 unusual. Here it is so decisively ruled
19 on that I feel very confident that it
20 will not be an issue --

21 MR. JONES: I just had another
22 question that is really a dumb question;
23 it's for Mr. Picou. "FBR" I'm not that
24 familiar with. Who did they used to be?

25 MR. PICOU: Freeman, Billings &

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1 Ramsey based out of Arlington, Virginia.
2 We shortened the name because it took
3 ten seconds.

4 MR. JONES: Okay. That's all I have

5 right now.

6 CHAIRMAN MORGAN: Anyone else?

7 Mr. Bradford.

8 MR. BRADFORD: Is that the only
9 legal maneuverings that are going on, or
10 are there any other?

11 MR. DUNCAN: There's a separate
12 lawsuit that was brought by Pinnacle
13 against Mr. Lee in Las Vegas. They
14 brought -- Pinnacle brought a temporary
15 restraining order, which was denied.
16 They brought a motion for preliminary
17 injunction. That has been denied, and
18 the Court has determined, in considering
19 that motion for preliminary injunction,
20 that the parties -- let me back up, if I
21 might.

22 One of the primary issues on the Las
23 Vegas litigation was whether or not
24 there was a noncompete provision that
25 Mr. Lee was subject to, and the Court

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1 specifically determined that the parties
2 expressly bargained away any noncompete
3 to which he would be subject. They
4 also, I might add, noted that with
5 respect to another claim regarding
6 whether or not Mr. Lee had misused any
7 purported confidential information, they

8 did note -- and you can see it in the
9 transcript that's been provided to the
10 A.G.'s Office -- that there was no
11 evidence whatsoever of any confidential
12 information being used.

13 But it was, again, a very clear
14 determination that there -- there was,
15 indeed, an affirmative action on the
16 part of the parties to bargain away a
17 noncompete.

18 MR. BRADFORD: To your knowledge, is
19 this -- apart from Mr. Lee, is there
20 still any legal grumbling going on
21 between Pinnacle and the port that could
22 hold up this?

23 MR. DUNCAN: I think there may be
24 some other claims that don't have
25 anything to do with the use of the land.

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1 I think they may have some other things
2 to do with their lease, and I really
3 would have to defer to Mr. Dies or
4 someone like that who is more familiar
5 with it.

6 MR. LEE: Who was actually here
7 earlier.

8 MR. DUNCAN: I apologize if I
9 mischaracterized anything from that
10 suit. I didn't know he was here, but

11 I --

12 MR. LEE: You know, I think as we
13 all know, anybody can file a suit. I
14 didn't do anything wrong, and we're
15 defending it fervently. We've filed
16 some counter motions now saying this was
17 an abuse of the legal system trying to
18 stymie competition in Louisiana; and I
19 think they've tried their best to put a
20 dark cloud over me, and I've just tried
21 to take the high road and do the right
22 thing.

23 MR. BRADFORD: I didn't mean to
24 incriminate you with the question.

25 MR. LEE: That's okay.

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1 MR. BRADFORD: Purely our interest,
2 my interest is whatever is the most
3 expeditious thing for the State of
4 Louisiana to get this licensed placed
5 and get -- and begin generating revenue
6 for the State.

7 MR. LEE: Well, you know, in a way
8 I'm glad they did it, because it -- we
9 were able to clear it up. I mean, if
10 they really wanted to be tricky about
11 it, they would have filed the suit
12 yesterday, and they filed it soon enough
13 that we're able to go to the judge and

14 say, you know, straighten this out, and
15 so.

16 CHAIRMAN MORGAN: Is that it,
17 Mr. Bradford?

18 MR. BRADFORD: That's it. Thank
19 you.

20 CHAIRMAN MORGAN: Mr. Singleton.

21 MR. SINGLETON: I'd just like for
22 you to respond: You mentioned minority
23 participation, and you also mentioned
24 training as two very important elements
25 of what you're doing. And it probably

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1 has nothing to do with this, but since
2 you've been involved with this in
3 Louisiana for some time, when I look at
4 all of the casinos over, what, a 20-year
5 period, when I look at the top
6 management, it seems to me that it's
7 always from somewhere else and not from
8 Louisiana. And I'd just like to hear
9 your response as to maybe why that's the
10 case and what you think can be done in
11 the future to make sure that we reverse
12 that.

13 MR. LEE: I think that is one of the
14 advantages of starting a new company. I
15 mean, I need to hire people, and
16 obviously it's easier to hire them in

17 Louisiana. There's plenty of trained
18 people down here that already live here
19 and have homes and so on. I know a lot
20 of them, and I'm free to hire people. I
21 can hire anybody from Pinnacle and any
22 of the other casinos; there aren't any
23 restrictions on that, and I would look
24 first to hire people from Louisiana.
25 Not only are there qualified people

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1 here, they've chosen to live here, and I
2 don't have to pay the moving costs to
3 move them here.

4 So it's just logical. If you're an
5 existing larger company trying to
6 provide career opportunities to people,
7 then you have this other dilemma of, you
8 know, somebody in Missouri wants to get
9 a promotion and maybe you should offer
10 them that job, and so a bigger company
11 is more likely to bring people to town
12 than a small company.

13 The other issue that I think you are
14 hinting at a little bit is I've had a
15 lot of time to reflect on how to handle
16 this minority issues, because I dealt
17 with it at Pinnacle. It wasn't so much
18 of an issue at Mirage Resorts because
19 that was just Las Vegas, and it wasn't a

20 hot button there. But it was important
21 in Missouri, and it was important in
22 Louisiana.

23 And I used to go to one of the
24 properties we had; and we'd have the
25 department heads in the room, and there

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1 wasn't one minority in the room. And I
2 kept saying, you know, your workforce
3 has a lot of minorities in it. How come
4 we don't have any department heads who
5 are minorities? And I would say that
6 again and again, and they'd replace it
7 with the food and beverage manager and
8 say there wasn't anybody qualified. And
9 I'd get excited about it, and I'd say,
10 you can't tell me there's not a
11 qualified person of color to be the food
12 and beverage manager. You're not
13 looking hard enough.

14 And so when I was looking at this, I
15 thought, you know what? I think the
16 only way to do this is to hire somebody
17 who that's their task to make that
18 argument on my behalf to say there are
19 qualified people out there, we're going
20 to find them. So I gave it some thought
21 because I think it's important for the
22 community; and frankly, if you have a

23 workforce that is, you know, 30 percent
24 minorities; and they look at the
25 department heads and they're zero

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1 percent minorities, they know that, and
2 they start wondering if this is a fair
3 place for them to work. And so you have
4 to be correct on this.

5 MR. SINGLETON: Are you willing to,
6 I guess, volunteer -- since this is a
7 volunteer element in Louisiana that you
8 can't require it, but once you do it
9 voluntarily and it becomes part of your
10 process, are you willing to state
11 somewhere in writing that you're going
12 to do this?

13 MR. LEE: I'm willing to stipulate
14 as part of the agreement that we will
15 have an office of local and minority
16 participation, and it is their task to
17 try to make sure that we fulfill the
18 goals. Again, that's where we will try
19 to go. I don't know of a better way to
20 do it, and I think earlier I made the
21 commitment that we would have that
22 office staffed and opened before we
23 start construction because I think
24 that's an area that people overlook
25 sometimes.

1 CHAIRMAN MORGAN: Mr. Singleton is
2 on point. It's just an observation by
3 the Board that this industry has been
4 here since '94, I believe, and I think
5 there's maybe one or two people who are
6 general managers who are Louisianians.
7 A lot are -- it's nothing against the
8 general managers over here. They've
9 moved their families and become
10 citizens, but I get asked by the
11 legislature and others all the time, you
12 know, this should be a market industry
13 which we actually train people to mature
14 into these leadership roles.

15 And so I appreciate your
16 observations on that, and it is going to
17 be an expectation of a successful
18 candidate that we're going to monitor
19 pretty closely in that regard. The only
20 thing I'd ask just briefly, I have one
21 other -- Mr. Stipe asked the question,
22 but one other thing if you could touch
23 on very briefly, in your opinion -- and
24 I appreciate the expert testimony from
25 the investors. I think it's very

1 enlightening.

2 When the license was turned in, it

3 was done so with a caveat that there was
4 concern with Texas and with the economy
5 and things of that nature. What has
6 changed in your mind to not place that
7 license in Lake Charles from the -- I
8 have your -- when -- I don't know if you
9 were at Pinnacle then, but we have on
10 file Pinnacle's market study that asked
11 for Sugarcane Bay to be placed in Lake
12 Charles. I'm just curious as to what
13 has changed, in your opinion.

14 MR. LEE: I actually can't guess why
15 they backed away. It's astounding to
16 me, to be honest. There's only one
17 change on the board, and that was I
18 left, Mr. Sanfilippo came in. The board
19 unanimously approved Sugarcane Bay,
20 unanimously approved every step of the
21 way, and why did they suddenly changed
22 their mind astounded me. I about fell
23 off my chair when I read it, and it was
24 a big opportunity.

25 And I thought, wow, this is a big

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1 opportunity and started working on it
2 almost immediately. But now I know
3 Mr. Sanfilippo was previously at
4 Multimedia Games, and they were the firm
5 out of Austin that was always lobbying

6 for gaming in Texas. They had lobbyists
7 in Texas who were trying to make sure it
8 didn't happen, and so I guess I'm not
9 surprised that he would think it was
10 going to happen. But I found it kind of
11 curious: If he thought it was going to
12 happen, I didn't know why he would take
13 a job with a company whose revenues come
14 from near the Texas border.

15 CHAIRMAN MORGAN: I'm just curious,
16 and I just didn't know if you knew of
17 anything factual that had changed.

18 MR. LEE: In fact, it's quite the
19 opposite. It takes a two-thirds vote --
20 it's in the state constitution that
21 prohibits gaming. It takes a two-thirds
22 vote of the House, a two-thirds vote of
23 the Senate and a majority vote of the
24 people, and that's a very high hurdle,
25 in any state a very high hurdle.

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1 Now, in some states you're allowed
2 to have a public referendum. Penn
3 National, actually, quite brilliantly
4 tied up sites in Ohio funded to the tune
5 of 35 million or \$40 million and
6 approved casinos at those sites, okay,
7 and I kind of admired what they did as a
8 casino guy. I thought that was a pretty

9 neat trick.

10 That trick doesn't work in Texas.
11 You have to go through the legislature
12 first, and the major change was the
13 recent election. I was pretty sure they
14 couldn't clear those hurdles anyway, but
15 the recent election I think every
16 Republican won reelection and 20 of the
17 Democrats did not, so when the assembly,
18 which was almost 50/50 -- I believe it
19 was 77, 73 or something Republicans to
20 Democrats. Republicans are more prone
21 to be anti-gaming; Democrats are more
22 prone to be pro-gaming. The split is
23 now 149, so they would need every
24 Democrat and half the Republicans in
25 each of the assembly and the senate, and

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1 then you have to win a majority vote of
2 the people, which I think if it ever got
3 to the people, it would also fail.

4 I noticed the gaming proponents
5 issued a study that they said 52 percent
6 of the people are pro-gaming; therefore,
7 it should happen. I looked at the
8 study, and I looked at it pretty
9 carefully. It said 27 percent favored
10 slots at tracks, and 25 percent roughly
11 favored full-blown gaming. And they

12 added it together and said 52 percent
13 were in favor of gaming.

14 That's not actually the case. If
15 you presented a proposition for slots at
16 tracks, a good chunk of that 25 percent
17 would not vote for it; and if you
18 presented a proposal for full-blown
19 gaming, there's a chunk of the slots at
20 tracks that wouldn't have voted for it.

21 So I read their polls. They got a
22 lot of publicity on it, so I think this
23 proves that it wouldn't pass. I'm
24 sorry.

25 CHAIRMAN MORGAN: One other thing --

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1 I don't know if you covered it in your
2 presentation -- I know your
3 construction, the riverboat's going to
4 be constructed by -- you anticipate by a
5 Louisiana company?

6 MR. LEE: Yes.

7 CHAIRMAN MORGAN: Mr. Stipe.

8 MR. STIPE: I'm going to use the
9 terminology from the earlier
10 presentation, the "anticipated patron
11 base." What percentage of the
12 anticipated patron base would you
13 estimate would be drawn from outside of
14 the State of Louisiana?

15 MR. LEE: Probably 80 percent. I'd
16 have to go back. We haven't cut it that
17 way, but you can see the potential
18 market is clearly driven by Houston.

19 MR. STIPE: What resources, physical
20 plan, facilities would you need to share
21 or cohabitate or co-use with L'Auberge?

22 MR. LEE: I've assumed there will be
23 none. I would prefer to hook them up,
24 no question about it. You'll find two
25 schools of thought in the gaming

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1 industry. I used to work with Steve
2 Wynn, and M.J. has a similar school of
3 thought where two quality casinos next
4 to each other is a good thing.

5 The people who come out of Harrah's
6 tend to think they don't want
7 competition. They love to find a market
8 where they don't have competition, but
9 remember most people in a casino lose
10 money. Probably 60 percent lose money
11 and 40 percent lose money. At some
12 point when they're losing money, some
13 people say, we want a change of luck,
14 and so a person from Bellagio says, I'm
15 going to go over to Ceasars Palace.
16 Well, there's probably a person from
17 Ceasars Palace that's going to walk over

18 to Bellagio. And, in fact, those two
19 properties having different owners
20 cooperated to build a pedestrian bridge
21 connecting them, and at the end of the
22 day, it makes the whole thing stronger.

23 So I will tell you in the plan, as
24 you recall, we built this fairly close
25 to L'Auberge. Joel argued that we

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1 should put it out on the point so the
2 hotel had water on three sides of it.
3 It's a wonderful view; it would be a
4 heck of a golf hole, and I said, well,
5 we should put it up close to L'Auberge.
6 He pointed out we have no legal way to
7 force L'Auberge to even connect the
8 parking lots, and he's right. But these
9 buildings last 30, 40, 50 years.

10 They'll outlast me; they'll outlast Mr.
11 Sanfilippo; they'll outlast probably the
12 companies that own it, and if I build it
13 out on the point, you never have the
14 opportunity to hook them up.

15 I think it's better for Lake
16 Charles, better for the State if they
17 are hooked up. I don't know of any
18 legal way to force that. We designed
19 ours so it's easy to hook it up if they
20 ever change their minds and decide to

21 hook up, but given the litigation, I
22 don't see that happening, so.

23 MR. STIPE: You're familiar with the
24 other two proposals, generally?

25 MR. LEE: Yes.

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1 MR. STIPE: What do you believe is
2 the advantage that your proposal has
3 versus the other two proposals?

4 MR. LEE: I think I listened. Back
5 when Sugarcane Bay was first turned in,
6 there was, in fact, a newspaper article
7 quoting Mr. Morgan saying that the
8 Gaming Commission was going to look for
9 somebody to try and develop something of
10 similar quality and similar size in Lake
11 Charles, and I read the newspaper
12 article. And I said, well, that's
13 pretty clear.

14 I think Penn looked at their own
15 needs, and they have the old riverboat
16 in Lawrenceburg and said, boy, it would
17 be nifty to put that to work somewhere.
18 They said so. And they said, oh, not
19 that it grows the revenues of the state,
20 because it doesn't. It really just
21 eviscerates Boomtown, but they said
22 here's a place we can put this to work.
23 And we'll make a good return in

24 investment even if it doesn't do much
25 for the state, and I think that's what

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1 they did.

2 And then I saw Mr. Trotter's
3 proposal. It's multi-phased and adds up
4 to \$348 million, which mystified me
5 because the port authority said they
6 thought it had to be at least the scale
7 of Sugarcane Bay, which was 350, and
8 we're at 400 and theirs was 348. I kind
9 of looked at it and said, boy, didn't he
10 read the same newspaper article I read?
11 It was pretty clear the hurdle was 350.

12 So, I mean -- and then, frankly, we
13 have got experience in the market, built
14 a lot of casinos, looked at it; we know
15 how to do it. There's another aspect I
16 will tell you that I get the question
17 all the time, am I just seeking revenge
18 on Pinnacle or something. That's not
19 the case at all. I think we're -- we
20 can get a good return investment with
21 this, and we can create a lot of jobs;
22 and I think we could be a big asset to
23 the community.

24 But I am also a person that likes to
25 deliver on my promises, and I promised

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1 you Sugarcane Bay. If I have to start a
2 new company to deliver this casino, I'll
3 do it.

4 MR. STIPE: And the biggest concern
5 you have with your proposal?

6 MR. LEE: Getting the license.

7 MR. STIPE: Others may share that
8 concern.

9 MR. LEE: I will tell you the three
10 investment bankers you saw, each of
11 those firms went through their credit
12 committees at great length. Investment
13 banks don't stand up and say, we're
14 highly confident that this will be
15 financed. They don't do that lightly.
16 They went through the numbers; they
17 looked at the market; they looked at
18 everything. And that actually gives me
19 great comfort because I know what they
20 went through. I know we can find this
21 money, and I know we know how to build
22 it.

23 MR. STIPE: That's all the questions
24 I have. Thank you.

25 CHAIRMAN MORGAN: Miss Noonan.

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1 MS. NOONAN: If Texas decides to
2 legalize gaming, are you committed to
3 continuing this project, and what do you

4 think it would do?

5 MR. LEE: It depends on what they
6 do. As you saw the numbers, it's a very
7 big state with a lot of people. Quite
8 honestly, if they just had slots at
9 tracks, I don't think it would be that
10 big an impact. If they had -- there's
11 one racetrack and one dog track in the
12 Houston area. Now, that would allow
13 Indian gaming to open up; but there's
14 only three federally recognized Indian
15 tribes in Texas and two of them aren't
16 anywhere close to Houston. And the one
17 that's close to Houston, the
18 reservation, it's a longways away.

19 The other thing is the timing. You
20 know, I think we've got it -- I'm quite
21 sure it's not going to happen this
22 legislative session, and that's coming
23 right around the bend. Now, does it
24 happen in 2013, 2015? Well, even when
25 it does happen, then they have to pass a

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1 referendum statewide; and then they have
2 to set up a regulatory apparatus and go
3 through a process to chose who gets it,
4 and then those parties have to go build.
5 And as you saw, L'Auberge paid for
6 itself in four or five years, so

7 obviously investors are going to ask
8 that question. They said, we have
9 enough of a head start. You'll get your
10 money out, and then it's a matter of
11 what do they do; how do they do it. And
12 there's lots of places that just have
13 slots at tracks, just have Indian
14 casinos; and then if you have a
15 full-fledged resort, kind of a mini Las
16 Vegas in Lake Charles, it could be
17 enough to draw people despite having
18 slot machines closer to home.

19 MS. NOONAN: Thank you.

20 CHAIRMAN MORGAN: Okay. The board's
21 clear. Again, I know it's difficult
22 putting a \$400 million project in 45
23 minutes, but we appreciate it. Again,
24 thank you for your interest in Louisiana
25 and being here. Thanks a lot. Thank

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1 you. We'll take a -- seriously, five
2 minutes.

3 (Off the record from 4:37 p.m. to 4:45 p.m.)

4 3. St. Gabriel Downs, LLC

5 CHAIRMAN MORGAN: If you would, go
6 ahead and introduce -- if you're going
7 to testify, introduce yourself with name
8 and address both for the record.

9 MS. HARKINS: Good morning, Mr.

10 Chairman, my name is Deborah Harkins.
11 I'm with the firm of McGlinchey
12 Stafford. My address is 225 Gerard
13 Street, New Orleans, Louisiana. I have
14 with me Mr. William Trotter. Do you
15 want to introduce yourself.

16 MR. TROTTER: William Trotter, my
17 address is 213 River Ranch Boulevard,
18 Lafayette, Louisiana.

19 MS. HARKINS: I also have with me
20 Tony Horvat.

21 MR. HORVAT: I'm with St. Gabriel
22 Downs, Tony Horvat, address is 600
23 Jefferson Street, Lafayette, Louisiana.

24 COURT REPORTER: Spell your last
25 name.

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1 MR. HORVAT: H-O-R, V like Victor,
2 A-T.

3 MS. HARKINS: I also have with me
4 Mr. Paul Alanis.

5 MR. ALANIS: Yes, I'm the CEO of
6 Silver Slipper Gaming. My name is
7 spelled A-L-A-N-I-S. My address is 150
8 South Los Robles, Pasadena, California.

9 MS. HARKINS: I also have with me
10 Mr. Bob Kelly, President of Innovation
11 Project Development.

12 MR. KELLY: Thank you. My name is

13 Robert F. Kelly, Jr. I'm at 707 Russell
14 Avenue, Ocean Springs, Mississippi,
15 39561.

16 MS. HARKINS: I also have with me
17 Mr. Tom Hoskens of Cunningham Group
18 Architects.

19 MR. HOSKENS: I am Tom Hoskens.
20 I'm, let's see, in Minneapolis at 201
21 Main Street South East, and that's
22 H-O-S-K-E-N-S.

23 MS. HARKINS: Mr. Tom Baird with Roy
24 Anderson Company.

25 MR. BAIRD: I'm Tom Baird. I'm the
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1 vice-president of gaming with the
2 Anderson Group, 3500 North Causeway
3 Boulevard, Metairie, Louisiana, 70002.

4 MS. HARKINS: Also, and finally,
5 Mr. Paul Girvan -- I make it a Cajun
6 name. I think it's Girvan (different
7 pronunciation), Managing Director of the
8 Innovation Group.

9 MR. GIRVAN: Hi, I'm at 1031
10 Chartres, New Orleans, Louisiana.

11 MS. HARKINS: And that is my team.

12 COURT REPORTER: Don't sit down yet.
13 Can y'all just raise your right hands,
14 please. Do you swear or affirm that the
15 testimony you will give in the cause now

16 in hearing will be the truth, the whole
17 truth and nothing but the truth.

18 ST. GABRIEL DOWNS GROUP: Yes.

19 CHAIRMAN MORGAN: And, obviously,
20 just like the other one, if you come up
21 to testify, if you would just
22 reintroduce yourself for the record. Is
23 there anything you can offer outside of
24 the slide presentation that we can cover
25 now until the computer --

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1 MS. HARKINS: I'll just give you a
2 little bit of background on Mr. Trotter,
3 Mr. Horvat and the team. Mr. Trotter
4 has over 35 years in gaming and the
5 racing -- casino racing industry. He's
6 the original developer of the Old
7 Evangeline Downs. He was also the
8 person who brought the Burger King
9 public and developed ChartHouse
10 Administrations. He's a former CEO of
11 First National Bank of Commerce of New
12 Orleans.

13 Mr. Horvat is our Chief Executive
14 Officer for St. Gabriel Downs. He's got
15 over 25 years of leadership in growing
16 business ventures; he's the Director of
17 Alex Partners, which is one of the
18 leading turnaround business firms in the

19 country.

20 Mr. Alanis is not a new name to you.

21 He is the CEO of the Silver Slipper

22 Gaming. He's got over 18 years

23 experience in gaming. He was the former

24 President of Horseshoe Gaming and former

25 President and CEO of Pinnacle

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1 Entertainment. He is presently a member

2 of the advisory board of Black Diamond

3 Capital Management, LLC.

4 The rest of our team -- our support

5 team, Mr. Bob Kelly, has got over 20

6 years of experience in gaming

7 entertainment and hospitality projects.

8 Mr. Tom Hoskens is a master designer and

9 planner of casino resorts gaming and

10 hotel resorts worldwide.

11 Mr. Tom Baird has completed more

12 gaming projects in the southeast than

13 any other contractor and has worked for

14 16 separate gaming companies, and

15 Mr. Girvan is the leading in gaming

16 analysts, being the Managing Director of

17 Innovation Group, well known in the

18 gaming industry worldwide.

19 The project and the presentation

20 will be directed -- I'll turn this time

21 over to the owner of St. Gabriel Downs,

22 Mr. William Trotter.

23 MR. TROTTER: Chairman Morgan and
24 Board Members, thank you for giving us
25 this opportunity to make this

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1 presentation to you. Two things I would
2 like for y'all to keep in mind as we
3 move through this presentation. One,
4 this is the most viable economic project
5 you will see today. It was designed,
6 crafted, spent many hours putting
7 together to ensure its viability to
8 stand the test of time regardless of
9 what outside forces come into play in
10 the future which we have no control
11 over.

12 The second thing I would like for
13 you to keep in mind is that this
14 economic engine coming to Lake Charles,
15 Louisiana, on the lakefront will do more
16 for the city. It will revitalize the
17 whole downtown area on the lake in Lake
18 Charles.

19 As you will see in this -- in these
20 projections in this presentation, Hard
21 Rock Casino will bring in over 2 million
22 people a year to downtown Lake Charles.
23 This project will revitalize downtown
24 Lake Charles, Louisiana, and with that,

25 I will turn it over to Mr. Horvat.

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1 MR. HORVAT: Thank you, Mr. Trotter.

2 Good afternoon, Mr. Chairman, Board
3 Members, thank you again for allowing us
4 to appear before you today. Over the
5 next 45 minutes, our goal is to show you
6 the details of our project in Lake
7 Charles that make it the optimal project
8 for the 15th license.

9 Very quickly I'd like to let you --
10 tell you that the key point of this
11 project is to assemble a team of
12 professionals that will help us realize
13 our goal. You'll hear from many of them
14 today. Specifically, this project is
15 the most economically feasible project
16 available to the marketplace. We
17 located in the best market for growth,
18 as you will hear shortly. We're
19 bringing in a brand name that's a new
20 demographic to the region and to Lake
21 Charles. This is not a meet to project.
22 This is not a project of another
23 riverboat. It's going to be a combined
24 venue of music, gaming and resort. It
25 will, as Mr. Trotter said, provide a

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1 backbone of the revitalization of Lake

2 Charles.

3 Additionally, it will provide over
4 \$90 million of new taxable gaming
5 revenue to the State. It is fully
6 supported by the city and the parish.
7 It is locally owned. It's a unique
8 venue, and it's got a great location off
9 of I-10.

10 This slide I'd just like to show is
11 really what we view as our competitive
12 landscape, with Delta Downs, L'Auberge,
13 Isle of Capri and north to Coshatta.
14 We are going to be very, very clear.
15 We're not going to have a lot of noise
16 around it. We view the reason for
17 locating in Lake Charles the fact that
18 the data shows that it's the best market
19 for growth. Within two hours you have
20 over ten million adults as a starting
21 base. Our goal here is to look for an
22 entertainment opportunity that will have
23 a compelling reason for these people,
24 these gamers in this market to come to
25 Lake Charles.

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1 With respect to the next new slides,
2 I'd like to introduce Paul Girvan from
3 the Innovation Group who will walk you
4 through them.

5 MR. GIRVAN: Thank you. Once again,
6 my by name is Paul Girvan. I'm managing
7 director of Innovation Group. We're a
8 feasibility firm based in New Orleans
9 that focuses on the gaming industry.
10 We've been in business for 20 years now
11 and do about 200 projects a year in
12 about five offices.

13 I think really when you as a board
14 look at this project and are trying to
15 decide which -- you know, which entity
16 do you award the license to, one of the
17 key factors you would look at, I would
18 think, would be the net benefit to the
19 State of Louisiana; and on this
20 particular slide here, what we're
21 showing is what we project the growth in
22 the gaming market in Lake Charles to be,
23 and this is a commercial gaming market.
24 We expect it to grow by \$91 million.

25 Now, where does that come from? I

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1 think first we're projecting that about
2 \$33.7 million of growth to the market is
3 based purely on the Hard Rock brand
4 itself. The research we've done, which
5 is pretty comprehensive nationwide,
6 suggests that the 21 to 49-year-old age
7 group is overly attracted to the Hard

8 Rock brand, and we -- I think if you
9 look at the demographic of the Lake
10 Charles market it currently is, and,
11 indeed, magnificent.

12 The competing proposals, those
13 facilities are really just going to
14 attract the same demographic as we've
15 got at the current casinos. The Hard
16 Rock brand brings in a much younger
17 crowd that we really don't see in the
18 gaming markets today. So we think that
19 about \$33.7 million of growth will occur
20 in the market primarily from Houston
21 from the younger age groups.

22 The same component of that growth,
23 which is, you know, about \$55 million,
24 really comes from two factors. Firstly,
25 the location of the facility just off

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1 I-10 in Lake Charles where it's ideally
2 situated, we believe, to capture
3 visitors coming from Houston to
4 Coshatta. As y'all know, Coshatta is
5 an Indian casino. It does a substantial
6 amount of revenues, none of which is
7 really taxed by the State of Louisiana.

8 So when you combine those two
9 particular sources, we're projecting
10 about \$91 million of new net revenue,

11 inclusive of any cannibalization that
12 may occur in the market to the other
13 operators which then is taxable to the
14 State of Louisiana.

15 I think in the requirements for this
16 presentation, we were asked to provide
17 five-year projections for gaming
18 revenues. They're on this slide. We're
19 projecting 2 million visitors with a
20 first year -- in the first year, which
21 we are projecting is 2013. We believe
22 that will increase or ramp up in the
23 second year, 2014, by about 8 percent as
24 the facility gets its marketing programs
25 underway, you know, by 8 percent to

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1 160,000 million which is about 2.2
2 million visitors.

3 Thereafter, the growth is fairly
4 conservative really based on the
5 population and inflationary growth.
6 We've even toned that down a bit given,
7 you know, the current economic
8 situation. So we think these
9 projections are relatively conservative.

10 You know, I think one of the key
11 pieces that I picked up in some of the
12 previous presentations, particularly the
13 one relating to Lake Charles, was the

14 statement that Mohito Pointe would not
15 cannibalize any of the existing
16 facilities. Based on the experience
17 I've had in probably every market in the
18 U.S. and about four continents with the
19 exception of Antarctica, I guess, I've
20 never seen -- I've never seen a market
21 which is a mature market where you put
22 in a facility that size where you don't
23 significantly cannibalize the existing
24 operators. I mean, it's an unreasonable
25 proposition.

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1 And I think in the next slide we
2 have taken the time and effort to
3 project what we believe that
4 cannibalization will be. And I want to
5 really direct your attention in this --
6 this includes Coughatta, by the way,
7 because we tend to look at these markets
8 in an overall sense and not
9 differentiate between Native America and
10 commercial casinos, but I think if you
11 look at the last three rules of this
12 slide, you will see what I'm talking
13 about.

14 Under the total column, you see the
15 \$33.7 million, which we're projecting
16 Hard Rock will grow the market as a

17 whole based on its brand and its appeal
18 to a younger demographic. We believe
19 the Isle will be cannibalized by about
20 19 percent, L'Auberge by 5 percent.
21 It's further away, and we believe it
22 appeals to a much different demographic,
23 a much older demographic. Delta Downs
24 will get cannibalized a little bit by 10
25 percent, but it's much closer to the

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1 Houston market and, therefore, impact on
2 it will be much less.

3 But I think the key point in this
4 particular site is the significant
5 cannibalization of Coushatta. We
6 believe that this facility -- the Hard
7 Rock facility, which will be competitive
8 with the offerings at Coushatta will be
9 ideally situated along I-10 to
10 intersect -- intercept people coming
11 from Houston to Coushatta, and we
12 believe that we can take about
13 \$58 million from them and bring it back
14 into a taxing system in Louisiana.

15 We also did an economic impact
16 study, which we estimated the number of
17 jobs that would be created, both in
18 construction and in the ongoing
19 operation of the facility. This is

20 total employment, which is a combination
21 of direct employment at the facility
22 itself, induced and indirect employment
23 to give us the total.

24 Let's deal with construction first.

25 We believe that the local impact -- the

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1 actual direct employment in terms of
2 FPEs during construction will be
3 approximately 571. When we look at the
4 direct and indirect impacts of that, the
5 direct -- indirect and the just impacts
6 of that in the local economy, the models
7 -- economic impact models tell us it
8 will be 187 in jobs created in the local
9 economy, while at statewide the project
10 will create over 1,100 jobs.

11 More importantly, though, because
12 the construction impact is just a one
13 offer thing -- more importantly is the
14 ongoing impact where we get continual
15 annual impacts. Locally we believe the
16 facility -- you know, the direct
17 employment of the facility will be 1,138
18 individuals or FPEs. That, when it is
19 applied through the multiplier effect,
20 will create 1,500 jobs in the local
21 economy and 1,972 statewide.

22 Important, also, you know, is the

23 income that comes along with that, and
24 that is the labor income line there.

25 Construction we're creating locally

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1 \$49 million in income and 62 million
2 statewide. Ongoing, we believe that the
3 effect on salaries and labor income will
4 be \$61 million locally and totaling
5 \$79 million statewide.

6 We believe that -- I think you can
7 see that this project, as Mr. Trotter
8 noted, will become a significant back
9 bone to the economy of Calcasieu Parish
10 in Lake Charles; and, indeed, if you
11 look at this and think of it, you know,
12 we're going to be creating a lot of
13 jobs, and that will support a lot of
14 families in the local area that will
15 create demand for housing; it will
16 create demand for groceries, and I think
17 that will cascade through the local
18 economy and really create a different
19 level of vibrance in Lake Charles and in
20 Calcasieu Parish itself.

21 And finally, as I noted earlier, the
22 key or one of the key considerations I'm
23 sure for the Board will be what is the
24 tax generation to the State of
25 Louisiana. There's a number of tax

1 categories which we've outlined here.
2 The first one, you know, we really
3 slightly touched on already, that is the
4 gaming tax. We believe that, you know,
5 there's -- the legislation and the
6 agreements we have in place will
7 generate about \$6.6 million in local
8 taxes for Lake Charles and Calcasieu
9 Parish. State tax will be \$35 million,
10 of which we believe over \$21 million
11 will be net -- that is when you net out
12 your cannibalization of the other
13 facilities. We think it's a significant
14 number, and I don't believe I've seen
15 any numbers from any of the other
16 proponents which addresses this issue of
17 cannibalization and how that affects net
18 taxes.

19 So the total tax impact, therefore,
20 in terms of gaming is some 42 million.
21 We have other tax categories as well.
22 We have the site lease which is just
23 under a million. We have sales taxes
24 which we believe will be about
25 3.5 million of which 2 million will

1 occur locally and another 1.5 million
2 will occur statewide. We have hotel

3 occupancy tax from our 200-room hotel,
4 and some other additional hotels will
5 get it in the market, which total
6 \$306,000; and then, of course, we have a
7 property tax estimation of approximately
8 2 million per annum for a total
9 statewide tax impact of over 48 million
10 annually. And I think that's a fairly
11 significant number.

12 MR. HORVAT: Thank you. Stepping
13 back to the strategic consideration
14 around why we would look at Hard Rock as
15 the anchor for us. Frankly, it's a
16 global, high energy brand; it's music
17 oriented. It's a premium brand, which
18 is very compelling to the target age
19 group that we're seeking. Obviously, it
20 relates to fun and entertainment. It
21 also has a global presence with
22 recognition -- world recognition with
23 locations that are very exclusive, as it
24 turns out: Macau, Las Vegas, Hollywood,
25 Florida; for the casinos in live venues

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1 with hotels in places like Bali,
2 Chicago, Orlando, Macau, coming in Dubi
3 and to Hungry as well. So we think that
4 this is a significant addition to our
5 plan in that it drives a global presence

6 into the -- into our casino.

7 This slide tries to help us all
8 understand what is the compelling aspect
9 of this brand. Clearly it is a very and
10 extremely interested product to the
11 target age groups we've talked about.
12 It will be a magnet, and we think it's
13 the reason people will come to Lake
14 Charles.

15 Additionally, we considered the
16 three major factors related to our plan
17 that we thought were critical to its
18 success. Financial feasibility was key.
19 We took a very cold, hard look at the
20 economic reality of the markets and
21 sized our project to meet the financial
22 commitments, even with changes in market
23 demand.

24 So while we certainly share a view
25 that we think the Texas gaming market is

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1 probably a nonissue for us, we've still
2 decided that this project needs to
3 succeed despite that.

4 Secondly, we worked very closely in
5 cooperation with the officials of
6 Calcasieu Parish and the City of Lake
7 Charles to ensure that the project was
8 sensitive to the local market needs, and

9 that is why they support and back this
10 project.

11 In addition to that, as I touched on
12 earlier, we have an experienced team of
13 professionals that collectively have
14 constructed over 22 Greenfield casinos,
15 20 casino expansions, 14 hotels and 15
16 parking garages. So we know how to do
17 this.

18 When we decided on the fact that we
19 were going to bring a unique and
20 exciting product to the Lake Charles
21 market, we wanted to make sure that it
22 met a standard that was not the norm.
23 While L'Auberge and Horseshoe both do a
24 great job in their venues and they're
25 serving their audiences very well, we

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1 wanted to be something different;
2 therefore, we brought in what we
3 considered to be one of the finest
4 architectural firms in this area,
5 Cunningham Group, who is experienced not
6 only in the casino side, but also on the
7 entertainment side having done work with
8 Disney and MGM.

9 I'd like to introduce Tom Hoskens
10 from Cunningham Group.

11 MR. HOSKENS: Thank you very much.

12 So how do you create a resort that is
13 cutting edge? How do you create a
14 resort that's going to attract this
15 younger group, and what we tried to do
16 is create some forms and some shapes
17 that really started out being from
18 nature: Ice, fractured glass, shards,
19 things like that to create that cool
20 sophisticated look -- and you start to
21 see, hear it and see it in this little
22 vignette that we've created here.

23 We're trying to create a dramatic
24 sense of arrival, a dramatic sense of
25 anticipation as you come over the

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1 Highway 10 bridge; and this is really
2 what you're going to see, and this is
3 sort of the first sort of going, what is
4 that and what's inside?

5 What we're creating here is a
6 porte-cochere underneath here, an icon
7 guitar, the hotel, and the hotel has
8 layers of metal -- sheet metal with LED
9 lights in it that once again we can
10 light at night. It can create a kinetic
11 sculpture again from Highway 10, and
12 then sort of that shard look, that
13 iceberg look for one of those main
14 restaurants as it pops out -- outside.

15 Okay. So what is this resort?
16 254,000 square feet Hard Rock Resort,
17 30,000 square feet of gaming, 1,500
18 slots, 18 table games for starters.
19 It's a cutting edge hotel, a unique
20 hotel, and you'll see some pictures of
21 it in a moment, with 200 rooms; and then
22 there's three entertainment venues
23 within it. There's a bar that has
24 entertainment; there's the Hard Rock
25 Live, and then there's an amphitheater

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1 outside for up to 3,000 people.

2 So there's three really, really cool
3 events or places for music, and that's
4 again such a draw. And then beyond that
5 there's dining; and what we're trying to
6 do is also bring in some branded dining
7 experiences, and branded dining
8 experiences, that once again is a draw
9 beyond the Hard Rock that's kind of an
10 interesting thing itself.

11 The pools, and you'll see some
12 pictures of those, are interactive with
13 a lot of things going on. Why don't we
14 go to the next one. Part of the
15 anticipation is to actually have the
16 promise fulfilled on the inside. This
17 is the inside of the casino; and this is

18 what you'll see once you get on the
19 inside, and some of that same fractured
20 feel, some of the same LED lighting,
21 some of that same pool ceiling feature
22 is all part of the experience that this
23 younger group that we're going for is
24 excited about.

25 Part of the acts -- and this is

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1 really taken from the Biloxi Hard
2 Rock -- the acts that come to the live
3 performances and give live performances
4 are what you see here, and I realize
5 some of them I'm not old enough to
6 really know, but anyway. This is a
7 bunch of the acts that come there, and
8 it's really cool.

9 This is a view of what we believe
10 that amphitheater can be and the
11 ultimate build-out. Next, the hotel:
12 There's many different hotel room
13 styles; but there's also some really
14 unique, new things that are going on,
15 and what we're looking at here is a
16 unique room. It's a little wider; it's
17 a little narrower. It is extremely
18 contemporary; and it very much fits with
19 our demographic that we're going for
20 here, and the hotel itself has great

21 views up and down the lake. So I think
22 it's really situated nicely.

23 Next, this is an idea of what one of
24 those rooms can be like as just the
25 basic room, and then if you're really,

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1 really, really good, you might get to
2 stay in a room like this. And this is
3 one of those sort of over the top,
4 fantasy rooms -- maybe not my fantasy
5 but some of the other people around.

6 Next. All right, and then
7 restaurants, we all have --

8 MR. TROTTER: Don't forget who
9 designed that. You'll notice he can
10 work that red dot a little better than
11 the last gentleman.

12 MR. HOSKENS: I'm younger. All
13 right, and then just a view of what the
14 inside of that major restaurant could be
15 like again bringing in some of the old
16 elements, but then having a lot of woods
17 and then really the wine bar piece in
18 the center, really cool lights inside
19 and, again, some more natural woods with
20 the windows going to the outside.

21 The pools are a major amenity for
22 this group, and in pools not only do you
23 need the food out there, but you also

24 have the swim-up bars, the cabanas. It
25 is right next to the amphitheater, so

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1 you can work the pools with the
2 amphitheater for special events, and
3 it's all right on the river around the
4 lake walk. And all of this, it's one of
5 those things that helps make the city,
6 because it's an event place. You have a
7 wonderful sand beach right alongside of
8 it. The lake walk as it goes around, I
9 think, will be a great asset, and we
10 will be working it all into what we're
11 proposing. This is the younger pool --
12 looking pool set, so.

13 Okay. This is the view from the
14 lake as we're seeing it in Phase I. The
15 hotel tower, the casino itself, and then
16 the events center as it kind of moves
17 over here. Notice they're interesting,
18 unique shapes. It's not the old type of
19 shapes, so it's gonna create a buzz.
20 And then on the ultimate build-out and
21 what it could be in the ultimate
22 build-out, and what a picture.

23 Thank you, and I think Bob's going
24 to take it on from here.

25 MR. HORVAT: Thank you, Tom. I'd

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1 like to introduce Bob Kelly from
2 Innovation Project Development Group who
3 is heading up the project development
4 side of the project for us.

5 MR. KELLY: Thank you. One of the
6 challenges, of course, to all of these
7 projects is that you've got to get the
8 owner's interest as well as the
9 architect's interest to converge into
10 the budget, and it's sometimes not that
11 easy to do. You also have to, once
12 you've created an imagery and shown it
13 to the public, you have to deliver that.

14 So what I do and what my company
15 does, I work very closely with the
16 architectural theme and with the
17 contractor to prove out and to make sure
18 that we can actually deliver what we say
19 we can deliver for the money that we can
20 deliver it for. It's also very
21 important when you talk to the
22 Innovation Group and they say to you,
23 you know, this thing has a return on
24 investment at a certain capital market,
25 and as the program grows, we've got more

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1 opportunities to grow your particular
2 segment, but that also is one of the
3 entities that jumps in here and helps

4 control the overall cost.

5 This particular site, there's
6 nothing as far as the program goes
7 that's not essential to making a gaming
8 facility sustainable. We have 1,500
9 gaming positions in Phase I. We have
10 enough food and beverage to make sure
11 that all of our patrons who come in can
12 enjoy the food and beverage and enjoy
13 that part of the amenities. We know
14 that being in that location on
15 Interstate 10 and very easy access will
16 give us a propensity to do other parts
17 of the industry and not just the gaming.
18 There will be food and beverage and
19 entertainment that will be very
20 important.

21 So we look closely at that, and we
22 have a 3,000 seat amphitheater in Phase
23 I; that's an outdoor amphitheater. It's
24 adjacent to a very large and luxurious
25 pool area, and it's intermingled in that

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1 area for both reasons that you can think
2 of. It's additional space that you can
3 expand to, and it's something that
4 allows our guests to stay longer, which
5 is also a key to this. We want to make
6 sure that they come and they have a

7 really good experience at this facility.
8 Next. We are looking at this
9 facility in this particular location.
10 What's unique to this is that it's going
11 to require a significant amount of
12 additional land added to the existing
13 land mass. So right now the shoreline
14 follows this particular spot, and we're
15 proposing to add between 14 and 16 acres
16 of land currently approved -- most of
17 that is currently approved by the state
18 as part of the land lease with the city.
19 The other part about that is we wanted
20 to make sure we connected this walkway
21 which goes all the way around, and the
22 walkway as part of this project finishes
23 at the beach. So that allows that whole
24 circulation that the city had looked for
25 us to do.

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1 The -- and, of course, the highway
2 has two things going on. First of all,
3 the primary access from our Houston
4 market drives right into us and right
5 into our front door. It has a fairly
6 easy exiting and can go back out this
7 way and go right back. The traffic
8 patterns work pretty nicely, and we show
9 that. But what's really well is the

10 local market can drive right in and come
11 right into us, as well, and we're
12 working diligently to see how we can get
13 a second entrance coming this way. But
14 you can come right down here and again
15 cross underneath the bridge and come
16 back and come on to the site. And when
17 you leave, right back downtown.

18 MR. HORVAT: I think also, Tom --
19 Bob, wasn't there a discussion about the
20 upgrade of the access in the future by
21 the Louisiana Department of
22 Transportation?

23 MR. KELLY: There is a plan in the
24 DOT's ten-year plan to rebuild this
25 bridge, and when they rebuild the

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1 bridge, the -- it currently is planned
2 to move the highway further to the
3 north, and so some of this land could
4 actually come back to this particular
5 site. And like most DOT projects, it's
6 in their plans, and I don't think it's
7 funded yet. But hopefully this project
8 will help with that.

9 This is our Phase I and Phase II
10 master plan, and we've got a little
11 mistake in our colorization here, so
12 I'll go through it with you. In Phase

13 I, we have our indoor theater here. We
14 have our 30,000 square foot of gaming
15 space here. We have our restaurants
16 basically surrounding it, as well as the
17 other functions required, like the gauge
18 and restrooms and things of that nature.
19 We tried to keep the floating portion of
20 that as purely gaming as we can.

21 In Phase I, we have a center bar
22 that's pretty integrate into the whole
23 footprint, and that allows us to be
24 sized correctly, now a very luxurious
25 floor and lots of circulation and also

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1 allows us to grow into Phase II.

2 The hotel in Phase I is right there.
3 I don't know if you can see -- I'm
4 losing a little fade on the light there,
5 but that's where it stops and where it
6 says A there, and that's the second wing
7 of the second hotel; and in the brown
8 area to the left is additional meeting
9 space. D is the outdoor amphitheater; E
10 is our pool area, and F is in Phase II.
11 We're pretty sure we're going to need
12 additional parking, and so that's been
13 sized into the project.

14 On the gaming floor itself, we've
15 massed it to maximize the number of

16 gaming positions. In the future, we're
17 ready for future growth, but for now
18 we've got 1,212 slot machines and we
19 have 40 table games as part of this
20 plan.

21 Where we're putting the barge is
22 going to be a sheet pile enclosure where
23 the basin will go. It will be built
24 very much like L'Auberge's system. Our
25 boat's going to be manufactured in the

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1 State of Louisiana. It's going to go
2 into this location, and it's going to
3 have a mooring that has been approved by
4 the Louisiana Gaming -- and I meant
5 Louisiana manufacturing.

6 Our schedule starts the day that
7 you-guys give us our license, and it's
8 very important. We have two things that
9 are key to us to get started. One is
10 our Army Corps of Engineer permit in
11 order to add the additional land to the
12 space. We have pretty clearly outlined
13 between 90 and 180 days as a target to
14 get that done. We also have our entire
15 design -- turnkey design completion
16 within six months after starting. We
17 will build by package -- foundation
18 package and enclosure package, that way

19 we can build as we're designing, and
20 we're using a design build GMP contract
21 with the interested companies to make
22 sure that we can maintain that schedule.

23 MR. HORVAT: Let me add, also, I
24 think that in -- and the package may
25 have -- this may not be updated

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1 properly. We do have copies for the
2 committee if they'd like. Let me speak
3 very quickly around Phase II. I know
4 that question came up in one of your
5 earlier presentations.

6 As you know, we're very interested
7 in expanding any development that we
8 have; however, from our standpoint we
9 would view the expansion to be dependent
10 not upon time, but again upon
11 performance, specifically relative to
12 any covenants or controls you may have.
13 Clearly the market would have to be
14 there, as well as the willingness and
15 the capital markets to support that. We
16 think that the success of Phase I will
17 make that an easy process.

18 MR. KELLY: And, of course, if we do
19 build Phase II out, we have our
20 projected time schedule in order to get
21 that done. That again triggers based on

22 our negotiations between the gaming
23 commission and Hard Rock. And our
24 estimated cost budgets, we supplied much
25 more detailed cost budgets, but we have

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1 approximately \$83 million in
2 construction, 33 million in FF and E,
3 5 million design. It's all up there.
4 We have a beginning project of
5 \$167,500 -- \$500,000. That includes our
6 financing and getting a contingency.

7 MR. HORVAT: Okay, thank you, Bob.
8 I just very quickly wanted to make sure
9 it was clear we're committed to a
10 procurement plan that would meet all the
11 local, regional and state vendors,
12 subcontractors associated with being a
13 Louisiana based as much as possible. I
14 also want to very quickly note that we
15 have strong community support as
16 evidenced by these documents.

17 From a financial standpoint, I just
18 want to touch on it very briefly that we
19 have talked very closely with the
20 capital market contacts we have. We've
21 retained Innovation Capital Group that's
22 gone down to the market for us. We
23 think this is a very conservative
24 structure which will get done.

25 Effectively, it's not only -- it's got

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1 two and a half times coverage on the
2 debt side, which is very conservative,
3 and four times total capitalization, so
4 we feel that as we go forward, we will
5 be very successful in financing this
6 project and getting it built.

7 Again, talking about the process,
8 we've gone out to the market with
9 proforma business plans; and we're in
10 discussions with various people who we
11 have provided those letters of interest
12 to the Gaming Board previously, and we
13 hope over the next 60 days to bring this
14 financing together.

15 We've already touched on who we are.
16 I'd like to introduce at this time
17 Mr. Paul Alanis, who's part of our
18 operation.

19 MR. ALANIS: Thank you, Tony. I
20 can't count the number of times I've
21 appeared before this board, but it's
22 been almost eight years since my last
23 appearance before the board. So it's
24 very nice to be back and to see a lot of
25 old friends. I know the time is limited

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1 so I'll be short.

2 Your deliberations today remind me
3 of a great saying of one of the most --
4 one of the best American philosophers
5 Yogi Berra. You know, this is really
6 deja vu all over again, because when I
7 appeared before you eight years ago, you
8 were deliberating how to place the last
9 license that was available in this
10 state, and I made a presentation to you
11 trying to convince you that Lake Charles
12 was, indeed, the most underserved market
13 in Louisiana, that it did not have a
14 facility of the quality that we had done
15 up in Shreveport/Bossier, and that you
16 should absolutely approve Pinnacle
17 Entertainment, which I was then the CEO
18 of -- our proposal to put a major
19 project in Lake Charles.

20 You agreed with me, and L'Auberge is
21 the success of that. My successor, Dan
22 Lee, who you heard from before earlier
23 today, with the able help of Cliff
24 Kortman, whom I brought over from
25 Horseshoe to Pinnacle with me who has

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1 still -- and outlived both of us at
2 Pinnacle and is still there as head of
3 construction -- with his able
4 assistance, they built L'Auberge which

5 fulfilled my dream and my promise to you
6 to bring a major resort and a
7 development to the state and to Lake
8 Charles that would fulfill your
9 obligation to the citizens of this
10 state, and that is to approve and to
11 manage -- approve developments and to
12 manage this industry in a way that will
13 create the maximum economic development
14 for the people of the State of
15 Louisiana.

16 So when Mr. Trotter approached me to
17 be part of this team to basically help
18 in the development and then to oversee
19 and manage this facility, if granted the
20 privilege by you, I really asked him and
21 told him that I wasn't interested unless
22 he could convince me of two things.

23 First, it was that he was planning a
24 development that would be of the
25 quality -- of the class that I had been

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1 associated with in my last 18 years in
2 this business. The second was that he
3 wouldn't waste my time. That he had a
4 project that could actually get done
5 that was feasible from an economic
6 perspective in this difficult economic
7 times, and that it was a project that

8 could actually get built and get
9 financed and get opened within a
10 reasonable period of time. He convinced
11 me of those two points, and I'm here to
12 try to convince you of those two points.

13 Twenty years ago before I entered
14 the gaming industry before I met Jack
15 Binion, I spent six months as a
16 consultant to Peter Martin conceiving
17 and designing the original Hard Rock
18 Hotel & Casino in Las Vegas. It was an
19 exciting process, and it became an
20 incredibly successful casino in Las
21 Vegas. The brand has enormous appeal.
22 It is enormously successful in Florida,
23 and if you look at the Biloxi coast
24 where that market, just like your
25 market -- and you've heard from your

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1 revenue people that this market is flat.
2 Your revenue is down one percent for
3 this year as opposed to last year.

4 It's the same case in Mississippi.
5 That revenue is down several percent
6 this year as opposed to last year. The
7 only casino that is up significantly in
8 revenue is the Hard Rock in Biloxi, and
9 it has been able to develop a loyal, you
10 know, clientele and a growing clientele

11 that it appeals to a niche market, and
12 so that's why I think that it makes
13 sense to do this type of a project in
14 Lake Charles, which you've already heard
15 ample reason why you should place the
16 license in Lake Charles. It remains, I
17 think, the only viable gaming market in
18 this state that will not dramatically
19 cannibalize or undermine competition and
20 really not lead to any really true net
21 economic benefit.

22 There is still growth potential in
23 the market, but make no mistake, we're
24 in the midst of a recession. And I've
25 been in this business for almost 19

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1 years; I've been a commercial real
2 estate developer for almost 30. This is
3 the toughest credit market that I have
4 ever experienced, and this recession
5 that we're in may last for several more
6 years. Surely it's going to take some
7 time for us to come out of it.

8 So this has to be a project that is
9 reasonable in its scope that can get
10 financed that can actually find the
11 money, because this project is
12 \$167 million. Mr. Trotter is going to
13 seed that with his own capital. In

14 today's market, you need at least 25,
15 more like 30 percent equity. So if you
16 take a \$400 million project, you're
17 talking about a -- more like \$125
18 million of equity.

19 For this project, it's challenging
20 enough at 50, but it's doable. It's
21 clearly doable, and the hundred million
22 dollars of senior debt is something that
23 I believe that sophisticated investors
24 can look at and determine that the risk
25 is reasonable.

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1 We've all talked about Texas today.
2 It remains -- why is it -- what has
3 changed? What has changed, Mr.
4 Chairman, is that every state in this
5 country is looking to fill a budget
6 deficit, and as a result, a number of
7 states that no one ever believed would
8 turn to gaming have turned to gaming as
9 an alternative to fulfilling their
10 budget deficits. Texas is unlikely. As
11 long as Rick Perry is governor in Texas,
12 I think it's unlikely, but there is
13 always the possibility four years, six
14 years down the road.

15 So for investors to look at a
16 project, they need to be able to take a

17 reasonable risk and be able to see that
18 a project can return their money
19 quickly, and that this can be built
20 quickly enough that it can actually get
21 the money back before that -- before
22 that event may occur.

23 So I feel that this is the right
24 project for these times. Eight years
25 ago I came and told you in 2002 that a

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1 250 to \$300 million project for Lake
2 Charles was the right project. It even
3 expanded from that and it has been a
4 success, but this is 2010. And in these
5 times, the project that I think we're
6 proposing to you makes economic sense.
7 It will grow the market. It will appeal
8 to a demographic that is dramatically
9 underserved in this market, so it will,
10 indeed, appeal to -- and it will not
11 drive a stake into the heart of the
12 existing operators in the market that
13 are there now, because if it does that,
14 then you really haven't achieved your
15 objective. You have, indeed, just
16 substituted a gaming dollar in one
17 casino operator's pocket for one that
18 came out of another's pocket.

19 So I'm very enthusiastic about this

20 project. I'm prepared to devote the
21 next couple years in terms of getting
22 this done, and I hope you will look at
23 it and see that what we're proposing is
24 the right project in the right market
25 given the times that we're in.

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1 MR. HORVAT: Thank you, Paul.
2 That's all we have for today.

3 CHAIRMAN MORGAN: Mr. Trotter,
4 again, thank you --

5 MR. TROTTER: Thank you.

6 CHAIRMAN MORGAN: -- for the
7 excellent presentation. And I want to
8 apologize, we're just really strapped
9 for time, and we need to be out of this
10 room. But there will be another
11 opportunity to address issues, any
12 questions we have on this project
13 because we will have other opportunity,
14 and I will commit to you that we'll put
15 you first. How about that?

16 But, Board Members, we'll entertain
17 questions, but please, we need to be out
18 of here five, six, seven minutes, so if
19 we can just get to the pertinent
20 questions, and then we'll have an
21 opportunity to ask more questions in the
22 future. Mr. Jones.

23 MR. JONES: Yeah, sometimes the
24 Corps of Engineers can be a little
25 ornery about giving out permits. Is the

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1 90 to a hundred -- 180-day period
2 realistic, you think, in getting a Corps
3 permit?

4 MR. BAIRD: Tom Baird, we have met
5 with two different engineering firms in
6 Lake Charles. They actually tell us
7 that, number one, part of this has
8 already been approved by the Corps. In
9 fact, the majority of what we show has
10 already been approved by the Board. But
11 they actually tell us we probably don't
12 need more than three weeks to get it
13 done. We've given it the extra time
14 because we've dealt with the Corps
15 before.

16 MR. JONES: Who were the Corp
17 people, can you say?

18 MR. BAIRD: D.W. Justin was the
19 engineering firm that we -- that we --
20 the last firm that we met with.

21 CHAIRMAN MORGAN: Miss Noonan.

22 MS. NOONAN: Once again I'll ask:
23 If gaming is approved in Texas, are you
24 committed to having this project
25 continue in Lake Charles?

1 MR. TROTTER: By the time Texas gets
2 gaming, I don't think anybody's going to
3 be here. I've been in this business
4 for -- since 1970, and every two years
5 I've heard Texas gaming. It's just not
6 going to happen. The current government
7 is absolutely opposed to it. Oh, yes,
8 we're going to go through with this
9 project --

10 MS. NOONAN: Thank you.

11 MR. TROTTER: -- in spite of Texas.

12 CHAIRMAN MORGAN: Okay. Are there
13 any other questions? Mr. Stipe.

14 MR. STIPE: Just a couple, and,
15 again, the anticipated patron base
16 geographically, what percentage of that
17 anticipated patron base would you
18 anticipate would be from outside of the
19 State of Louisiana?

20 MR. GIRVAN: Paul Gervin, I estimate
21 that would be 70 to 80 percent.

22 MR. STIPE: Forgive me, but I've
23 looked through the materials. How have
24 you secured the right to use Hard Rock?
25 How is that obtained?

1 MR. HORVAT: We have met with Hard
2 Rock who holds the name. Actually, the

3 way Hard Rock operates is there's two
4 entities. The Morgan Group out of Las
5 Vegas holds the rights to using the name
6 west of the Mississippi. We have a
7 letter of intent from them effective and
8 subject to licensing utilizing.

9 MR. STIPE: So as of right now, you
10 have a letter of intent or an expression
11 of interest from the Hard Rock Cafe that
12 they will enter into some --

13 MR. HORVAT: An agreement.

14 MR. STIPE: -- contract with you at
15 a later date?

16 MR. HORVAT: Yes.

17 MR. STIPE: Assuming some other
18 contingencies.

19 MR. HORVAT: Correct.

20 MR. STIPE: Do you have any other
21 proposals in the event you're unable to
22 secure that, the rights through
23 contract?

24 MR. HORVAT: We've actually
25 discussed that. The only thing I'd say

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1 is there are alternative -- alternatives
2 such as Planet Hollywood that were
3 available if we find that necessary. We
4 feel very comfortable with the Hard Rock
5 and the relationship there, so certainly

6 we've thought about plan B.

7 MR. STIPE: And you've had the
8 benefit of the other two presentations.
9 Could you tell us what you view as the
10 advantage that your proposal has as to
11 the other two proposals.

12 MR. HORVAT: Certainly. We think
13 that first off, it's a community based
14 approach to this issue. We're going to
15 bring a tremendous economic engine to
16 the downtown of Lake Charles, which is
17 going to help it change significantly.
18 So we think that's a fundamental value
19 we provide.

20 In addition to that, we are what I'd
21 say is the branded opportunity coming
22 into the State. The other two proposals
23 really are more of the same. While one
24 might be big, it really doesn't have any
25 global recognition. Lake Charles will

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1 go on a list that's very exclusive, and
2 then we'll be known around the world as
3 one of the locations Hard Rock's located
4 at.

5 MR. ALANIS: Could I answer that
6 quickly, too, real quick? I would like
7 to say that I look at it differently.
8 As it relates to the Penn proposal, I

9 would say that they're the ones who
10 could write the check, no doubt. Mr.
11 Carlino was right. That's their
12 advantage.

13 The disadvantage is that they, by
14 their own admission, will do virtually
15 nothing to increase the economic benefit
16 to the state. It will simply
17 cannibalize the existing market, so I
18 see that in terms of trying to fill your
19 obligation of adding economic benefit,
20 it does virtually nothing.

21 As it relates to Mr. Lee's project
22 is certainly more feasible, it will get
23 done. I think Mr. Lee has a beautiful
24 project; it is spectacular in terms of
25 its scope, but I don't believe it can

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1 get done. It's a \$400 million project
2 in the toughest market that I've ever
3 seen, and I think our advantage is that
4 our project is more sensible in terms of
5 its ultimate scope and its cost.

6 MR. STIPE: And the biggest concern
7 you have with this project other than
8 the action of this board in terms of
9 license?

10 MR. ALANIS: It is the financing,
11 because even at \$167 million, it's not a

12 slam dunk, but I do believe that this
13 project, given its location in Lake
14 Charles, given its association with a
15 name like Hard Rock and given
16 Mr. Trotter's sponsorship of it and his
17 realistic notion in terms of a capital
18 structure where he is willing to give up
19 a majority of the equity to other
20 additional equity investors that will
21 come in, it can get done, but I do think
22 that it still remains the largest risk.

23 MR. STIPE: That's all I have.

24 Thank you.

25 CHAIRMAN MORGAN: Mr. Singleton.

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1 MR. SINGLETON: I'll save all my
2 others until the next time, but I do
3 want to understand, is Hard Rock's
4 business about younger crowds? For an
5 old card like me to understand, who is
6 the younger crowd, and what makes that
7 different from the people that are
8 coming here to gamble now?

9 MR. ALANIS: You know, I own and
10 operate the Silver Slipper Casino in
11 Mississippi on the Gulf Coast of
12 Mississippi, and I've been in this
13 business a long time with Horseshoe with
14 Pinnacle. Most of the time our average

15 customer is somewhere between 55 to 60
16 years old; and it's simply because they
17 have more money, and they have more time
18 on their hands and they -- so that is
19 what has typically been drawn to these
20 regional markets, and that is what
21 sustains these markets.

22 Where these markets have been unable
23 to really tap into is a younger
24 demographic, and the -- I believe the
25 Hard Rock can do that. If it's done

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1 that in Biloxi -- and I think it's one
2 of the reasons why it's continued to
3 grow in terms of revenue over the last
4 couple of years while the other casinos
5 in Mississippi and in Louisiana have
6 actually lost revenue. So I think it is
7 an underserved demographic, but it is a
8 demographic that is, as the population
9 is getting older, it is growing more and
10 more, and I think that it is one that
11 Lake Charles, you know, needs to tap
12 into more.

13 CHAIRMAN MORGAN: That's it.

14 MR. SINGLETON: I'm not satisfied,
15 but I'll wait until next time.

16 CHAIRMAN MORGAN: Miss Rogers.

17 MS. ROGERS: I am the same thing as

18 Mr. Singleton. I'm curious, how did you
19 get those numbers with the 21 to 24 year
20 group? Because almost 50 percent of
21 your projections are in that group. How
22 do you reach that number?

23 MR. GIRVAN: We did a survey five
24 years ago. It was a 2,400 person survey
25 across the entire U.S., and we presented

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1 them with the number of choices in
2 different casino brands. When we
3 analyzed that data and cross tabulated
4 the brand, the selection of brands by
5 age group, the Hard Rock brand was the
6 highest -- most attractive brand in that
7 particular age group. That's how we
8 came to those numbers.

9 In terms of the market, what we did
10 is we subdivided the market by age group
11 and applied a premium to the various age
12 groups that they're most attracted to
13 Hard Rock to represent that
14 attractiveness, and that's how we got
15 the numbers.

16 MS. ROGERS: I could see them being
17 interested, you know, in the partying.

18 MR. GIRVAN: We can provide further
19 data on that.

20 CHAIRMAN MORGAN: The board's clear.

21 So, again, thank you very much. This is
22 the introduction to your projects. All
23 of the applicants, the Board will have a
24 lot of interesting reading, and we look
25 forward to having you before the board

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1 again before we make a decision. Thank
2 you.

3 IX. PUBLIC COMMENTS

4 CHAIRMAN MORGAN: Members, I open
5 this for opportunity for the public
6 comment before the board. Any public
7 comment? [No response.]

8 X. ADJOURNMENT

9 CHAIRMAN MORGAN: Does anyone want
10 to make a motion to adjourn? Mr. Stipe.

11 MR. STIPE: I move.

12 CHAIRMAN MORGAN: Mr. Bradford.

13 MR. BRADFORD: Second.

14 CHAIRMAN MORGAN: Any objection?

15 [No response.] None.

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1 REPORTER'S PAGE

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3 I, SHELLEY PAROLA, Certified Shorthand

4 Reporter, in and for the State of Louisiana, the

5 officer before whom this sworn testimony was

6 taken, do hereby state:

7 That due to the spontaneous discourse of this

8 proceeding, where necessary, dashes (--) have been

9 used to indicate pauses, changes in thought,

10 and/or talkovers; that same is the proper method

11 for a Court Reporter's transcription of a

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25 Registered Professional Reporter

1 STATE OF LOUISIANA

2 PARISH OF EAST BATON ROUGE

3 I, Shelley G. Parola, Certified Court

4 Reporter and Registered Professional Reporter, do

5 hereby certify that the foregoing is a true and

6 correct transcript of the proceedings on December

7 16, 2010, as taken by me in Stenographic machine

8 shorthand, complemented with magnetic tape

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10 to the best of my ability and understanding, using

11 Computer-Aided Transcription.

12 I further certify that I am not an

13 attorney or counsel for any of the parties, that I

14 am neither related to nor employed by any attorney

15 or counsel connected with this action, and that I

16 have no financial interest in the outcome of this

17 action.

18 Baton Rouge, Louisiana, this 10th day of

19 January, 2011.

20

21

22

SHELLEY G. PAROLA, CCR, RPR

CERTIFICATE NO. 96001

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