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STATE OF NEW JERSEY

CASINO CONTROL COMMISSION

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PUBLIC MEETING NO. 11-11-16

- - - - -

Wednesday, November 16, 2011

Atlantic City Commission Offices

Joseph P. Lordi Public Meeting Room - First Floor

Tennessee Avenue and Boardwalk

Atlantic City, New Jersey 08401

10:38 a.m. to 12:05 p.m.

Certified Court Reporter: Darlene Sillitoe

- - - - -

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1 B E F O R E :

2 CASINO CONTROL COMMISSION:
LINDA M. KASSEKERT, CHAIR
3 EDWARD J. FANELLE, VICE CHAIR
SHARON ANNE HARRINGTON, COMMISSIONER
4

5 PRESENT FOR THE CASINO CONTROL COMMISSION:
DARYL W. NANCE, ADMINISTRATIVE ANALYST
6 DANIEL J. HENEGHAN, PUBLIC INFORMATION OFFICER

7 OFFICE OF THE GENERAL COUNSEL:
DIANNA W. FAUNTLEROY, GENERAL COUNSEL/EXECUTIVE
8 SECRETARY
MARY WOZNIAK, ASSISTANT GENERAL COUNSEL
9 SANDRA DeLIA, LEGAL SUPPORT SPECIALIST
BRIDGET A. LOMBARD, LEGAL SUPPORT SPECIALIST
10

DIVISION OF GAMING ENFORCEMENT:
11 DEPUTY ATTORNEYS GENERAL
JOHN E. ADAMS, JR., DEPUTY ATTORNEY GENERAL
12 BRIAN C. BISCIEGLIA, DEPUTY ATTORNEY GENERAL

13

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1 A P P E A R A N C E S :

- 2 ITEM NO. 3 JOHN E. ADAMS, JR., DEPUTY
ATTORNEY GENERAL
3 TAMA HUGHES, ESQ.
FOR: TROPICANA ATLANTIC CITY CORP.
4
- 5 ITEM NO. 6 SANDRA DeLIA, LEGAL SUPPORT SPECIALIST
JOHN E. ADAMS, JR., DEPUTY
ATTORNEY GENERAL
6 NICHOLAS F. MOLES, ESQ.
FOR: DGMB CASINO, LLC
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- 8 ITEM NO. 7 SANDRA DeLIA, LEGAL SUPPORT SPECIALIST
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9 FOX ROTHSCHILD, LLP
NICHOLAS CASIELLO, JR., ESQ.
10 FOR: MARINA DISTRICT DEVELOPMENT
COMPANY, LLC
11
- 12 ITEM NO. 8 DIANNA FAUNTLEROY, GENERAL COUNSEL
TRACY E. RICHARDSON, DEPUTY
ATTORNEY GENERAL
13 DUANE MORRIS, LLP
GILBERT BROOKS, ESQ.
14 ADAM J. TALIAFERRO, ESQ.
FOR: RIH ACQUISTIONS NJ, LLC
15
- 16 ITEM NO. 9 DIANNA FAUNTLEROY, GENERAL COUNSEL
JOHN E. ADAMS, JR., DEPUTY
ATTORNEY GENERAL
17 FOX ROTHSCHILD, LLP
NICHOLAS CASIELLO, JR., ESQ.
18 FOR: AC GATEWAY, LLC, and Affiliates
19
20
21
22
23
24

		AGENDA		
		PUBLIC MEETING NO. 11-11-16		
		NOVEMBER 16, 2011, 10:38 a.m.		
	ITEM		PAGE	VOTE
1	1 Ratification of the minutes of the		8	8
	October 12, 2011, public meeting			
2	2 Applications for casino key employee			
	licenses and/or for qualifications:			
3	I Initial casino key employee license		8	9
	applications:			
4	a) Blaze Catania			
5	b) Barbara H. Glutz			
6	c) Joshua D. Linthicum			
7	d) Raymond Reganato			
8	II Resubmitted casino key employee		9	10
	license applications:			
9	a) Ronald H. Bramble			
10	b) Brandon N. Burbee			
11	c) Eric M. Cantell			
12	d) Willett A. Carman, Jr.			
13	e) John J. Cavacini			
14	f) Kenyda Crump			
15	g) Vito R. Dicosmo			
16	h) Bernadette L. Gonzalez			
17	i) Patricia Green			
18	j) John R. Hayes			
19	k) Francis W. Hines			
20	l) Christopher J. Howe			
21	m) Francis P. Lanzetta			
22	n) Howard L. Lawrance, III			
23	o) Karen Lew			
24	p) Kinh L. Man			
	q) Allen May			
	r) Patricia E. McCormick			
	s) Michael J. Moreno			
	t) Richard L. Nicholas, Jr.			
	u) Charles Natile			
	v) Francis R. Pappa			
	w) Michael J. Pavlinko			
	x) Charles A. Pinto			
	y) Paul J. Regan			
	z) Charles A. Robinson, Jr.			
	aa) Thomas E. Robinson			
	bb) Iveliz Santos			
	cc) Cynthia L. Spivey			
	dd) Nu T. Su			
	ee) Susan M. Swan			

ff) Cheryl L. Thomas

1	CONTINUED	AGENDA		
		PUBLIC MEETING NO. 11-11-16		
2		November 16, 2011, 10:38 a.m.		
	ITEM		PAGE	VOTE
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		hh) Lawrence Wagner		
4	3	Petition of Tropicana Atlantic City Corp. (d/b/a Tropicana Casino and Resort) for the issuance of a temporary casino key employee license to Raymond C. Bertschy pursuant to NJSA 5:12-89(e) and to permit him pursuant to NJAC 13:69c-2.6 to assume the duties and exercise the powers of Vice President Food and Beverage without first having been found qualified (PRN 2901102)	10	12
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8	4	Proposed revocation of casino key employee license for Carol L. Ostroski (DK 11-0008-CK)	12	14
9		Stipulation of settlement in the application of William E. Hamer, Jr., for a casino key employee license (DK 11-0007-CK)	14	16
10				
11	6	Petition of DGMB Casino, LLC, requesting permission for Richard Robbins to perform the duties and exercise the powers of a member of the Audit Committee of DGMB Casino, LLC, pending plenary qualification (PRN 3041102)	16	18
12				
13	7	Petition of Marina District Development Company, LLC (d/b/a Borgata Hotel Casino & Spa) requesting permission for Richard Flaherty to perform the duties and exercise the powers of Director of is Holding Company, Boyd Gaming Corporation pending plenary qualification (PRN 3011102)	18	20
14				
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17	8	Petition of RIH Acquisitions NJ, LLC, for various declaratory relief in connection with a Settlement Agreement and Release Agreement (PRN 3071102, PRN 3071103-dge)	21	91
18				
19		Eric J. Matejevich, sworn	25	
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20		Nicholas L. Ribis, sworn	78	
21	9	Consideration of the application of AC Gateway, LLC, and affiliates for approval to participate in the Staged Casino License Pilot Program	92	143
22				
23		James Allen, sworn	96	
24		PUBLIC PARTICIPATION: BRIAN CALLAGHAN ESQ.		145

E X H I B I T S :			
NO.	DESCRIPTION	ID	EVD
NO. 2			
4	EL-1 Grant for hearings 4 licenses		X
	E1-2 Grant 34 licenses		X
NO. 8			
7	C-1 Draft Resolution	X	
8	D-1 DGE Report, 11-7-11, Tracy E. Richardson Re: PRN 3071102, PRN 3071103		X
9	P-1 Settlement Agreement, 11-2-11		X
10	P-2 Release Agreement, 11-2-11		X
	P-3 Draft Transitional Services Agreement 11-15-11		X
11	P-4 Stipulation of Dismissal with Prejudice		X
12	P-5 Deposit Escrow Agreement		X
	P-6 Draft Second Amendment to Unitary Lease Agreement, 11-4-11		X
13	P-7 Draft Third Amended and Restated Limited Liability Company Agreement of RIH Acquisitions NJ, LLC, as of 11-4-11		X
14	P-8 11-17-11 Mississippi Gaming Commission Agenda Item III - Gaming Matters		X
15	P-9 1-9-11 Casino Reinvestment Development Authority Board Meeting Agenda		X
16			
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NO. 9			
	Mounted Boards:		
19	P-1 Existing Site		X
	P-2 Phase I Concept Rendering		X
20	P-3 Phase 2 Concept Rendering, Aerial View		X
	P-4 Phase 2 Concept Rendering, Street View		X
21	P-5 Boardwalk View		X
	P-6 Beach and Boardwalk		X
22	P-7 Mezzanine Level		X
	P-8 Casino Level		X
23	P-9 Event Center/Spa Level		X
	P-10 Exterior Studies (4 pages)		X
24			

1 (Public Meeting 11-11-16 was commenced
2 at 10:38 a.m.)

3 MR. NANCE: Good morning. I'd like to
4 read an opening statement:

5 This is to advise the general public
6 that in compliance with Chapter 231 of the
7 public laws of 1975 entitled "Senator Bryon M.
8 Baer "Open Public Meeting Act," the New Jersey
9 Casino Control Commission on April 19, 2011,
10 filed with the Secretary of State at the State
11 House in Trenton an annual meeting schedule.
12 On April 20th, copies were mailed to
13 subscribers.

14 Members of the press will be permitted
15 to take photographs. We ask that this be done
16 in a manner which is not disruptive or
17 distracting to the Commission.

18 The use of cell phones in the public
19 meeting room is prohibited.

20 Any member of the public who wish to
21 address the Commission will be given the
22 opportunity to do so before the Commission
23 adjourns for the day.

24 Please stand for the Pledge of

ITEM NO. 1-2

1 (The flag salute was recited.)

2 CHAIR KASSEKERT: Good morning.

3 MR. NANCE: Good morning.

4 The matters discussed in closed session
5 were: Employee license matters.

6 The Commission approved the October
7 12th, 2011, closed-session minutes.

8 Litigation update regarding Brooks
9 versus the Casino Control Commission and
10 Edwards versus Adamar of New Jersey, et al.

11 Item No. 1, ratification of the minutes
12 of October 12th, 2011, public meeting.

13 COMMISSIONER HARRINGTON: I move that we
14 adopt the minutes.

15 VICE CHAIR FANELLE: Second.

16 CHAIR KASSEKERT: The motion has been
17 made and seconded. All in favor?

18 (Ayes.)

19 CHAIR KASSEKERT: Opposed?

20 (No response.)

21 CHAIR KASSEKERT: The motion carries.

22 MR. NANCE: Item No. 2, application for
23 casino key employee licenses and for
24 qualifications. This agenda item will be

entered as Exhibit List 1 and 2.

ITEM NO. 2

1 Exhibit List 1 consists of the following
2 four applications for initial casino key
3 employee licenses for: Blaze Catania, Barbara
4 H. Glutz, Joshua L. Linthicum [sic], and
5 Raymond Reganato.

6 Staff and the Division have recommended
7 that these licenses be granted.

8 COMMISSIONER HARRINGTON: I move we
9 grant these four applications for initial key
10 employee license.

11 VICE CHAIR FANELLE: Second.

12 CHAIR KASSEKERT: The motion has been
13 made and seconded. All in favor?

14 (Ayes.)

15 CHAIR KASSEKERT: Opposed?

16 (No response.)

17 CHAIR KASSEKERT: Motion carries.

18 MR. NANCE: Exhibit List 2 consists of
19 the following 34 resubmitted key employee
20 licenses for: Ronald H. Bramble, Brandon N.
21 Burbee, Eric M. Cantell, Willett A. Carman,
22 Jr., John J. Cavacini, Kenyda Crump, Vito R.
23 Dicosmo, Bernadette L. Gonzalez, Patricia
24 Green, John R. Hayes, Francis W. Hines,

ITEM NO. 3

1 Howard L. Lawrance, III, Karen Lew, Kinh L.
2 Man, Allen May, Patricia E. McCormick, Michael
3 J. Moreno, Richard L. Nicholas, Jr., Charles
4 Nutile, Francis R. Pappa, Michael J. Pavlinko,
5 Charles A. Pinto, Paul J. Regan, Charles A.
6 Robinson, Jr., Thomas E. Robinson, Iveliz
7 Santos, Cynthia L. Spivey, Nu T. Su, Susan M.
8 Swan, Cheryl L. Thomas, Alison E. Trazzera, and
9 Lawrence Wagner.

10 Staff and the Division have recommended
11 that these licenses be granted.

12 VICE CHAIR FANELLE: I'll move that we
13 grant the 34 resubmitted casino key employee
14 licenses.

15 COMMISSIONER HARRINGTON: Second.

16 CHAIR KASSEKERT: The motion has been
17 made and seconded. All in favor?

18 (Ayes.)

19 CHAIR KASSEKERT: Opposed?

20 (No response.)

21 CHAIR KASSEKERT: The motion carries.

22 MR. NANCE: Item No. 3, Petition No.
23 2901102 of Tropicana Atlantic City Corp. is
24 requesting the issuance of a temporary key

employee license to Raymond C. Bertschy,

ITEM NO. 3

1 pursuant to NJSA 5:12-89(e) and to permit him
2 pursuant to NJAC 13:69c-2.6 to assume the
3 duties and exercise the powers of the Vice
4 President of Food and Beverage without first
5 having been found qualified.

6 CHAIR KASSEKERT: Good morning, Miss
7 Hughes.

8 MS. HUGHES: Good morning. Good
9 morning.

10 Tama Hughes on behalf of Tropicana
11 Atlantic City Corp., doing business as
12 Tropicana Casino and Resort.

13 I know you've had an opportunity to
14 review the petition that was filed.

15 I have Mr. Bertschy here if you have any
16 questions, any comments that you would like to
17 make. But I would ask that you accept the
18 petition as it is.

19 CHAIR KASSEKERT: Thank you.

20 Good morning, Mr. Adams.

21 MR. ADAMS: Good morning, Chair and
22 Commissioners. We obviously do not oppose the
23 issuance of a temp key license.

24 CHAIR KASSEKERT: Thank you.

ITEM NO. 4

1 COMMISSIONER HARRINGTON: No questions.

2 VICE CHAIR FANELLE: I'll move that we
3 approve the petition and issue a temporary key
4 employee license to Raymond C. Bertschy, and
5 permit him to assume the duties and exercise
6 the powers of Vice President of Food and
7 Beverage without first having been found
8 qualified.

9 COMMISSIONER HARRINGTON: Second.

10 CHAIR KASSEKERT: The motion is made and
11 seconded. This is a roll call vote.

12 MR. NANCE: Commissioner Harrington?

13 COMMISSIONER HARRINGTON: Yes.

14 MR. NANCE: Vice Chair Fanelle?

15 VICE CHAIR FANELLE: Yes.

16 MR. NANCE: Chair Kassekert?

17 CHAIR KASSEKERT: Yes.

18 MR. NANCE: The record will reflect that
19 the motion is unanimous.

20 CHAIR KASSEKERT: Thank you.

21 MS. HUGHES: Thank you.

22 MR. NANCE: Item No. 4, proposed
23 revocation of the casino key employee license
24 for Carol L. Ostroski.

ITEM NO. 4

1 MR. LUBIN: Good morning, Chair and
2 Commissioners.

3 For your consideration is the matter of
4 Carol Ostroski. Miss Ostroski filed a
5 resubmission application but failed to request
6 a hearing after the Division of Gaming
7 Enforcement recommended denial and revocation
8 of her casino key employee license.

9 Subsequently, at the Commission's
10 October 12th, 2011, public meeting, the
11 Commission granted the Division of Gaming
12 Enforcement's request that Miss Ostroski be
13 afforded another opportunity to request a
14 hearing. However, Miss Ostroski again failed
15 to respond. Accordingly, the matter is now
16 before you for consideration.

17 Miss Ostroski was notified the
18 Commission would be considering this matter
19 today, but it does not appear she is here.

20 Thank you.

21 CHAIR KASSEKERT: Thank you.

22 Mr. Bisciegliia?

23 MR. BISCIEGLIA: Thank you.

24 I think Mr. Lubin touched on all the

important points here. Miss Ostroski has been

ITEM NO. 5

1 afforded numerous chances, and the Division
2 agree that revocation probably would be the
3 proper response at this time.

4 Thank you.

5 CHAIR KASSEKERT: Thank you.

6 Any questions?

7 COMMISSIONER HARRINGTON: No questions.

8 I'll move that we revoke the resubmitted
9 key employee license held by Carol L. Ostroski.

10 VICE CHAIR FANELLE: Second.

11 CHAIR KASSEKERT: The motion has been
12 made and seconded. All in favor?

13 (Ayes.)

14 CHAIR KASSEKERT: Opposed?

15 (No response.)

16 CHAIR KASSEKERT: The motion carries.

17 MR. NANCE: Item No. 5, stipulation of
18 settlement in application of William E. Hamer,
19 Jr., for a casino key employee license.

20 MS. LOMBARD: Good morning, Chair,
21 Commissioners.

22 For your consideration is the matter of
23 William E. Hamer, Jr. Mr. Hamer filed an
24 initial application for a casino key employee

license. The Division raised objection to the

ITEM NO. 5

1 application with the Division. And Mr. Hamer
2 agreed to a stipulation of settlement.

3 This matter is now before you for your
4 consideration to approve and grant the initial
5 key employee license.

6 Mr. Hamer was notified that the
7 Commission would be considering this matter
8 today.

9 CHAIR KASSEKERT: Thank you.

10 Mr. Bisciegliia?

11 MR. BISCIEGLIA: Thank you, Chair.

12 The Division has nothing further and
13 asks that the Commission approve the
14 stipulation as submitted.

15 Thank you.

16 CHAIR KASSEKERT: Thank you.

17 Any questions?

18 COMMISSIONER HARRINGTON: No questions.

19 VICE CHAIR FANELLE: Madame Chair, I'll
20 move that we approve the stipulation of
21 settlement and grant William E. Hamer, Jr.,
22 initial key employee license application
23 subject to compliance with a wage execution and
24 consent agreement.

COMMISSIONER HARRINGTON: I'll second

ITEM NO. 6

1 that.

2 CHAIR KASSEKERT: The motion has been
3 made and seconded. All in favor?

4 (Ayes.)

5 CHAIR KASSEKERT: Opposed?

6 (No response.)

7 CHAIR KASSEKERT: The motion carries.
8 Thank you.

9 MR. BISCIEGLIA: Thank you.

10 MR. NANCE: Item No. 6, petition of DGMB
11 Casino, LLC, requesting permission for Richard
12 Robbins to perform the duties and exercise the
13 powers as a member of the Audit Committee of
14 the DGMB Casino, LLC, pending plenary
15 qualification.

16 Miss DeLia?

17 MS. DeLIA: Good morning, Chair,
18 Commissioners.

19 Today we have Nick Moles, we have for
20 petitioner, and Jack Adams from the Division.

21 CHAIR KASSEKERT: Thank you.

22 Mr. Moles?

23 MR. MOLES: Nicholas F. Moles, Vice
24 President, General Counsel, for DGMB Casino,

ITEM NO. 6

1 Madame Chair, the petition has been
2 filed. The Division of Gaming Enforcement has
3 filed its letter report.

4 The Commission staff was kind enough to
5 send us a draft of the resolution which we're
6 in agreement with.

7 Unless the Commission has any questions,
8 I'd request approval for Mr. Robbins.

9 CHAIR KASSEKERT: Thank you.

10 Mr. Adams?

11 MR. ADAMS: Good morning. Again, you
12 have our letter. We don't oppose the
13 application.

14 And I've had an opportunity to review
15 the draft resolution as well, and it's
16 acceptable to the Division.

17 CHAIR KASSEKERT: Thank you.

18 Any questions?

19 COMMISSIONER HARRINGTON: No questions.

20 I'll move that we adopt the draft
21 resolution and authorize Richard Robbins on a
22 temporary basis and prior to his plenary
23 qualification to assume the duties and excise
24 the powers of a member of the Audit Committee

ITEM NO. 7

1 contained in NJSA 5:12-85.1c, NJSA 5:12-89b(1)
2 and (2), and NJAC 13:69C-2.7.

3 VICE CHAIR FANELLE: Second.

4 CHAIR KASSEKERT: Motion is made and
5 seconded. This is a roll call vote.

6 MR. NANCE: Commissioner Harrington?

7 COMMISSIONER HARRINGTON: Yes.

8 MR. NANCE: Vice Chair Fanelle?

9 VICE CHAIR FANELLE: Yes.

10 MR. NANCE: Chair Kassekert?

11 CHAIR KASSEKERT: Yes.

12 MR. NANCE: The record will reflect that
13 the motion is unanimous.

14 CHAIR KASSEKERT: Thank you.

15 MR. MOLES: Thank you very much.

16 MR. NANCE: Item No. 7, petition of
17 Marina District Development Company, LLC,
18 requesting permission for Richard Flaherty to
19 perform the duties and exercise the powers of
20 Director of its holding company, Boyd Gaming
21 Corporation pending plenary qualification.

22 Miss DeLia?

23 MS. DeLIA: Mr. Nick Casiello is here
24 today on behalf of the Petitioner and Mr. Jack

Adams is here for the Division.

ITEM NO. 7

1 CHAIR KASSEKERT: Mr. Casiello, good
2 morning.

3 MR. CASIELLO: She was thought I was Joe
4 Corbo for a moment.

5 (Laughter.)

6 CHAIR KASSEKERT: You're a little short.

7 MR. CASIELLO: You had --

8 (Laughter and comments.)

9 CHAIR KASSEKERT: I didn't mean --

10 (Laughter.)

11 MR. CASIELLO: At least you didn't go
12 with a hair joke; right?

13 VICE CHAIR FANELLE: That's why we
14 didn't.

15 MR. CASIELLO: I knew you would.

16 Good morning, Madame Chair,
17 Commissioners.

18 CHAIR KASSEKERT: Good morning.

19 MR. CASIELLO: Nick Casiello, Fox
20 Rothschild, on behalf of MDDC. This is a
21 petition for the temporary qualification of
22 Richard Flaherty to serve on the Board of
23 Directors of Boyd Gaming.

24 I've reviewed the draft resolution, and

it is acceptable to us in form and substance.

ITEM NO. 7

1 Thank you.

2 CHAIR KASSEKERT: Thank you.

3 Mr. Adams?

4 MR. ADAMS: Good morning again.

5 You have Mr. Fogarty's letter. We don't
6 oppose the application.

7 We've also reviewed the draft resolution
8 and have no objection to the entry of that.

9 CHAIR KASSEKERT: Thank you.

10 Any questions?

11 VICE CHAIR FANELLE: Madame Chair, I'll
12 move that we adopt the draft resolution and
13 authorize Richard Flaherty on a temporary basis
14 and prior to his plenary qualification to
15 assume the duties and exercise the powers of a
16 member of the Board of Directors for Boyd
17 Gaming Corporation subject to the conditions
18 contained in NJSA 5:12-85.1c, NJSA 5:12-89b (1)
19 and (2), and NJAC 13:69C-2.7.

20 COMMISSIONER HARRINGTON: I'll second
21 that.

22 CHAIR KASSEKERT: Motion is made and
23 seconded. This is a roll call vote.

24 MR. NANCE: Commissioner Harrington?

COMMISSIONER HARRINGTON: Yes.

ITEM NO. 8

1 MR. NANCE: Vice Chair Fanelle?

2 VICE CHAIR FANELLE: Yes.

3 MR. NANCE: Chair Kassekert?

4 CHAIR KASSEKERT: Yes.

5 MR. NANCE: The record will reflect that
6 the motion is unanimous.

7 MR. CASIELLO: Thank you.

8 MR. NANCE: Item No. 8, petition of RIH
9 Acquisitions New Jersey, LLC, for various
10 declaratory relief in connection with a
11 settlement agreement and release agreement.

12 Miss Wozniak?

13 MS. WOZNIAK: Good morning, Chair,
14 Commissioners.

15 You should have received a copy of a
16 draft resolution that I have prepared with the
17 parties as well as this morning a Petitioner's
18 sealing request which is part of the exhibits.

19 And Counsel please enter your
20 appearances.

21 MR. BROOKS: Good morning, Madame Chair,
22 members of the Commission. Gil Brooks with the
23 firm of Duane Morris. With me at the counsel
24 table is Adam Taliaferro also from the firm of

ITEM NO. 8

1 of the Petitioners.

2 MS. RICHARDSON: Good morning. Tracy
3 Richardson for the Division of Gaming
4 Enforcement.

5 CHAIR KASSEKERT: Thank you. Good
6 morning.

7 The matter before us is the petition of
8 casino licensee RIH Acquisitions New Jersey for
9 approvals relating to a November 2nd, 2011,
10 Settlement Agreement and Release Agreement with
11 its lenders. Among other things, we will
12 consider the request for a ruling that, upon
13 the restructuring contemplated by those
14 agreements, the Petitioner will meet the
15 financial stability criteria set forth in
16 Section 84 of the Casino Control Act.

17 To that end, we have the Division's
18 report dated November 7th, 2011, and this
19 morning we will hear from Petitioner's
20 witnesses as well as the arguments of counsel.

21 First, there are several exhibits that
22 have been premarked which Mr. Nance will now
23 identify for the record.

24 MR. NANCE: Chair, Commissioners, the

25

premarked exhibits are as follows:

ITEM NO. 8

1 The Casino Control Commission has one
2 exhibit, C-1 for identification only. C-1 is a
3 draft resolution.

4 The Division of Gaming Enforcement has
5 one exhibit, D-1. D-1 is a report dated
6 November 7, 2011, regarding Petition Nos.
7 3071102 and 3071103.

8 The Petitioners have nine exhibits.
9 They are premarked P-1 to P-9. P-1 is a
10 settlement agreement dated November 2nd, 2011.
11 P-2 is a Release Agreement dated November 2nd,
12 2011. P-3, the Draft Transitional Service
13 Agreement as of November 15th, 2011. P-4,
14 Stipulation of Dismissal with Privilege. P-5
15 Deposit Escrow Agreement. P-6, Draft Second
16 Amendment to Military Release Agreement as of
17 November 4th, 2011. P-7, Draft Third Amended
18 and Restated Limited Liability Company
19 Agreement of RIH Atlantic City, New Jersey,
20 LLC, as of November 4, 2011. P-8, November
21 17th, 2001, [sic] Mississippi Gaming Commission
22 Agenda Item, Three Gaming Matters, and P-9,
23 November 9, 2011, Casino Reinvestment
24 Development Board Meeting Agenda.

CHAIR KASSEKERT: Thank you.

ITEM NO. 8

1 Mr. Brooks, do you have a sealing
2 request?

3 MR. BROOKS: I do, Madame Chair. We
4 have a sealing request in connection with
5 Exhibit D-1, the Division report.

6 And I would just also for purposes of
7 the record only, in connection with P-8, it's
8 actually a November 17th, 2011, agenda from the
9 Mississippi Gaming Commission.

10 CHAIR KASSEKERT: Thank you. Yes.

11 Any objection to the question for
12 sealing?

13 MS. RICHARDSON: No, Chair.

14 CHAIR KASSEKERT: Okay. I'll,
15 therefore, move that we -- I'll make a motion
16 to approve the sealing.

17 Is there a second?

18 COMMISSIONER HARRINGTON: Second.

19 VICE CHAIR FANELLE: Second.

20 CHAIR KASSEKERT: The motion has been
21 made and seconded. All in favor?

22 (Ayes.)

23 CHAIR KASSEKERT: Opposed?

24 (No response.)

CHAIR KASSEKERT: Okay. I will,

ITEM NO. 8

1 therefore, move those into evidence.

2 Are there any other procedure matters
3 that need to come before us at this time?

4 MR. BROOKS: Not that I'm aware of,
5 Madame Chair.

6 MS. RICHARDSON: No, thank you.

7 CHAIR KASSEKERT: Okay. We'll now move
8 to open statement.

9 Mr. Brooks?

10 MR. BROOKS: Madame Chair, we'll waive
11 opening statement and proceed to witnesses.

12 CHAIR KASSEKERT: Miss Richardson, any
13 opening statement?

14 MS. RICHARDSON: No. That's fine. We
15 can proceed.

16 CHAIR KASSEKERT: Okay. Thank you.

17 I'll ask that you call your first
18 witness, please.

19 MR. BROOKS: Thank you, Madame Chair.
20 Call Mr. Matejevich.

21 CHAIR KASSEKERT: Mr. Matejevich, Mr.
22 Nance will swear you in.

23

24 ERIC J. MATEJEVICH, was duly sworn to

testify in this matter.

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1 MR. NANCE: Please state your name for
2 the record.

3 THE WITNESS: Eric Matejevich.

4 MR. NANCE: Would you please spell your
5 last name, please.

6 THE WITNESS: Sure. M-a-t-e-j-e-v-i-c-h

7 MR. NANCE: Thank you.

8 CHAIR KASSEKERT: Thank you.

9 You may proceed.

10 MR. BROOKS: Thank you, Madame Chair.

11 If you don't mind, I'd like to present
12 the witness with a binder of the exhibits that
13 have now been moved into evidence so that --
14 for ease of reference.

15 CHAIR KASSEKERT: Surely.

16 MR. BROOKS: Thank you.

17

18 DIRECT EXAMINATION BY MR. BROOKS:

19 Q. Mr. Matejevich, by whom are you employed
20 and in what capacity?

21 A. I'm employed by Resorts International
22 Holdings as the Chief Financial Officer.

23 Q. Could you briefly give the Division the
24 benefit of your background.

A. Yeah. I've -- after Exton College, I

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1 went to Wall Street and worked at BT Alex. Brown and
2 then Merrill Lynch. And then joined Cannery Casino
3 Resorts in January of '02, a casino operator in Las
4 Vegas that specializes in Las Vegas gaming. And then
5 joined this company in September of 2004.

6 Q. Could you explain for the Commission
7 Resorts International Holdings' relationship to the
8 Atlantic City or the ACH Casino Resort in Atlantic
9 City?

10 A. Sure. Resorts International Holdings
11 is the parent company of ACH.

12 Q. Is Resorts International Holdings
13 affiliated with other casino hotels?

14 A. Yes. It also owns two casino hotels in
15 Tunica, Mississippi, the Bally's property and the
16 Resorts, Tunica.

17 Q. I want to draw your attention, if I
18 could, to 2006. Did there come a time when Resorts
19 International Holdings arranged for a loan with JP
20 Morgan Chase Bank?

21 A. Yes.

22 Q. Could you explain for the Commission or
23 briefly describe for the Commission the loan
24 arrangement with JP Morgan Chase Bank.

25

A. Sure. It was a \$960 million CMBS loan,

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1 which is a Commercial Mortgage Bank Security. And had
2 great interest rate at LIBOR plus 3.75 percent. And
3 it took out some very, very expensive debt for us, and
4 so it was a real lifesaver for the company.

5 Q. Now, the ACH, the casino resort, was it
6 utilized to secure the loan?

7 A. Yes. All three properties acted to
8 secure the loan.

9 Q. And was a portion of the loan -- was
10 there a participation in connection with the loan, a
11 portion of the loan?

12 A. Yeah. The way most CMBS loans work is
13 that there's a portion of those loans that get
14 syndicated, and then there's a separate portion that
15 actually gets secured. In our case, I think we had 14
16 tranches in the securitized portion. And, like I
17 said, there was a syndicated portion as well.

18 Q. Did US Bank have a relationship to the
19 CMBS securitization --

20 A. Yes. US Bank was our trustee.

21 Q. Did they have a relationship, also, to
22 the loan participants?

23 A. In what way?

24 Q. Did they act as trustee for the loan

25 propon --

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1 A. Oh, yes. They acted as a trustee
2 proponent as well.

3 Q. Can did there come a time when a portion
4 of that loan was paid down?

5 A. Yes. When we successfully sold our East
6 Chicago property to Ameristar in late 2007, we paid
7 down approximately \$450 million of the loan.

8 Q. Now, I want to draw your attention, if I
9 could, to July of 2009. Did an event occur in that
10 time frame in connection with the loan?

11 A. Yes. We defaulted on our interest
12 payments on the loan.

13 Q. And since that time, in dealing with the
14 lender and addressing the default, who have you
15 primarily dealt with?

16 A. We've primarily dealt with the special
17 servicer, which is Berkadia, in that matter.

18 Q. And they were appointed by the US Bank
19 to handle the default situation?

20 A. That's correct. They were -- they were
21 the servicer on the loan prior to our default and then
22 appointed by the trustee as special servicer upon
23 default.

24 Q. I want to move, if I could, to 2009, the

25 2009 time frame. Did there come a time when ACH had

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1 problems in connection with its restaurants?

2 A. Yes. Unfortunately. During a
3 torrential downpour, we had a back-pressure problem in
4 one of our main drainpipes above the Oaks restaurant,
5 and the Oaks and the restaurant known as Peregrines'
6 were completely destroyed. And then the restaurant
7 that is Horizons was damaged.

8 Q. Did ACH make a claim for insurance
9 proceeds in connection with the restaurant damage?

10 A. Indeed we did.

11 Q. Could you explain the nature of that
12 claim, the insurance claim for the Commission?

13 A. Sure. The claim was really in two
14 parts. The first part was to repair property damage
15 which, if memory serves, was circa \$6 million or so.
16 And then the second part of the claim was business
17 interruption for the fact in the restaurants were down
18 almost a year. We didn't get the restaurants -- the
19 new restaurants -- up and running until the June or
20 July time frame of 2010. And so that amount, the
21 business interruption amount, was \$9.3 million.

22 Q. And could you briefly describe for the
23 Commission what happened with the insurance proceeds
24 when the insurance carrier paid?

A. Yeah. Again, we were in default at that

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1 time, and the lender actually our -- they're a named
2 insured on our insurance policies as, of course, is
3 the company. And so we both had to endorse the
4 checks. They would then hold the proceeds. In the
5 case of the actual property damage receipts, they gave
6 us the money back in order to rebuild the restaurants,
7 but they kept the business interruption proceeds.

8 Q. Did there come a time when the lender
9 instituted litigation relevant to the loan default?

10 A. Yes. They instituted a foreclosure
11 action and attempted to get receivers appointed both
12 in Mississippi and New Jersey.

13 Q. And what happened in connection with
14 that application?

15 A. That -- that failed.

16 Q. Subsequent to the application for
17 receiver, what occurred in connection with the
18 litigation, in particular in the litigation in New
19 Jersey?

20 A. Subsequent to -- well, we -- the two
21 parties began to speak, and we reached a settlement
22 agreement. In -- I don't remember the specific time
23 frame. It was either late last year or earlier this
24 year. I think it was late last year. And what that

25 settlement agreement contemplated was dealing with the

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1 Atlantic City property first and turning our attention
2 to Tunica after we would sell the Atlantic City Hilton
3 property or the ACH. And so we embarked on a sales
4 process at that time.

5 Q. And was this agreement referred to as a
6 stand-still agreement?

7 A. Yes.

8 Q. And did it essentially stop the
9 litigation at that point?

10 A. It did. Both parties agreed to stop
11 litigation.

12 Q. And did a sale process for ACH
13 subsequent take place?

14 A. It did.

15 Q. And who ran that sale process?

16 A. The investment bank called Houlihan
17 Lokey ran the process with our help, and the process
18 was about ten months.

19 Q. Would you say that Resorts International
20 Holdings had significant involvement in the sale
21 process?

22 A. Yes. Very significant.

23 Q. And could you briefly describe for the
24 Commission what happened in connection with the sale

25 process.

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1 A. Sure. We had approximately 20 parties
2 that looked at the property. We had three parties
3 that gotten very, very serious. But at the end of the
4 day, we couldn't get anybody to the finish line, and
5 so that was very disappointing.

6 Q. Did there come a point in time where
7 the -- where Resorts International Holdings and the
8 lender concluded that the sale process was not going
9 to produce a successful sale for the ACH?

10 A. Yes. After the last party failed to
11 close on the transaction, we both concluded that we
12 weren't going to find a -- a candidate to buy the
13 property.

14 Q. Okay. And what happened after this
15 conclusion was reached by the parties?

16 A. So -- so after the conclusion was
17 reached by the parties, the lender reinitiated their
18 litigation, the foreclosure action against us.

19 Q. What was the most pressing issue at that
20 point for Resorts International Holdings?

21 A. At that time our biggest issue was
22 really cash because we were depending on the Tunica
23 assets to subsidize our Atlantic City operations. And
24 the company, quite frankly, was running out of cash.

Q. And did the Resorts International --

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1 International Holdings take any steps at that point in
2 connection with the property?

3 A. Yes. We formally requested the 9.3
4 million in business interruption proceeds that the
5 lender had held back from the insurance issue at the
6 Atlantic City Hilton in 2010.

7 Q. Did there -- any further negotiations
8 with the lender ensue after that point?

9 A. Yes. Actually, we reached a separate
10 agreement in which -- and that's one of the reasons
11 we're here today. The settlement agreement in which
12 Colony agreed to contribute an additional \$15 million
13 into the company. The lender agreed to give -- give
14 up the liens on the Atlantic City Hilton. We agreed
15 to transfer the equity stakes in the two Mississippi
16 entities, and the lender agreed to give us the 9.3
17 million in business interruption proceeds, which we
18 always held was our right to have from day one,
19 anyhow.

20 Q. Now, take a look, if you would, in the
21 exhibit book that I gave you at Exhibits P-1 in
22 evidence and P-2. P-1 being the executed copy of the
23 Settlement Agreement and P-2 being the executed copy
24 of the Release Agreement. Are those the agreements

25 that have been reached with the lender with respect to

Matejevich - direct - Brooks

1 the deal that you've just outlined for the Commission?

2 A. Yes, they are.

3 Q. And just so I understand it, Colony is
4 going to fund an additional \$15 million for operations
5 at ACH?

6 A. That is correct. The monies have
7 already been funded into escrow.

8 Q. And the \$9.3 million in business
9 interruption proceeds will be released by the lender
10 at the closing for purposes of operations at ACH?

11 A. That is correct. With the closing date
12 anticipated of November 29.

13 Q. Is there anything else contemplated in
14 terms of cash for operations at ACH?

15 A. Well, we've also -- we had cash account,
16 the CRDA, which we donated. And so that should get
17 cash back to the company of approximately just under
18 \$2 million. We're still finalizing the amount.

19 Q. Could you give us some indication what
20 the status of that is, the donation request.

21 A. Yes. It's been approved by the CRDA.
22 So we're just waiting on timing of receiving the
23 payment.

24 Q. And the -- in terms of the approvals

25 necessary for the Settlement Agreement and Release

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1 Agreement, are there any other proceedings that are
2 necessary in connection with moving forward with that
3 closing?

4 A. Mississippi Gaming Commission has to
5 approve both as well. That hearing is tomorrow, and
6 we expect a favorable outcome.

7 Q. Is there presently a closing date
8 contemplated by the parties?

9 A. Yes. November 29.

10 Q. Now, I think you already testified to
11 this, but just to make sure. The \$15 million that's
12 being put up by Colony, has that already been funded?

13 A. Yes. The 15 million has been funded by
14 the same entities that funds the companies initially,
15 the same Colony entities. And so that money is
16 sitting in an escrow account.

17 Q. And if you would, take a look at Exhibit
18 P-5 in evidence. That's an Executed Deposit Escrow
19 Agreement, and is that the escrow agreement by which
20 the funding took place with respect to Colony?

21 A. Indeed. Yes.

22 Q. Now, could you briefly describe for the
23 Commission how things will work with respect to the
24 Escrow Agreement assuming that there's a closing.

A. Assuming that there's a closing, the

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1 monies in the escrow agreement will be funded to the
2 ACH upon close.

3 Q. Now, in terms of the foreclosing, the
4 existing foreclosure litigation, what will happen with
5 that as a consequence of the closing of the Settlement
6 Agreement?

7 A. That will -- that will be dismissed.

8 Q. And take a look, if you would, at P-4 in
9 evidence. It's a Stipulation of Dismissal With
10 Prejudice. Has the lender indicated a willingness to
11 execute that document as part of the Settlement
12 Agreement?

13 A. They have.

14 Q. Okay. Is there any continuing
15 relationship with the lender in the Mississippi
16 casinos contemplated as a consequence of the
17 Settlement Agreement?

18 A. Yes. They will take the equity interest
19 in those two entities, and they will appoint an
20 operator to run those two entities.

21 Q. Take a look, if you would, at P-3 in
22 evidence. It's referred to as a "Transition Services
23 Agreement." Could you briefly describe the purpose of
24 that agreement for the Commission.

A. Absolutely. Given that our corporate

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1 effort at the company was responsible for certain
2 things at all of the properties, when the lender
3 assumes control of those entities, rather than leaving
4 them hanging, per se, we will continue to provide
5 certain services for them over a 180-day period.

6 Q. Take a look, if you would, at Exhibit
7 P-6 in evidence. This document's referred to as
8 "Amendment to the Unitary Lease Agreement." Could you
9 briefly explain for the Commission what the Unitary
10 Lease Agreement entailed, embodied.

11 A. The Unitary Lease Agreement was a
12 requirement of our CMBS debt, and it involved the
13 lender having certain rights under the loan.

14 Q. What will happen as a consequence of the
15 amendment to the Unitary Agreement?

16 A. So as a consequence of the amendment,
17 the lender will be stripped out of this Unitary Lease
18 Agreement, so they will have no more rights or
19 remedies or duties.

20 Q. So as I understand it, then, as a
21 consequence of the Settlement Agreement, the only
22 relationship, the only continuing relationship that
23 will be out there with respect to the lender and
24 Resorts International Holdings will be the services

25 that are going to be provided for approximately 180

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1 days under the transaction services?

2 A. That is correct.

3 Q. And the lender will have no further
4 rights with respect to ACH?

5 A. None.

6 Q. I want to focus, if we could a little
7 bit, on RIH Acquisitions New Jersey. Could you
8 describe briefly the relationship between Resorts
9 International Holdings and RIH Acquisitions New
10 Jersey?

11 A. Yes. Sure. Resorts international
12 Holdings is the parent company.

13 Q. And RIH Acquisitions New Jersey is the
14 owner of the ACH?

15 A. That's correct.

16 Q. Is there an Operating Agreement for RIH
17 Acquisitions?

18 A. There is.

19 Q. And is there any changes contemplated
20 with respect to that Operating Agreement?

21 A. Yes. The Operating Agreement will be
22 amended. The chief change was really the ability to
23 issue preferred shares, so.

24 Q. And, if you would, take a look at P-7 in

25 evidence.

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1 Is this document -- take a look at that
2 document. Does that reflect the contemplated
3 amendments to the RIH Acquisitions Operating
4 Agreement?

5 A. It does.

6 Q. So as a consequence of the amendments,
7 the new securities will issue by RIH Acquisitions?

8 A. That's -- that's correct.

9 Q. And they are preferred shares that you
10 referred to?

11 A. Correct.

12 Q. Is there an understanding at this point
13 who the preferred membership units will be issued to?

14 A. The preferred shares will initially be
15 issued to RIH, but ultimately to Michael Frawley and
16 myself.

17 Q. Do you recall whether International --
18 Resorts International Holdings has an Independent
19 Advisory Board?

20 A. Yes.

21 Q. And what's going to happen to that board
22 as a consequence of the Settlement Agreement?

23 A. Yeah. The Independent Advisor Board
24 will be dismissed.

Q. And that board was created for what

Matejevich - direct - Brooks

1 reason?

2 A. That was created as a requirement of the
3 CMBS, as I recall.

4 Q. Will it have any impact on the
5 Independent Audit Committee for RIH Acquisitions?

6 A. Not at all.

7 Q. So the RIH Acquisitions Audit Committee
8 will continue in place?

9 A. Yes. That's correct.

10 Q. Were there any warrants ever issued by
11 Resorts International Holdings or other entities in
12 the ownership organizational structure?

13 A. Yes. There were warrants issued, and
14 they will be cancelled.

15 Q. As a consequence of the Settlement
16 Agreement?

17 A. That is correct.

18 Q. Now, did there come a point in time
19 where you prepared in -- and in asking this question,
20 I would focus on the time frame November 1st of 2011
21 to November 31st, 2012. Did you prepare, as the Chief
22 Financial Officer of Resorts International Holdings,
23 financial forecasts and projections for operations of
24 ACH during that time period?

25

A. Yes, I did.

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1 Q. And could you describe generally those
2 financial forecasts and projections.

3 A. Sure. They are monthly forecasts. It's
4 your typical income statement. And it illustrates
5 some of the changes we plan on making to the property
6 to try to get it back to a break-even level.

7 Q. And could you indicate for the
8 Commission how -- Mr. Frawley will talk about some of
9 the steps, the strategic step that you plan to take.
10 But could you indicate for the Commission how you
11 anticipate the -- those steps impacting the forecast,
12 in particular as to revenue and cash flow at ACH.

13 A. Sure. We're looking for, you know,
14 fairly flat revenue into 2012. Despite Revel coming
15 on-line and despite Aqueduct coming on-line a while
16 ago. I think Michael will speak to some of the
17 changes we plan on making to the casino floor itself
18 in order to try to maintain consistent revenue.

19 And then from an expense standpoint we
20 plan on implementing some operational changes in order
21 to save money to try to get us back to break-even.

22 Q. Now, in connection with the financial
23 forecast, what's your primary sources of cash in
24 connection with those forecasts?

25

A. The primary sources of cash are the 15

Matejevich - direct - Brooks

1 million from Colony and the 9.3 business interruption
2 proceeds as well as those funds we plan on receiving
3 from the CRDA.

4 Q. And are there any cash outlays
5 anticipated for the forecasted period?

6 A. There are some near-term cash outlays
7 anticipated in some signage changes because we're
8 going to take down all of the Hilton marks and put up
9 some new signage and rebrand the property. And we're
10 also contemplating, as I said, some changes to the
11 casino floor, and so they'll be some capital for that
12 as well as for any future outstanding CRDA
13 obligations.

14 Q. Did your forecasts for the -- again, the
15 forecast period we discussed, address ACH's cash
16 balance?

17 A. Yes, it did.

18 Q. And what are your forecasts showing in
19 connection with that cash balance?

20 A. It shows that we've got more than enough
21 operating cash through the period that we're
22 contemplating.

23 Q. In the November 1st, 2011, to October
24 31st, 2012, time frame?

25

A. That is correct.

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1 Q. I want to turn your attention, if we
2 could, to real estate taxes in connection with ACH.
3 Has ACH paid its property taxes through 2009?

4 A. We did.

5 Q. Were there any appeals in connection
6 with those property tax payments?

7 A. Yes. We launched an appeal in early
8 2010 for the 2006 through 2009 periods.

9 Q. Did there come a time where any
10 agreement was reached with respect to those property
11 tax appeals?

12 A. Yes. We reached an agreement in April
13 of 2010, which we refer to as the April 2010
14 Settlement Agreement.

15 Q. And who did you reach that with?

16 A. We reached that with the City.

17 Q. Okay. And could you briefly describe
18 that Settlement Agreement --

19 A. Sure.

20 Q. -- with Commission.

21 A. The Settlement Agreement contemplated no
22 change in property taxes for the 2006 year. But for
23 the 2007 through 2009 period, a 9 million -- or \$7
24 million credit, excuse me. And then a change in

25 property assessment from \$540 million in 2010 down to

Matejevich - direct - Brooks

1 \$300 million.

2 Q. To the best of your knowledge, was some
3 formal approval needed in connection with that
4 Settlement Agreement?

5 A. Yes. Formal approval was required by
6 the City Council as well as the tax court.

7 Q. And what happened in connection with the
8 Settlement Agreement during the 2010 calendar year?

9 A. The City failed to move it forward and
10 present it in front of City Council.

11 Q. And so there was no vote on the deal or
12 the --

13 A. Correct.

14 Q. -- Settlement Agreement during the 2010
15 time frame?

16 A. That's correct. So the City Council
17 never voted on the April 2010 Settlement Agreement.

18 Q. Was there any understanding in the
19 Settlement Agreement about how the property taxes
20 would be handled in 2010?

21 A. Yes. The understanding was that --
22 until the Settlement Agreement was approved, we would
23 not need to pay our property taxes.

24 Q. As a consequence of a credit you

25 earned--

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1 A. As a consequence of the \$7 million
2 credit, which would have been applied in 2010.
3 Largely applied in 2010.

4 Q. And did there come a time when ACH
5 learned that the City sold tax needs certificates
6 related to the property?

7 A. Yes.

8 Q. Could you describe that briefly for the
9 Commission.

10 A. Yeah. Sure. We learned that the City
11 sold the tax lien certificates from 2010 to two
12 companies, Tower Lien, which is a subsidiary of
13 Fortress, and another company called Empire.

14 Q. What did Resorts International Holdings
15 do or RIH Acquisitions do as a consequence of learning
16 that information?

17 A. We filed an application with the tax
18 court asking for two things. Number one, that the
19 certificates be redeemed. And we asked that no
20 additional -- two things. The tax certificates be
21 redeemed and that the Settlement Agreement -- compel
22 the City to submit the Settlement Agreement to City
23 Council.

24 Q. Now, I know that's a separate piece of

25 litigation, and there are issues in connection with

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1 it, so I don't want to spend a lot of time with that.

2 But did there come a point in time when the court
3 ruled with respect to the request to have the City
4 present the Settlement Agreement to the City Council?

5 A. Indeed. They approved that.

6 Q. And what happened as a consequence of
7 that court ruling?

8 A. As a consequence of that, the City
9 Council voted to approve the April 2010 Settlement
10 Agreement.

11 Q. And what happened subsequent to that
12 approval by City Council?

13 A. Subsequent to that, we received the --
14 what City Council approved as the stipulations of
15 settlement and found that they were slightly different
16 from the stipulations of settlement that we had agreed
17 to.

18 Q. Okay. In what way?

19 A. In that they applied what's called the
20 "Freeze Act" to 2011 and 2012. And what that said
21 then is that the assessed value of \$300 million, which
22 was contemplated in the Settlement Agreement for 2010
23 could not be changed for 2011 or 2012.

24 Q. So essentially for 2011, 2012, the value

25 of ACH would be fixed at \$300 million?

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1 A. That's correct.

2 Q. And in connection with -- what happened
3 next in connection with the stipulations?

4 A. I'm not sure.

5 Q. Is there anything pending in the tax
6 court with respect to that?

7 A. Yes. The matter involving their ability
8 to sell the tax liens is still pending in front of the
9 courts.

10 Q. And what about the underlying appeals?

11 A. The underlying appeal will be moving
12 forward. It is our hope that the recent agreement
13 reached between Resorts and the City will really set a
14 framework for us to be able to sit down with the City
15 and work through this matter.

16 Q. Have you had any discussions with
17 Fortress or Tower Lien in connection with the tax
18 certificates?

19 A. We have. And I'll say we've got a
20 fairly amicable relationship with Fortress, and
21 they've expressed a willingness to work with us.
22 Because one of the issues here is an 18 and a half
23 percent interest rate that ticks on these things.

24 Q. And what -- has there been any effort to

25 talk with the City about any kind of resolution of the

Matejevich - direct - Brooks

1 underlying tax appeals?

2 A. Yes. Absolutely. We've reached out to
3 the City, and we're hopeful to sit down with them here
4 in the very near term in order to try to work through
5 this issue. Like I said, patterning -- hopefully,
6 we'll pattern the -- the transaction at Resorts just
7 completed with them.

8 Q. Now, in connection with the Settlement
9 Agreement, and understanding that there's still parts
10 of that that have not yet been worked out, would that
11 result in any further credit?

12 A. Yes.

13 Q. You mentioned a \$7 million credit. But
14 would that result -- if that was accepted and just on
15 its own terms, at this point the \$391 million
16 assessment, would that result in any further credit
17 that it would be owed to ACH.

18 A. Yes. We think that that would result in
19 potentially substantial additional credits.

20 Q. Even if the assessments were kept at
21 \$300 million for 2011 and 2012?

22 A. Yes.

23 Q. Now, in terms of the -- your projections
24 for the forecast period, did you take a look at the

25 property tax assessment issue and address that in any

Matejevich - direct - Brooks

1 way?

2 A. I did. And for our forecast, we assumed
3 a hundred million dollar assessment going forward.
4 And I think that's sufficiently conservative given
5 what I know were the values we were contemplating when
6 we were looking at selling the property. And those
7 values, as you've seen, the two most recent
8 transactions in the City, they were substantially
9 below a hundred million dollars. So I think that that
10 number is sufficiently conservative.

11 Q. And if there's an agreement reached with
12 respect to the hundred million dollar number or some
13 sort of judgment or some reduced number from the \$300
14 million assessed value, would that result in a further
15 credit due ACH?

16 A. Yes. That would result in substantial
17 additional credits.

18 Q. So in terms of where things are now
19 stand, so that do we have an understanding and for the
20 record, there are -- there have been continuing
21 negotiations with Fortress and the City with respect
22 to these two issues?

23 A. That's correct. We're talking to both
24 parties on a fairly consistent basis with the hope of

25 resolving this in the very near term.

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1 Q. Okay. Take a look, if you would, at D-1
2 in evidence. It's the last document in the binder
3 that we've providing you. And, in particular, focus
4 on Pages 22 and 23.

5 There's various conditions set forth on
6 Pages 22 and 23 with respect to -- these are
7 recommendations by the Division for conditions being
8 imposed by the Commission if the Commission grants the
9 relief we're seeking here today. Are those conditions
10 acceptable to Resorts International Holdings and RIH
11 Acquisitions?

12 A. Yes.

13 Q. Mr. Matejevich, based on your forecasted
14 projections, will RIH Acquisitions have the ability to
15 pay winning wagers to patrons, casino patrons, during
16 the forecast period?

17 A. Yes.

18 Q. And based upon your projections, will
19 RIH Acquisitions have the ability to maintain
20 continuous and stable operations at the casino hotel
21 for the forecast period?

22 A. We will.

23 Q. And based upon your forecasted
24 projections, will RIH Acquisitions have the ability to

25 pay taxes and regulatory fees during the forecast

Matejevich - cross - Richardson

1 period?

2 A. Yes, we will.

3 Q. And based upon your forecast and
4 projections, will RIH Acquisitions have the ability to
5 maintain the ACH as a superior, first-class facility
6 during the forecast period?

7 A. Yes.

8 Q. And, finally, Mr. Matejevich, in
9 connection with your forecasts and your projections,
10 will RIH Acquisitions have the ability to pay its
11 debts, including any capital lease obligations it
12 might have during the forecast period?

13 A. Yes.

14 MR. BROOKS: I have no further
15 questions, Madame Chair.

16 CHAIR KASSEKERT: Thank you.

17 Cross-examination, Miss Richardson?

18

19 CROSS-EXAMINATION BY MS. RICHARDSON:

20 Q. Good morning.

21 How are any funding needs at ACH being
22 handled prior to the closing date if any funds are
23 needed to the property?

24 A. Prior to the closing date, we have the

25 ability to upstream as much as \$850,000 during the

Matejevich - cross - Richardson

1 month of November to handle cash needs. In addition,
2 to the extent that those funds either aren't available
3 because those properties don't produce that much cash
4 over that time frame, we have the ability to use
5 monies that are in the \$15 million escrow as is
6 necessary to meet our needs.

7 Q. So there's no limits on any monies from
8 the escrow funds?

9 A. No limits.

10 Q. Okay. And has -- in the past RIH
11 Resorts International Holdings has provided funding
12 directly to ACH as they needed it. Has RIH provided
13 any funding in recent days to the property?

14 A. You mean Resorts International Holdings?

15 Q. Yes. Uh-huh.

16 A. Not in recent dates, no.

17 Q. Is there a plan to provide any funds to
18 the casino?

19 A. There's a plan actually today to draw us
20 some funds from the escrow account in order to fund
21 our operating needs.

22 Q. Okay. So that comes out of the Colony
23 escrow --

24 A. That's correct.

Q. -- that has been provided?

Matejevich - cross - Richardson

1 A. That's correct.

2 Q. And does that funding that's planned for
3 today affect RIH -- Resorts International Holdings'
4 cash position in any adverse way?

5 A. Oh, no. No. It won't affect Resorts
6 International Holdings' position. Only ACH's. To a
7 positive.

8 Q. Okay. And when the funding is provided
9 to ACH from Resorts International Holdings, what do
10 you estimate is the approximate cash balance that ACH
11 will have in addition to its house funds that it
12 already has?

13 A. I think it's -- I think it's 26 million?
14 I'm not a hundred percent positive. I know the number
15 of what I had forecasted at the end of October of next
16 year. But I think it's right around 26 million.

17 Q. And you mentioned that ACH has sought a
18 donation with the CRDA that that will yield some
19 additional funds?

20 A. That's correct.

21 Q. And that's approximately \$2 million --

22 A. That's correct.

23 Q. -- you said.

24 And that was already approved by the

25 CRDA?

Matejevich - cross - Richardson

1 A. That's correct. In a meeting a week or
2 two ago.

3 Q. And have they provided any time line for
4 you when you will actually receive those funds?

5 A. No. We're still trying to pin down the
6 time line. We're hopeful that it will be in the next
7 week.

8 Q. And going back to the property tax
9 appeals, if all of the appeals and the issues and the
10 reduction and the tax assessment goes the way that ACH
11 intends, according to its position, what do you expect
12 would be the ultimate payout that ACH may have to make
13 for the back taxes?

14 A. The ultimate payout should be -- if
15 anything, fairly minimal. I don't expect it to be a
16 large number. I'm hoping with reductions in assessed
17 value that we could get it to be fairly cash neutral.

18 Q. And what would you estimate the actual
19 amount to be?

20 A. The actual amount of our annual need?

21 Q. No. The ultimate payout at the end of
22 the day.

23 A. The ultimate payout is somewhere between
24 probably 2 and 5 million, I would think.

Q. And what is ACH's plans if it's

Matejevich - cross - Richardson

1 unsuccessful in the appeals and the City is successful
2 on its position? How would you handle additional
3 payout above what you're estimating, the minimal
4 amount?

5 A. We would -- we would have to use, you
6 know, the cash that we have. I don't -- like I said,
7 given more recent transactions that have occurred in
8 the city, I don't think that -- and given the deal
9 that was struck with Resorts, I think we're fairly
10 confident in the fact that we're going to strike the
11 successful -- successful end to this.

12 Q. And is there any dates pending in the
13 tax court? What's the time line that you're under at
14 this point for resolving it?

15 A. You know, the tax court, we've continued
16 to kind of push that off for the time being, and the
17 City has agreed to that until we can kind of come to
18 some resolution outside of the court. If necessary,
19 we could be back in the tax court within the next few
20 weeks.

21 MS. RICHARDSON: I have no further
22 questions.

23 CHAIR KASSEKERT: Thank you.

24 Move to questions in the commissioners.

I guess my first question would be, Mr.

Matejevich

1 Matejevich, you know, in light of what has been
2 going on in Atlantic City, you have put out a
3 forecast plan that is flat, but do you truly
4 think that that plan is realistic?

5 THE WITNESS: I think it is. And I
6 realize how difficult that is to say given our
7 recent operating performance. But I think, you
8 know, Michael Frawley, who you'll hear from
9 next -- I think we've got some good plans for
10 the property and a change in the way we market
11 the property in, like I said, a very positive
12 way to the casino floor itself in terms of our
13 offerings. And that's -- that's why we feel
14 pretty strongly about we hopefully will be able
15 to do. It's certainly worked for us
16 historically in the Tunica market.

17 CHAIR KASSEKERT: Uh-huh. And given
18 circumstances, can you assure the regulators
19 here today that you will keep ACH open and
20 continue in operations during the forecast
21 period?

22 THE WITNESS: Yes. I don't know -- I
23 guess nothing in life is a guarantee. But I
24 think we're -- we feel confident in our plan,

and we feel we have more than enough capital in

Matejevich

1 order to not only execute that plan but turn
2 the property.

3 CHAIR KASSEKERT: And you testified just
4 a few minutes ago about -- that you -- that you
5 intend to pay all your taxes and regulatory
6 fees and wages. I want to touch upon the
7 pension for employees. Is that included in the
8 wages, that you intend to pay the pension costs
9 associated with employees?

10 THE WITNESS: Absolutely.

11 CHAIR KASSEKERT: Okay. And with
12 respect to the taxes, is everything -- are you
13 still in a standstill because of the tax court?
14 Or when will you resume paying your taxes?

15 THE WITNESS: We'll resume paying taxes
16 as soon as we reach an agreement with the City,
17 which should be soon.

18 CHAIR KASSEKERT: All right. Let me ask
19 if there are questions from the commissioners?

20 COMMISSIONER HARRINGTON: The Chair
21 touched on the pension issue. Do you intend to
22 continue to have a full complement of employees
23 and, you know, operations with regard to that?

24 THE WITNESS: Oh, absolutely. As I

said, Michael will touch a little bit more on

Matejevich

1 our plans. But, you know, we still intend on
2 having, you know, the services that we can
3 provide today.

4 COMMISSIONER HARRINGTON: All right.
5 Thank you.

6 CHAIR KASSEKERT: Commissioner Fanelle?

7 VICE CHAIR FANELLE: No questions.

8 CHAIR KASSEKERT: Just one other
9 question.

10 I know that part of the Settlement
11 Agreement provides for funding from the
12 Mississippi properties up to certain level. I
13 think it's \$850,000. Do you foresee a need to
14 seek those funds? And, if so, how quickly will
15 you be able to obtain those funds if necessary?

16 THE WITNESS: We typically -- there's
17 typically a payment made from Mississippi up to
18 the parent, if not every week, every other
19 week.

20 CHAIR KASSEKERT: Uh-hum.

21 THE WITNESS: And so that's in the
22 normal course of operations. And so I
23 absolutely intend. I don't think we'll get to
24 850,000 just given, like I said, where

25

operations are right now in Tunica.

Matejevich - recross - Richardson

1 CHAIR KASSEKERT: Uh-huh.

2 THE WITNESS: I think the number
3 probably looks more like 550 for the month, but
4 we're quite confident that we'll get that.

5 CHAIR KASSEKERT: And -- and it's
6 weekly. So there's no issue with -- with
7 obtaining that fund.

8 THE WITNESS: That's correct.

9 CHAIR KASSEKERT: All right. I have
10 nothing else.

11 Anything on redirect?

12 MR. BROOKS: Nothing further, Madame
13 Chair.

14 CHAIR KASSEKERT: Anything on recross?

15 MS. RICHARDSON: Just an additional
16 question, Madame Chair.

17 CHAIR KASSEKERT: Sure.

18

19 RE-CROSS-EXAMINATION BY MS. RICHARDSON:

20 Q. Going back to the CRDA funds that you'll
21 be obtaining through your donation, there's also
22 another request that you'll be making to the CRDA; is
23 that correct?

24 A. That's correct. That is correct.

25

Q. Can you tell us what that is and when

Matejevich - recross - Richardson

1 you'll be doing that.

2 A. Sure. It will be an additional request,
3 and it's probably in the early 2012 time frame which
4 should yield an additional \$1.2 million in cash.

5 Q. And is that just a timing issue that
6 you're waiting to try to obtain those funds?

7 A. That's correct.

8 Q. And that's directed by the CRDA and
9 their timing issues?

10 A. That's correct.

11 Q. Okay. Thank you.

12 A. So total should be about 3.2 million
13 between the two.

14 Q. Thank you.

15 CHAIR KASSEKERT: I just had one
16 additional question with respect to the
17 employee count. At this point and maybe Mr.
18 Frawley might be better able to answer this.

19 Do you foresee any reduction in force at
20 ACH during this time?

21 THE WITNESS: We do. And I agree, I
22 think Michael is probably better -- better to
23 answer that question.

24 CHAIR KASSEKERT: Okay. Thank you.

Michael Frawley - direct - Brooks

1 (No response.)

2 CHAIR KASSEKERT: You may step down.

3 THE WITNESS: Thank you.

4 CHAIR KASSEKERT: You can call your next
5 witness.

6 MR. BROOKS: Thank you, Madame Chair.

7 Call Michael Frawley.

8 CHAIR KASSEKERT: Mr. Frawley, Mr. Nance
9 will swear you in.

10

11 MICHAEL FRAWLEY, was duly sworn to
12 testify in this matter.

13

14 MR. NANCE: Please state your name for
15 the record.

16 THE WITNESS: Michael Frawley.

17 MR. NANCE: Thank you.

18 CHAIR KASSEKERT: You may proceed.

19 MR. BROOKS: Thank you, Madame Chair.

20

21 DIRECT EXAMINATION BY MR. BROOKS:

22 Q. Mr. Frawley, by whom are you employed
23 and in what capacity?

24 A. I'm Chief Operating Officer of the ACH.

Q. And how long have you been with ACH?

Michael Frawley - direct - Brooks

1 A. A little over three years.

2 Q. And could you briefly describe for the
3 Commission or give the Commission the benefit of your
4 background in the gaming industry.

5 A. I started Resorts within table games on
6 opening day, and since then have had executive
7 positions in Mississippi, Colorado, Puerto Rico, Las
8 Vegas, Southern California, and Reno.

9 Q. Now, in connection with the closing of
10 the transactions contemplated by the Settlement
11 Agreement and Lease Agreement which Mr. Matejevich
12 discussed at length, does ACH intend to effectuate a
13 new marketing strategy?

14 A. We do.

15 Q. And an understanding that there are
16 competitor sensitivities here regarding the marketing
17 strategy, could you just very generally describe for
18 the Commission the marketing strategy.

19 A. We believe and our data -- we have
20 compelling data that shows that there is a strong
21 desire for entertainment, perhaps even more so, you
22 know, as a diversion through a rough economic time.
23 The deciding point is price point. And I think that
24 the certainly the perception and the presentation of

25 value is going to be around for quite a while. And

Michael Frawley - direct - Brooks

1 without getting into greater detail, that's what we're
2 going to revolve around, the perception of value and
3 actual -- actual presentation of value.

4 Q. Does ACH also plan any costsaving
5 initiatives?

6 A. We do.

7 Q. And could you generally describe the
8 anticipated costsaving initiatives for the Commission.

9 A. We do realize that we're not going to
10 save our way out of this, and we have no intention of
11 doing so. Labor is a significant focus of where we're
12 going. We are -- we will be performing staff
13 reduction. We will have consolidation of positions
14 and departments, and we will reexamine the existing
15 rate for employees.

16 Q. Now, in your opinion, how will the new
17 marketing strategy and the costsaving initiatives
18 likely impact earnings in ACH?

19 A. Well, the marketing strategy is tied in
20 the capital reinvestment that we plan to do on our
21 core product. And the labor, to be frank, it will be
22 difficult if not impossible to achieve without what
23 we're doing.

24 Q. Now, are you generally familiar with the

25 forecast and projections that have been submitted to

Michael Frawley - direct - Brooks

1 the Division of Gaming Enforcement by ACH?

2 A. I am.

3 Q. Okay. And do the forecasts and
4 projections provided to the Division take into account
5 any external impacts?

6 A. They do.

7 Q. And could you describe that a bit for
8 the Commission, if you would.

9 A. We recognize, you know, coming -- you
10 know, Aqueduct and New York and Philadelphia, the
11 impact is, you know, still going on, you know. Even
12 now our revenue base is fairly closer to home. Our
13 sustainable 12-month customer base is closer to home.
14 I don't see -- people that like a smaller property
15 will continue to come to us. I don't necessarily see
16 Aqueduct or Revel or everything that's coming on --
17 definitely going to hurt us a little bit, but people
18 who like a smaller place will come to a smaller place.

19 Q. Now, ACH was formerly operated as the
20 Atlantic City Hilton; correct?

21 A. Yes.

22 Q. And could you briefly describe for the
23 Commission the reason for transitioning from Atlantic
24 City Hilton to ACH.

25

A. The ACH name was a bridge. We were

Michael Frawley - direct - Brooks

1 pretty much at a stand-sill, and the ACH name was a
2 bridge to accommodate the identification of Hilton.
3 During that process, we renamed ourselves ACH, and we
4 looked at it as a temporary measure. Because we were
5 for sale, and there was no sense in rebranding the
6 property and then have someone come and taking it and
7 purchase it and rebrand it again.

8 At the present time, we are probably
9 about 90 percent done with the total deidentification
10 of the inside. And the rest of it will occur by
11 December 31st with cards and dice to follow soon
12 after. So we're almost done.

13 Q. Now, Mr. Frawley, understanding that
14 there have been a lot of factors and impacts on the
15 industry, most of which were very well-known, could
16 you describe for the Commission what the restructuring
17 contemplated by the Settlement Agreement and the Lease
18 Agreement does for ACH during the forecasted time
19 period, the November 1st, 2011, through October 31st,
20 2012, time frame.

21 A. It gives us a clear path. You know,
22 we've kind of been at a standstill, like I said
23 before. It gives us a clear path to reinvest in our
24 core product. It gives us a clear path to plan for

25 the future. We keep -- you know, it will give us a

Michael Frawley - cross - Richardson

1 clear path to reinvest in our employees and become
2 competitive in the market again which we haven't been
3 able to do for quite some time.

4 MR. BROOKS: I have no further
5 questions, Madame Chair.

6 CHAIR KASSEKERT: Thank you.

7 Cross-examination?

8 MS. RICHARDSON: Thank you, Chair.

9

10 CROSS-EXAMINATION BY MS. RICHARDSON:

11 Q. Good morning.

12 Part of your new marketing strategy is
13 to move toward more of a focus on slots as opposed to
14 table games; is that correct?

15 A. That's correct.

16 Q. And what is the time line for actually
17 performing that refocus?

18 A. We look to be -- and it will be, you
19 know -- I guess it will be commensurate with the
20 rebranding everything like that. We're looking by the
21 second quarter of 2012 to be complete.

22 Q. How did you actually come to the
23 conclusion that it was in ACH's interest to change the
24 focus to more of the slots as opposed to the tables?

25

A. I think now more than ever there's more

Michael Frawley - cross - Richardson

1 of a -- you know, there's probably opportunity within
2 a true value niche.

3 Q. And would the refocus on slot machines,
4 will that entail upgrading equipment, changing the
5 adjustment of your units on the floor? You'll be
6 reconfiguring?

7 A. Yes. We are -- it will be a major
8 reconfiguration on the slot floor. The amount of
9 units will be considerably reduced, both on the table
10 and slot area.

11 Q. Reduced?

12 A. Yes.

13 Q. Okay. And how does the decision to
14 reduce the amount of slot machines factor into the
15 potential increased revenue? I mean by that, that
16 when you hear the reduction in units, it sort of seems
17 counterintuitive that you'll increase revenue
18 accordingly.

19 A. That's if I was full. I haven't had
20 that problem in quite some time.

21 (Laughter.)

22 A. So -- you know, one of the issues is,
23 you know, when you look at -- when you look at our
24 floor, and the aging of our floor, there are

25 significant nonperforming units because of their age.

Michael Frawley - cross - Richardson

1 And, frankly, that's -- when we look at reinvesting in
2 our product, and when we talk about how we're going to
3 grow that revenue, we've already conceded some of the
4 table game revenues. It's just -- a significant
5 amount of Asian business is going to be done, just as
6 I say, when Aqueduct gets tables or New York is going
7 to get tables, which I assume is going to happen
8 sooner or later. We haven't reinvested in our core
9 product in quite some time. So there's a significant
10 up side. And we've seen other recent purchases that
11 we made 18 months ago.

12 Q. Okay. I think you mentioned earlier
13 that you were mainly focused on the local slot market
14 then?

15 A. It's not necessary in a geographic -- in
16 a geographic way. It doesn't mean that -- it is more
17 of a philosophy that, you know, if you're looking to
18 find value, if you're looking, you know, to come back,
19 it's about repeat business and things like that.
20 It's -- it focuses on value. And value comes in a lot
21 of different ways. Value comes in service. Value
22 comes in security. Value comes in cleanliness. And
23 our aim is to be fiercely loyal to all of those.

24 Q. And you mentioned changeover from the

25 Hilton to ACH.

Michael Frawley - cross - Richardson

1 A. Yes.

2 Q. And that's primarily completed. You
3 said, it was --

4 A. Second quarter. Oh, you're talking
5 about from Hilton to ACH?

6 Q. Yes. Uh-hum.

7 A. We have on the 31st -- by the December
8 31st the Hilton signs on the outside will come down.
9 Like I said, the interior is pretty much done. All we
10 need do now is cards and dice will be soon to follow.
11 Which comes with the name and all of that --
12 everything comes with that.

13 Q. And you mentioned ACH was essentially
14 selected as a bridge, you know, pending probably a
15 sale that --

16 A. Correct.

17 Q. -- everyone was hoping for. And now
18 that you're moving forward with the restructuring, do
19 you anticipate an actual rebranding from ACH to
20 another name --

21 A. Absolutely.

22 Q. -- in the future?

23 A. Yes. Absolutely.

24 Q. In your future?

25

A. Yes. Second quarter.

Michael Frawley

1 Q. Okay. That's all the questions I have.

2 CHAIR KASSEKERT: Thank you.

3 Let me ask, and then I can understand
4 you don't want to give any details with respect
5 to the staff reductions and the consolidation
6 of departments, but I'd like to have an
7 assurance with respect to the security and
8 surveillance employees because, obviously,
9 that's a very important component. Do you
10 foresee any reductions in either of those
11 departments?

12 THE WITNESS: No.

13 CHAIR KASSEKERT: No? Okay.

14 Do you want to talk about numbers in
15 terms of your --

16 THE WITNESS: I -- as far as numbers?

17 CHAIR KASSEKERT: Yeah.

18 You don't want to.

19 THE WITNESS: No. I don't want to.

20 Thank you. I'm sorry.

21 CHAIR KASSEKERT: All right. And I know
22 that you are attempting to -- you know, rebrand
23 ACH as a local casino. You know, appealing to
24 the locals. What data do you have that would

help you come to that conclusion, that it could

Michael Frawley

1 be rebranded that way and successful?

2 THE WITNESS: Existing data that we
3 have, I mean, from our database, we know the
4 habits of our customers. We know where they
5 come from. We know what they play. And our
6 philosophy, you know, because we've been in
7 this stand-still, we haven't been able to
8 invest in our core product and position
9 ourselves the way we needed to because there
10 was no future in it. The existing revenue
11 streams that we have in regards to slots are
12 very encouraging. And our belief was if there
13 was one, there was two. And we're only limited
14 by our allegiance to certain things. By our
15 allegiance to the slot product, you know,
16 gaming --

17 CHAIR KASSEKERT: Uh-hum.

18 THE WITNESS: We're a small place.
19 We're gaming-centric. We are not a larger
20 place, and that's our core business. We want
21 to reinvest in that.

22 CHAIR KASSEKERT: And I'm assuming
23 with -- back to the reduction in staff. I'm
24 assuming you will keep the Division and the

Michael Frawley

1 decisions are made?

2 THE WITNESS: Yes.

3 CHAIR KASSEKERT: Okay. Commissioner
4 Fanelle?

5 VICE CHAIR FANELLE: You're going to
6 recalibrate some of the stuff you did on the
7 floor, your older machines. Are you going to
8 attempt to target -- target a specific market
9 with this rebranding?

10 THE WITNESS: I -- well, the sweet spot
11 in my database right now is a 55-year-old
12 woman. And it becomes easy when I look at how
13 to market, the woman is traditionally, you
14 know, the decision-maker. I know my wife is
15 when I go. And when we talk about a
16 demographic and who we're going to market to,
17 when I think of a 55-year-old woman, all right?
18 And I think of the things that she would value,
19 I think about safety. I think about comfort.
20 I think about the way that she gets treated
21 when she comes in. And I think that she tells
22 her husband. I don't necessarily believe that
23 all of those qualities are linked to a
24 55-year-old woman. I think when I look at it,

25

it's pretty much universal. Everybody wants to

Michael Frawley

1 be treated nice. Everybody wants to certainly
2 feel safe. Everybody wants to be comfortable.
3 And everybody wants to feel that they got value
4 on their trip. Nobody wants to walk out of a
5 place and, man, I feel bad. You know,
6 everybody -- you know, wants to come back.
7 It's -- more of entertainment experience for
8 us. On the gaming side. You know, and we
9 haven't been able to offer that player because
10 of our standstill.

11 VICE CHAIR FANELLE: Now, what's the
12 temporary bridge of the ACH brand?

13 THE WITNESS: Uh-huh.

14 VICE CHAIR FANELLE: And you said you're
15 going to come out with your new rebranding.

16 THE WITNESS: Uh-huh.

17 VICE CHAIR FANELLE: I think from this
18 perspective, from the Commission's perspective,
19 it seems like the identity has been lost at
20 that end of the Boardwalk. So, you know, we
21 would hope that what you bring it to will have
22 an appeal, not just for your area but the
23 entire area.

24 THE WITNESS: Oh, absolutely. When --

and when I speak about "local," I -- I'm -- I

Michael Frawley

1 think of it as more of a philosophical
2 operating point of view. I don't necessarily
3 think we're going to be tied we only want
4 people from Margate. I'm tied to, it's more of
5 a philosophy. When I lived in Las Vegas, the
6 last place you would find me was up on the
7 Strip because I didn't want to pay, you know,
8 all of that money for buffets and things like
9 that. So it's more of an operating philosophy
10 rather than a geographic commitment.

11 VICE CHAIR FANELLE: Uh-hum. Okay.

12 CHAIR KASSEKERT: Sharon?

13 COMMISSIONER HARRINGTON: Yeah. Can you
14 talk with me a little bit about the concept of
15 leased machines and what that means? And why
16 that would be.

17 THE WITNESS: Well, right now you're
18 able -- basically, it's just an arrangement
19 that you make with a slot manufacturer that it
20 would just be a capital lease that you would
21 pay the machines off. And usually -- usually,
22 you know, if you're doing your job right, they
23 pay for themselves, and you're free of it. And
24 they last anywhere from 12 months up to however

long you can get. However long they would

Michael Frawley

1 agree to. But it's basically just paying down
2 the machine.

3 COMMISSIONER HARRINGTON: Okay. Thank
4 you.

5 And then my other question has to do
6 with the staffing issues. Do you anticipate
7 having your current employees reapply for their
8 positions as some other properties have?

9 THE WITNESS: No.

10 COMMISSIONER HARRINGTON: And --

11 THE WITNESS: No.

12 COMMISSIONER HARRINGTON: All right.

13 THE WITNESS: No. Like I said, there
14 will be -- there will be some elimination of
15 positions.

16 COMMISSIONER HARRINGTON: Uh-hum.

17 THE WITNESS: There will be
18 consolidation of positions, and there will be
19 an examination of current rates and things like
20 that. But I don't forecast that -- anybody to
21 have to reapply.

22 COMMISSIONER HARRINGTON: All right.
23 And then, would there be priority consideration
24 if -- when you find yourself in such a strong

financial situation that you'll have to bring

Michael Frawley

1 back people back on and add people to your
2 staff?

3 THE WITNESS: Absolutely. Absolutely.

4 COMMISSIONER HARRINGTON: Great. Thank
5 you.

6 THE WITNESS: I hope to be saying that
7 soon. I hope to be saying that.

8 CHAIR KASSEKERT: Thank you.

9 Any anything on redirect?

10 MR. BROOKS: No, Madame Chair.

11 CHAIR KASSEKERT: Anything on recross?

12 MS. RICHARDSON: No. Thank you, Chair.

13 CHAIR KASSEKERT: Thank you. You may
14 step down.

15 I note on the record that Mr. Ribis is
16 here. Mr. Brooks, do you plan to call him as a
17 witness?

18 MR. BROOKS: No, Madame Chair. I think
19 we're done with the presentation of witnesses,
20 but Mr. Ribis is available to answer questions
21 if the Commission has any.

22 CHAIR KASSEKERT: Okay. Mr. Ribis?

23 MR. RIBIS: You want me?

24 CHAIR KASSEKERT: Sure.

MR. RIBIS: He didn't prepare me to

Nicholas L. Ribis

1 testify, so I don't know if I should.

2 CHAIR KASSEKERT: Well, you know, you're
3 here.

4
5 NICHOLAS L. RIBIS, was duly sworn to
6 testify in this matter.

7

8 MR. NANCE: Please state your name for
9 the record.

10 THE WITNESS: Nicholas L. Ribis,
11 R-i-b-i-s.

12 MR. NANCE: Thank you.

13 CHAIR KASSEKERT: You want to ask any
14 perfunctory questions or --

15 THE WITNESS: I just want to
16 congratulate my team for doing a great job.

17 CHAIR KASSEKERT: Yes. Absolutely.

18 THE WITNESS: Both Eric and Michael had
19 very tough circumstance that we've been
20 through. The last 16 months have been just
21 horrific, both in business and the transaction
22 itself.

23 CHAIR KASSEKERT: Absolutely. I concur
24 with that.

MR. BROOKS: See, I didn't even have to

Nicholas L. Ribis - direct Brooks

1 ask you anything.

2 CHAIR KASSEKERT: Right. There you go.

3 (Laughter.)

4 CHAIR KASSEKERT: I guess -- I guess my
5 major question is --

6 MR. BROOKS: Maybe, Madame Chair, just
7 for the record.

8

9 DIRECT EXAMINATION BY MR. BROOKS:

10 Q. Mr. Ribis, could you describe your
11 position with Resorts International Holdings.

12 A. Thank you, Gil.

13 I'm a principal in the investment, and I
14 am the Chief Executive Officer.

15 MR. BROOKS: Thank you, Madame Chair.

16 CHAIR KASSEKERT: Okay. Miss
17 Richardson? You please feel free to jump in.

18 But I guess my first question to you,
19 Mr. Ribis is, what do you plan -- do you plan
20 on continuing in this role under this new
21 scenario?

22 THE WITNESS: Yes. I fully anticipate
23 continuing in this role, dealing with Mr.
24 Barrack at Colony and dealing with my operating

25

team here. Yes.

Nicholas L. Ribis

1 CHAIR KASSEKERT: Okay. As --

2 THE WITNESS: Unless you've heard
3 something to the contrary.

4 CHAIR KASSEKERT: Very good.

5 And with respect to the plan that's been
6 developed by Mr. Frawley and the settlement
7 agreements which have been worked on by Mr.
8 Matejevich, do you concur with all -- with
9 those agreements and plans?

10 THE WITNESS: Well, I think the
11 Settlement Agreement, taking that first, is
12 a -- is a big cloud lifted from the property.
13 We will have no mortgage. All our debts will
14 be paid up to date. We'll have 25, 26 million
15 in cash. We'll be able to rebrand the
16 property. Michael will be able to do what he
17 needs to do on the casino floor and make
18 adjustments to the property as we deem
19 necessary. So I think it's a first step. Yes.
20 That's very helpful, and I think it stabilizes
21 the property for going forward with the future.

22 We hope that market itself improves
23 because, as the Commission knows, well knows,
24 the market itself has been very, very difficult

over the past 38 months.

Nicholas L. Ribis

1 CHAIR KASSEKERT: Absolutely.

2 Let me ask if any of the commissioners

3 have any questions.

4 (No response.)

5 CHAIR KASSEKERT: Miss Richardson?

6 COMMISSIONER HARRINGTON: No.

7 MS. RICHARDSON: Chair. You asked the

8 question I was going to ask.

9 CHAIR KASSEKERT: Very good.

10 MS. RICHARDSON: About continuing on as

11 CEO.

12 CHAIR KASSEKERT: Thank you.

13 Very good. Thank you, Mr. Ribis. I'm

14 sorry I sprung the surprise on you, but you

15 were there.

16 THE WITNESS: Gil turned pale for a

17 second.

18 (Laughter.)

19 MR. BROOKS: No.

20 CHAIR KASSEKERT: Very helpful.

21 So I'm assuming there are no more

22 witnesses?

23 MR. BROOKS: No more witnesses, Madame

24 Chair.

CHAIR KASSEKERT: We'll now move to

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1 closing arguments.

2 Miss Richardson?

3 MS. RICHARDSON: Thank you, Chair.

4 As we noted in our report, ACH presents
5 a unique case as far as financial stability
6 goes. It has struggled with significant
7 operating losses over the last three years and
8 been kept afloat primarily with cash flow from
9 its affiliates in Mississippi. The proposed
10 restructuring will end that affiliation, that
11 ACH will be receiving funds contributed by
12 Colony and insurance proceeds released by the
13 lenders. These contributions, along with funds
14 ACH will attain through the CRDA donation now
15 provides ACH with an opportunity to proceed
16 under its new marketing plan. With the capital
17 infusion provided by the restructuring, the
18 Division believes ACH will satisfy the
19 financial stability criteria of the Act upon
20 closing of the transactions.

21 The Division has recommended various
22 conditions to allow continued monitoring of ACH
23 and recommends that the Commission approve the
24 restructuring, the associated amendments to

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1 preferred membership units.

2 The Division will consider final
3 approval of the Proposed Transaction Services
4 Agreement when it is signed and presented to
5 the Division.

6 We have reviewed the draft resolution,
7 and we have no objection to it.

8 Thank you.

9 CHAIR KASSEKERT: Thank you.

10 Mr. Brooks?

11 MR. BROOKS: Thank you, Madame Chair.

12 It's been an exhausting time for the
13 ACH. I'm almost exhausted just here today
14 thinking about all the things that had have
15 happened. There's been a lot of twists, and
16 there's been a lot of turns, the foreclosure
17 litigation, the sale process. And the people
18 you've heard from today have been, you know,
19 living that and been laboring with that.

20 The good news is Colony has stepped up
21 when the sale process basically failed, and
22 there was a void there. And there was -- you
23 know, there was no real next steps. Colony has
24 stepped up, and they have agreed to, you know,

25

put money up to give this facility a chance.

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1 You've heard had about the new marketing
2 strategy which gives them a competitive chance.
3 And some steps taken that, you know, through
4 the forecast period will keep the property
5 operating, keep people employed, and, you know,
6 keep things going. And, hopefully, they'll be
7 a revival, and the market will improve. And
8 some of the things that we've been talking
9 about as external events may be events that
10 grow a pie and not just narrow the slices. And
11 the good news is today that we have a way to
12 get to see if these things work.

13 And that's what we're asking for, that
14 opportunity. And I think that there's been a
15 lot of effort to get us to this point. And I
16 would ask if the Commission, you know, approve
17 the final steps of this process and approval
18 the Settlement Agreement and all the other
19 things that we've outlined in the petition.

20 I do want to thank a lot of folks who
21 have made this possible. Obviously Colony, and
22 they're here making the application. I also
23 want to thank the lender. At times we have
24 been at each other's throats, and it has been a

knock-down, drag-out battle at times. But the

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1 lender, through its counsel, have worked with
2 us to reach a resolution that I think is a good
3 resolution for this market and for, you know,
4 the folks who are employed in this -- at that
5 facility. And I want to thank the lender, Mr.
6 O'Gara is here for them, and thank their team.
7 The final negotiations, as we know, poor Tom
8 Floyd from Berkadia who had to come up in the
9 middle of the World Series and miss his Texas
10 Rangers game, but they went to great lengths to
11 make sure this happened.

12 I want to also thank the Division of
13 Gaming Enforcement. There's been involvement
14 at every level at the Division of Gaming
15 Enforcement, particularly when you're faced
16 with the possibility that there was not going
17 to be a sale. And the efforts were
18 extraordinary. Acting Director Rebeck, MaryJo
19 Flaherty, George Rover, Tracy Richardson, and
20 the financial staff, Bob Latimer, Steve Zabady
21 (phonetic), and especially Chris Glaum have
22 just been incredibly helpful in getting us to
23 this point. And, quite honestly, I couldn't
24 have done it without them.

And I'd also like to thank the

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1 Commission staff. Without Commission staff, I
2 don't think that we would have gotten to this
3 point. And, Dianna, I think she was probably
4 afraid of the next call she was going to get
5 from me. But on an almost daily basis we were
6 in contact with each other to try to find
7 solutions, and we were able to do that. And I
8 thank you, Madame Chair, for your efforts in
9 this regard. So there are a whole lot of
10 people to thank for, you know, getting us to
11 this point today.

12 So but I think we're at a good point, a
13 good spot, and I would ask for the approvals
14 we've requested in terms of the petition.

15 We've reviewed C-1, the draft
16 resolution. It's acceptable to my client. The
17 conditions are acceptable, although I would
18 indicate that Condition 3 really applies to the
19 lender. I know Mr. O'Gara is here. I'm sure
20 he could address that. But the conditions set
21 forth in the resolution are acceptable to the
22 parties, to Resorts International Holdings and
23 to RIH Acquisitions.

24 CHAIR KASSEKERT: Thank you.

MR. BROOKS: Thank you, Madame Chair.

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1 CHAIR KASSEKERT: Let me ask if there
2 are any other procedural matters that need to
3 be brought to our attention at this time?

4 MS. RICHARDSON: No, Chair.

5 CHAIR KASSEKERT: No.

6 MR. BROOKS: Nothing, Madame Chair.

7 CHAIR KASSEKERT: Let me ask if any of
8 the commissioners want a recess or --

9 (No response.)

10 CHAIR KASSEKERT: Okay. All right.

11 Obviously, the one-two punch of a
12 failing economy and the increased competition
13 struck a serious blow to casino licensee ACH.
14 And by mid-2009, revenues fell and profits
15 evaporated to the point that the casino could
16 no longer repay its lenders and fell into
17 default. Since then the losses continued to
18 mount until it was clear that the future
19 operations of the casino and the jobs of more
20 than 1900 employees were in serious jeopardy.

21 But its petition before us today, ACH
22 seeks various declaratory rulings relating to a
23 November 2nd, 2011, Settlement Agreement with
24 its lenders. With the requisite regulatory

approvals both here in and in Mississippi, the

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1 parties can resolve the pending foreclosure
2 proceedings and move forward with a planned
3 restructuring that will enable ACH to continue
4 operations and for almost 2,000 people to keep
5 their jobs.

6 Several of the requested rulings relate
7 to technical approvals of changes to various
8 documents and various organizational changes,
9 and these are addressed in the draft
10 resolution, and I need not detail them here.

11 Our focus is, of course, on the
12 Petitioner's request for a ruling that it meets
13 the financial stability standards set forth in
14 Section 84 of the Casino Control Act. ACH
15 seeks a ruling that it has proved by a clear
16 and convincing evidence its financial
17 stability, integrity, and responsibility for
18 the one-year period from November 1st, 2011, to
19 October 31st, 2012.

20 By its report dated November 7th of
21 2011, the Division has provided us with its
22 detailed analysis of ACH's finances and the
23 terms of the Settlement Agreement, and it is
24 has assured us that it believes that ACH will

be able to meet the financial stability

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1 requirements if this restructuring is
2 consummated.

3 Today's testimony has also provided
4 additional detail as to management's planned
5 initiatives to rebrand and market the property
6 going forward. The bottom line, and the main
7 reason why I support this, is that it keeps the
8 doors open, and it keeps employees on the jobs.
9 We've heard testimony today that winning bets
10 will be paid and gaming taxes will be collected
11 while the Division will continue to keep a
12 close eye on its financial condition.

13 To facilitate the Division's continuing
14 monitoring of ACH's financial stability, it has
15 recommended a number of conditions imposing
16 weekly and monthly financial reporting as well
17 as updates as to the outstanding real estate
18 tax matters. I agree that such conditions are
19 vital, and those are outlined in the draft
20 resolution.

21 I note -- I further note that this
22 ruling is a very limited one, pertaining only
23 to the one-year period. Moreover, as the
24 Division points out, it will undertake another

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1 its resubmission process in the first half of
2 2012.

3 Certainly, ACH faces a difficult economy
4 and ever-increasing competition both here and
5 in other jurisdictions. Despite these
6 challenges, I'm nonetheless hopeful that ACH's
7 prospects for success will be bolstered by the
8 planned restructuring.

9 Accordingly, I move to adopt the draft
10 resolution and approve the closing and
11 consummation of the transactions associated
12 with the Settlement Agreement and the Release
13 Agreement and, subject to the continues
14 contained in the Draft Resolution and:

15 A, find that the Petitioner RIN -- RANJ
16 has established by a clear and convincing
17 evidence that following the transactions under
18 the Settlement Agreement and the Release
19 Agreement and for a period of one year from
20 November 1st, 2011, to October 31st, 2012, will
21 possess the financial stability, integrity, and
22 responsibility required pursuant to NJSA
23 5:12-84a;.

24 B, approve the amendments to the JP Loan

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1 Lease, and the changes to RANJ's ownership
2 structure as described in the petition; and.

3 C, approve the issuance of and transfer
4 of RANJ preferred membership units pursuant to
5 NJSA 5:12-82d(7) and NJAC 13:69C-2.8. And I so
6 move.

7 Is there a second?

8 COMMISSIONER HARRINGTON: I'll second
9 that.

10 CHAIR KASSEKERT: A motion has been made
11 and seconded. This is a roll call vote.

12 MR. NANCE: Commissioner Harrington?

13 COMMISSIONER HARRINGTON: Yes.

14 MR. NANCE: Vice Chair Fanelle?

15 VICE CHAIR FANELLE: Yes.

16 MR. NANCE: Chair Kassekert?

17 CHAIR KASSEKERT: Yes.

18 MR. NANCE: The record will reflect that
19 the motion is unanimous.

20 CHAIR KASSEKERT: And let me also on
21 behalf of the Commission thank the Division of
22 Gaming Enforcement, the Director and his staff,
23 and Dianna and Mary of my staff who worked so
24 hard and were so conscientious in bringing this

matter to a successful conclusion.

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1 Thank you.

2 MR. BROOKS: Thank you, Madame Chair.

3 Thank you, members of the Commission.

4 (Conferring.)

5 CHAIR KASSEKERT: We need to recess?

6 MS. FAUNTLEROY: No. No.

7 CHAIR KASSEKERT: Okay.

8 MR. NANCE: Item No. 9, consideration of
9 the application of AC Gateway, LLC, and
10 affiliates for approval to participate in the
11 Staged Casino License Pilot Program.

12 Miss Fauntleroy?

13 MS. FAUNTLEROY: Good afternoon --
14 almost Madame Chair, Vice Chair, Commission
15 Harrington.

16 You have before, as indicated by Mr.
17 Nance, the application of AC Gateway, LLC, and
18 affiliates for approval to participate in the
19 Pilot Program to obtain a Staged Casino
20 Facility License.

21 We have Mr. Casiello here on behalf of
22 AC Gateway, LLC, and affiliates, and Mr. Adams,
23 I think is -- just here for the Division.

24 MR. ADAMS: More as an interested

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1 MS. FAUNTLEROY: Exactly.

2 Thank you.

3 CHAIR KASSEKERT: Thank you.

4 Mr. Casiello?

5 MR. CASIELLO: Good morning, Madame
6 Chair, Commissioners. Again, Nick Casiello,
7 Fox Rothschild, on behalf of the Applicant, AC
8 Gateway, LLC.

9 If I may, I'd like to address a few
10 procedural matters first.

11 CHAIR KASSEKERT: Uh-huh.

12 MR. CASIELLO: First of all, I request
13 that the aspects of the application that was
14 filed on August 19th that were marked
15 confidential be sealed.

16 Second -- would you like to address that
17 now or --

18 CHAIR KASSEKERT: Sure. We can do that
19 now.

20 Let me ask. Is there any -- did Mr.
21 Adams even see the application?

22 MR. ADAMS: We would defer to you on
23 this issue, Chair.

24 CHAIR KASSEKERT: Okay. Thank you.

Let me ask. Is there a motion to Mr.

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1 Casiello's sealing request?

2 COMMISSIONER HARRINGTON: I'll so move.

3 CHAIR KASSEKERT: Second.

4 MS. FAUNTLEROY: I would note for your
5 consideration that the portion of the
6 applications that Applicant request to be
7 sealed contained a significant amount of
8 proprietary information which is certainly
9 appropriate for your consideration with regard
10 to the request for sealing.

11 CHAIR KASSEKERT: Thank you.

12 Because Mr. Casiello asked, we were
13 going to, you know, do it anyway.

14 Just kidding.

15 A motion has been made and seconded.

16 All in favor?

17 (Ayes.)

18 CHAIR KASSEKERT: Opposed?

19 (No response.)

20 CHAIR KASSEKERT: The motion carries.

21 MR. CASIELLO: Thank you.

22 I've also submitted to the Commission
23 staff an exhibit list and premarked exhibits
24 labeled P-1 through P-10, which are some

renderings and drawings. I'd like to offer

ITEM NO. 9

1 those into evidence.

2 CHAIR KASSEKERT: Thank you.

3 Seeing no objection, I'll move those
4 into evidence.

5 MR. CASIELLO: Thank you, Madame Chair.

6 Rather than me go into a long-winded
7 explanation of this project, I think it's best
8 if you just hear it right from the horse's
9 mouth. In which case I'd like to call Jim
10 Allen to the witness stand.

11 CHAIR KASSEKERT: Thank you.

12 MR. CASIELLO: Not that you're a horse.

13 MR. ALLEN: I was going to say.

14 (Laughter.)

15 MR. ALLEN: Thank you.

16 CHAIR KASSEKERT: Mr. Allen, Mr. Nance
17 will swear you in.

18

19 JAMES ALLEN, was duly sworn to testify
20 in this matter.

21

22 MR. NANCY: Please state your name for
23 the record.

24 THE WITNESS: James Allen.

MR. NANCE: Thank you. You may be

James Allen - direct - Casiello

1 seated.

2 CHAIR KASSEKERT: You may proceed, Mr.

3 Casiello.

4 MR. CASIELLO: Thank you.

5

6 DIRECT EXAMINATION BY MR. CASIELLO:

7 Q. Mr. Allen, by whom are you employed?

8 A. Hard Rock International.

9 Q. And in what capacities?

10 A. I'm Chairman.

11 Q. And how long have you held that

12 position?

13 A. Since March of 2007.

14 Q. Can you briefly explain your experience

15 in the casino industry.

16 A. Yes. I started in the casino industry

17 in December of 1979 when my first five years of

18 employment was with Bally's Park Place here in

19 Atlantic City. I then was hired by Hilton Hotels

20 Corporation looking in anticipation of working for

21 Hilton. Obviously, that did not work out, so I became

22 an employee of the Trump organization from June of

23 1985 through, I guess it was May or so of 1993. At

24 that point I went on to work for Amateur Enterprises,

25 which was a company that owned casinos in both New

James Allen - direct - Casiello

1 Orleans and Colorado where I was general manager.
2 From that point I went to work for Sun International
3 where I was Senior Vice President of Property
4 Operations, led to the design and development of
5 Mohegan Sun, and also the Atlantis on Paradise Island.

6 Q. Thank you.

7 A. From that standpoint, I then became
8 involved in the Hard Rock projects in Florida in 2001,
9 where I became CEO of those operations.

10 Q. And what is the relationship between AC
11 Gateway and the Applicant Hard Rock?

12 A. The Applicant has been entered into a
13 letter of intent for Hard Rock International for us to
14 design, develop, manage, brand, and operate a casino
15 hotel destination here in the city of Atlantic City.

16 Q. Probably everybody in the room is
17 somewhat familiar with the Hard Rock -- Hard Rock
18 brand, but could you tell us a little bit about it,
19 please.

20 A. Yes. The Hard Rock brand actually just
21 finished up its 40th year. The good news is it was
22 our most successful year ever. So I think when we
23 look at different brands, certainly in the
24 entertainment field, Hard Rock has certainly withstood

25 the test of time. The brand has continued to grow

James Allen - direct - Casiello

1 where we are no longer just a brand that's associated
2 with cafes. We're in the hotel business. We're in
3 the casino business. We're in the entertainment
4 business. And, obviously, the retail business.

5 Q. And approximately how many venues do you
6 have?

7 A. We are 150-some venues in 51 countries
8 around the world, which now 20 of those are in the
9 hotel and casino areas.

10 Q. And can you tell us about the theme or
11 philosophy of the company.

12 A. You know, the philosophy is, you know,
13 back in 1971 when the brand was founded by Peter
14 Morton and Isaac Tigrett to really take advantage of
15 philanthropic efforts to kind of one of the original
16 slogans of "Love all, serve all, and save the planet."
17 I think one of the things that the brand has been able
18 to do and, frankly, I think under our ownership, we've
19 taken it to a whole other level, is to really focus on
20 the celebrity side of music and entertainment and work
21 with the artists to create philanthropic events which
22 then create media entertainments which create, I
23 think, a lot of excitement in entertainment. That's
24 the primary focus.

Obviously, it's the world's largest

James Allen - direct - Casiello

1 collection of music memorabilia. We continue to grow
2 that collection. Specifically working with different
3 artists on a worldwide basis.

4 Q. Are you involved in any of the local
5 charity events?

6 A. You know, Hard Rock, it's one of the
7 things we do. We do literally thousands of charity
8 events on an annual basis. I'm actually tomorrow
9 night chairing an event here at the Hard Rock in
10 Atlantic City for Gilda's Club. I was told yesterday
11 it will be their largest fundraising event in history
12 of the local charity of Gilda's. We work with
13 different organizations. We work with Jon Bon Jovi
14 for his Philadelphia Freedom Act which we're actually
15 building homes in Philadelphia and the surrounding
16 suburbs. We work with Yoko Ono. We've worked with
17 Bruce Springstein. We've worked with Gloria and
18 Emilio Estefan. We work with Bono. We're actually
19 probably one of the most widely involved persons in
20 regards to World Hunger through Bill Ayres and World
21 Hunger Foundation. There's two -- two Mondays ago we
22 actually did an event up in the Hard Rock in Times
23 Square with Yoko and Bill, just once again committing,
24 you know, a tremendous amount of things for

25 philanthropic interests.

James Allen - direct - Casiello

1 Q. Are you familiar with the design of the
2 proposed project?

3 A. Yes, I am.

4 Q. Hopefully.

5 (Laughter.)

6 A. If not, we're in real trouble.

7 Q. What's the general location of the
8 project?

9 A. The location is basically at the beach
10 at the foot of the Albany Avenue, and it encompasses
11 the old Atlantic City High School site. It's a
12 nine-acre site, a little over a nine-acre site.

13 Q. And how many rooms will it -- hotel
14 rooms will it have in the first phase?

15 A. The first phase is 208 hotel rooms.

16 Q. And how many will be added in the second
17 phase?

18 A. The goal is to get the facility up to
19 850 total rooms once we max out its capacity.

20 Q. And what are the other general elements
21 of the project?

22 A. Well, I think one of the things which
23 we've been able to establish with this brand is that
24 people don't just come to Hard Rock for a casino

25 experience. It is absolutely amazing how people will

James Allen - direct - Casiello

1 travel, frankly, from different countries to actually
2 be associated with the brand, not just through, you
3 know, the food and beverage. Last year we had over
4 10,000 live music events in Hard Rocks around the
5 world. As I mentioned earlier, the philanthropic
6 efforts, so we try to create a lot of excitement. By
7 doing that one of the main features which obviously is
8 the history of the music. It's important to note that
9 the Hard Rock brand is not just associated with rock
10 and roll. It certainly was the founding roots of the
11 brand, but the reality is now we actually cross over
12 to many different segments of music, whether it be R &
13 B, whether it be blues. Certainly country now has
14 become very, very popular. But we haven't forgotten
15 the roots of something like Elvis or The Beatles, or
16 those type things.

17 So because we have this incredible
18 collection of music memorabilia, one of the first
19 things we plan to do is actually create a museum in
20 the facility itself. When you look at the history of
21 Atlantic City, and you look at its amazing
22 contribution to music, we really felt that this could
23 be another reason for people to come to Atlantic City.
24 And very similar to what you find in Cleveland with

25 the Rock and Roll Hall of Fame. Obviously, you know,

James Allen - direct - Casiello

1 we're very fortunate because of the success that we've
2 have, so we have tremendous relationships with many
3 different celebrity chefs and many different
4 organizations. So they'll be a complement of
5 restaurants, amenities. And certainly as I mentioned,
6 when you talk about entertainment, we're very proud of
7 our relationship with both Live Nation and EAG, who
8 are the two largest promoters of music in the world.
9 So we think that we'll also be able to also offer
10 unique entertainment opportunities here in Atlantic
11 City.

12 Q. What is the estimated cost of the
13 project?

14 A. \$465 million in hard costs. That does
15 not include the soft costs.

16 Q. Okay. One of the statutory requirements
17 is that the staged casino have at least one
18 first-class restaurant. Will this project have a
19 first-class restaurant?

20 A. Yes. I think we'll have numerous. As I
21 mentioned a few moments ago, I think one of the things
22 we've been able to do is establish the brand for
23 really being a four-star, four-diamond quality
24 facility. All of our hotels and casinos, that's

25 basically where we position them in the marketplace.

James Allen - direct - Casiello

1 So we'll have a steakhouse, an Italian restaurant. If
2 you look at a brand which we own, which is called
3 Fresh Harvest, and we're certainly very respectful to
4 all of the existing operators here in Atlantic City,
5 but there is no marketplace buffet concept, frankly,
6 compared to what we've done with this brand called
7 Fresh Harvest. So it is really a marketplace,
8 obviously, offers many different types of food, but
9 rather than just the straight traditional buffet line,
10 we've actually truly brought the kitchen into the
11 dining room. I think some people have tried that on a
12 limited basis, but we've really taken that to the next
13 level at some of our facilities.

14 Q. One of the other requirements of the
15 statutes is that a staged casino have at least one
16 entertainment venue. Will this property have an
17 entertainment venue?

18 A. Yes, it will. Certainly, you know, the
19 Hard Rock cafe is a place, which I mentioned earlier,
20 people will travel globally to be involved in the
21 entertainment there. We will offer live music. There
22 is a 30,000-square-foot arena. We'll refer to it as a
23 multipurpose room which that will be multi-level,
24 which that will also be used for live entertainment

25 events.

James Allen - direct - Casiello

1 Q. Let's turn to the pretty pictures.
2 First of all what's -- what's an artist rendering?

3 A. Well, the process of designing and
4 creating, you know, any project but specifically a
5 casino hotel, we would refer to what we refer to as
6 conceptual designs. And I think we are always
7 wrestling the concept versus regulatory approvals,
8 local, both city, you know, state, and in some cases
9 federal approvals with pretty pictures. So I think
10 this is a version where we're trying to get the pretty
11 picture out of what the design intent is, but I would
12 also state that it is, you know, not a final footprint
13 if you -- well, it is actually the final footprint,
14 but it is not the final design, if you will.

15 MR. NANCE: Excuse me, Mr. Casiello?
16 Are you going in order in regard to the exhibit
17 list? Is this P-1?

18 MR. CASIELLO: Yes. I will tell you
19 that right now.

20 MR. NANCE: Okay.

21 MR. CASIELLO: This is P-1.

22 MR. NANCE: Thank you.

23 MR. CASIELLO: I've put up on the easel
24 what is marked P-1.

25

Q. Mr. Allen, what is that?

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1 A. This will be the existing site plan.
2 This actually shows basically starting here at the
3 Albany Avenue coming in, this would be the old --
4 referred to as the old Atlantic City High School site,
5 coming across towards the beach and the Boardwalk.
6 Going down this way would be in a northeast direction.
7 Coming back across and then back this way here. So
8 that should roughly total nine acres of land which is
9 currently just utilized for some satellite parking.

10 Q. Can you show on that what -- where the
11 different elements of the project will be? The hotel
12 tower, the garage?

13 A. Yeah. I think that one of the first
14 things we wanted to do, having worked in this market
15 and still have some involvement in the market on a
16 personal basis is, you know, it's somewhat challenging
17 getting in and out of a lot of casinos. And we're
18 very fortunate because the design of parking garages
19 today are much different than, you know, 10, 20, 30
20 years ago. So what we wanted to create was an
21 environment where we immediately get the guests off of
22 the city streets into the facility and make sure we do
23 not have any issues with utilizing city streets for
24 the exiting of the facility itself. So what we've

25 done is, we have taken this basic block here, which is

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1 the old high school site. The first phase is for
2 2,337 parking spaces. But there's actually a
3 series -- we'll call it -- I refer to it as a vacuum
4 cleaner, if you will. But it literally -- it's a
5 series of speed ramps that start right here and come
6 up into the garage. So immediately all that
7 circulation will no longer be any particular stress on
8 the city streets.

9 As we come across Atlantic Avenue here,
10 this would become the main footprint of the low-rise
11 where all the amenities, you know, such as the casino,
12 the restaurants, the entertainment facilities, would
13 be located. In the first phase the hotel tower would
14 be about in this particular area here. And the second
15 phase, the second tower which would then get us up to
16 850 rooms would be located back in this particular
17 corner.

18 I think it's also important to note as
19 we looked and did all the traffic studies, one of the
20 things we also included into the design was an actual
21 tunnel going under Albany Avenue and then coming back
22 out here by the monument. So, once again, we're not
23 circulating traffic through the city streets of
24 Atlantic City.

Q. And just so us local people can put this

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1 location in context, would you point out the Knife and
2 Fork?

3 (Laughter.)

4 A. The Knife and Fork -- which we have had
5 a great relationship with the Dougherty family, and,
6 hopefully, it will be there for another hundred years,
7 is right there on that particular corner.

8 (Indicating.)

9 Q. I am now going to show you what's been
10 premarked as P-2.

11 MR. CASIELLO: Can you see that?

12 CHAIR KASSEKERT: Uh-huh.

13 COMMISSIONER HARRINGTON: Yeah.

14 Q. Mr. Allen, what is that?

15 A. This would be what we refer to as the
16 Phase ren -- Phase I rendering of the project. And I
17 think what this particular rendering gives us a shot
18 of is we think really for the true first time in
19 Atlantic City's history, at least during the casino
20 era, to really try utilize the beach itself and really
21 try to make it a true destination. We certainly were
22 very positive, and I think we respected, you know, the
23 City and approval of the beach bars on the beach. But
24 I think if you're familiar -- if you travel on an

25 international basis, or even through the Caribbean,

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1 you know, to really take advantage of beach
2 activities, this particular section of the project
3 does. I'll come back to some of those specifics in a
4 moment.

5 This now gives you a depiction of the
6 parking garage, which then obviously bridges over
7 Atlantic Avenue, coming into what I would refer to as
8 the low-rise structure. This particular area here,
9 which is kind of a pop-up in the roof structure, is
10 the entertainment venue, and then this little blue
11 building there, which I think we have a better shot of
12 in a moment, is Phase I of the hotel rooms which is
13 208 rooms. And this particular area here would be the
14 porte-cochere. It's also important to note that
15 while, you know, valet parking in a casino environment
16 can be anywhere from 6 percent to 28 percent of your
17 guests, and clearly depending on how you market your
18 facility, once again, rather than trying to navigate
19 through city streets, we've actually created a
20 mezzanine level that actually travels through the
21 building and back to the main garage. So that
22 particular service will be as positive as possible
23 here in the city of Atlantic City.

24 And the Knife and Fork is still right

25 there, just for the record.

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1 (Laughter.)

2 Q. You're not going to touch it?

3 A. You must be a customer of the Knife and
4 Fork.

5 CHAIR KASSEKERT: A good customer, I
6 would think.

7 MR. CASIELLO: It's a client.

8 COMMISSIONER HARRINGTON: Full
9 disclosure.

10 (Laughter.)

11 MR. CASIELLO: Free advertising.

12 THE WITNESS: Is there a conflict of
13 interest here?

14 Q. This is Exhibit P-3. Could you complain
15 what that is, please.

16 A. Yes. And I think this really --
17 obviously, shows the second tower coming in. And
18 certainly the design of both the towers, which I think
19 we're going to see a better shot of in a second,
20 certainly I think gives it a little bit more of a
21 modern look to, you know, where buildings are being
22 signed here today, not just here in the United States,
23 but, you know as I mentioned earlier, we're in 52
24 countries around the world. We have quite a few

25 hotels in over in Asia. And I think this is the type

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1 of architecture that really you're seeing now in a
2 worldwide basis. I think it will create a fresh
3 palate for the Atlantic City skyline.

4 The combination of this tower here, and
5 this tower gets us up to the 850 rooms. In addition,
6 if you'll notice in the first rendering here, the
7 parking garage actually expands to get up to 3,867
8 spaces. So there will be an addition to the parking
9 garage and, obviously, the second hotel tower.

10 Q. Thank you, Jim.

11 And now I'm going to show you what's
12 been marked premarked as P-4.

13 A. This is probably the prettiest
14 rendering, other than, obviously, from the ocean
15 itself. But I think it gives the real -- the money
16 shot, if you will, of both towers kind of lining up in
17 the Atlantic City skyline. And then, obviously, you
18 know, we're not looking to create a parking garage
19 that is just a concrete structure. I think if you
20 look at the Hard Rock Hotel and Casino in Hollywood,
21 which we launched a parking garage there, a \$50
22 million parking structure last December, we ended up
23 putting the world's largest LED board on the garage
24 other than in stadiums, just to kind of create that

25 iconic look that's associated with the brand. So some

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1 version of that is what we'll be thinking about doing
2 here with the garage.

3 And the other thing which we found, you
4 know, very attractive with this particular piece of
5 land is you have O'Donnell Park there. And we think
6 there is also, you know, the opportunity, say from the
7 period of mid April through this time of year to also
8 work with the City to create different events in the
9 park itself. So we felt as we've had different
10 meetings with the City, it's important to make sure,
11 obviously, they approve, but most importantly if we
12 can energize that particular part of Atlantic City, I
13 think it's a good thing.

14 And I think it's the one thing that we
15 really think separates us from the rest of the people
16 that participate in this space. As I mentioned, I've
17 been in the business for 31 years. But if we create,
18 you know, an event that's solely based upon the
19 memorabilia, or the artwork and the different history
20 of music, certainly on a beautiful day in the spring
21 or the fall, if you took that into actually the park
22 itself, I think it creates a little bit more of this
23 quote-unquote additional entertainment or being more
24 of a destination that I think everybody, obviously, as

25 they look at their individual marketing plans, are

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1 trying to achieve. And our brand certainly helps us
2 do that.

3 Q. Okay. Now I'm going to show you what's
4 been marked premarked as P-5. And let's get into a
5 little bit more detail now. First of all, what is
6 that generally?

7 A. Well, this would be the plan of the --
8 what we referred to as the Boardwalk level, actually,
9 of the site itself, developed out in Phase I. Going
10 back, you know, starting there at the monument, this
11 is the parking structure which we referred to. This
12 green area here is the tunnel going under Albany
13 Avenue that I had referenced earlier. We find that's
14 probably one of the most important features in the
15 project. If you look at any study on casinos,
16 specifically casinos that are trying to drive a little
17 bit more of a repetitive market, say versus a Las
18 Vegas mentality, which is a, you know, three, four,
19 five-night stay, and most of their guests are coming
20 in by airplane, it's important to have people safe and
21 feel as though they can get in and out of the garage
22 as comfortably as possible. So this is something
23 which we have spent a tremendous amount of time on to
24 make sure that this particular area here, which would

25 actually be the speed ramps on the outside of the

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1 garage as you leave the garage, exiting right directly
2 out to Albany Avenue and the Black Horse Pike. When
3 we look at the Atlantic City Expressway, and we see
4 Exit 2 coming over or the utilization of the Black
5 Horse Pike, we think that the location of this site
6 becomes very attractive from its proximity as far as
7 being easy to navigate through.

8 As we mentioned earlier, you know, we
9 are bridging over Atlantic Avenue on the Boardwalk
10 level.

11 And would it be okay if I just get up
12 here and look a little bit?

13 Q. If it's okay with her, it's okay with by
14 me. Is that okay --

15 A. I'll make sure I talk loud.

16 So as we look at the facility itself,
17 this particular level here on the Boardwalk level is
18 basically the back of the house. But most
19 importantly, out on the Boardwalk, this is the Hard
20 Rock museum that we had spoke of. And what our goal
21 here is to create a continuing rotation of different
22 music memorabilia. Then try to tie that in, not just
23 from a historical standpoint, but also what's relevant
24 in the market. So it -- won't necessarily mean that

25 just because we are having a particular entertainment

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1 event in our arena, but hypothetically if there's
2 something going on at the Boardwalk Hall, or even if
3 there's something going on at the one of the other
4 casinos, it would be our goal to work with them so
5 that there are pieces of their music history and,
6 obviously, working with the artists to create an
7 additional entertainment attraction.

8 This certainly shows now the cafe a
9 little bit more in a plan view, which I think we'll
10 get into a little more detail in the next board.

11 This particular area here out on the
12 corner is an entertainment destination which we've
13 kind of identified for two possible activities. One
14 of the things we're very fortunate with is that we
15 have tremendous relationships with a lot of different
16 companies. One of the relationships we have with is
17 Ground Zero Blues Club, which is owned by Morgan
18 Freeman. So we've had some preliminary conversations
19 with Morgan for this particular spot here. We've also
20 talked about that being some type of nightclub. It's
21 important that any of the tenant that we have
22 referenced, we have not executed any final agreements
23 at this point, but it is people that we have had
24 relationships with, whether it be Nobu, you know,

25 different people on a national or worldwide basis.

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1 As I go to the museum, one of the things
2 that we've been very successful at, when the New York
3 Yankees were building the new Yankee Stadium, they
4 actually interviewed 70 different companies to try to
5 create a new restaurant concept for the stadium. And
6 if you're familiar with Yankee Stadium, the only two
7 logos on that building other than the Yankee Stadium
8 logo is the Hard Rock brand and NY Yankees Steak, which is a
9 50/50 ownership between ourselves and the Yankee. But
10 we actually created this brand. It's a very high-end
11 steakhouse. But at the same time, when we built the
12 Hard Rock Cafe at Yankee Stadium, it is all themed
13 around baseball, events associate with music. So
14 that's the type of concept we're trying to create, a
15 thematic marketing plan for this particular area here,
16 once again, be marketing more than just slot machines.

17 Q. I want to go back to the museum for a
18 second. Do any of your existing venues currently have
19 a Hard Rock museum?

20 A. No, they do not. And, candidly, when we
21 looked at -- and having grown up in the area -- I
22 actually grew up in Northfield, so I was certainly
23 very cognizant of the history of music in Atlantic
24 City. So it certainly was something that became very

25 attractive. And when you study the history and some

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1 of the roots and some of the base of true music that
2 was created here, we felt that this would be a great
3 identity for this particular project.

4 Q. Okay. Now I'm going to try to stump
5 you -- stump you.

6 A. Uh-oh.

7 Q. What is the square footage of the museum
8 and the shop?

9 A. The museum itself is in the 14,000 to
10 15,000 square feet area. And the Rock Shop is --
11 really the Rock Shop is really the thematic part of
12 the retail portion of our brand. One of the things
13 which we said when we now started a relationship with
14 the Yankees, try to go to an airport and see if you do
15 not find a Yankee cap or a Hard Rock shirt.

16 (Laughter.)

17 A. And it is pretty hard to do. I'm not
18 saying it is impossible, but clearly the millions of
19 people that are in our database that literally travel
20 all over the world, not just collect the merchandise
21 and all the pins at all the different philanthropic
22 events that we do, the Rock Shop is part of that
23 particular amenity.

24 Q. Okay. Let's turn to P-6. And what is

25 that?

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1 A. Well, I think this particular drawing
2 gives us a couple highlights. We'll go back to the
3 cafe and the beach in a second. But, once again, you
4 know, this here is looking at Roosevelt Avenue. And I
5 think that when I looked at the design of The Pier
6 Shops when they were -- first came to Atlantic City,
7 the first question I had -- Sheldon -- I know Sheldon,
8 I said, you know, how are people going to park there?
9 You know, is there any way to get parking at the
10 Boardwalk? And for whatever reason, I guess they may
11 have challenges, but when we came up with this
12 particular design, I was, you know, very adamant to
13 make sure that if you want to utilize this part of the
14 facility and you're not interested in walking through
15 the garage and through the casino and through all
16 those particular areas, that you can access what I'm
17 going to refer to as probably going to be the
18 high-energy entertainment/restaurant/pool areas not
19 just here in New Jersey, but I actually think on the
20 East Coast. We wanted to make sure that we had a
21 valet drop-off at this particular point. So this is
22 highlighting that. So if you come from in
23 Philadelphia, you come in from Avalon or Margate,
24 whatever it may be, and you do not want to deal with,

25 you know, just the inner-city streets of Atlantic

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1 City, you'll be able to come in here. Our valet staff
2 will be here to take your car, then either access this
3 particular small lot or back to the main garage.

4 So that, I think once again, is
5 something a little unique. I think we've all probably
6 been in a situation, it's 3:00, 4:00. You come in off
7 the beach. You want to get a quick bite to eat or
8 kind of hang out at a restaurant that's on the ocean
9 itself. And, frankly, other than the Greenhouse in
10 Atlantic City, we really don't offer that. There
11 certainly is the -- the beach bars are kind of
12 temporary, but they're really not designed as
13 permanent structures. We have put a significant
14 amount of dollars and capital to make this really an
15 amenity that can be a permanent structure that becomes
16 a true attraction within itself.

17 So how do we do that? Well, we know
18 that, as I mentioned earlier, you know, people will
19 travel. They'll walk in different cities around the
20 world. Give you an example. We just opened a Hard
21 Rock Cafe in Florence, and we were absolutely shocked.
22 We had over 13,000 show up for the opening for a Hard
23 Rock Cafe. Just the cafe, not a hotel or casino. So
24 we continue to try to create iconic events at these

25 grand openings, utilizing our relationships with the

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1 celebrity and with, obviously, the musicians. But
2 most importantly with philanthropic efforts.

3 And I probably should have stated
4 earlier, don't think of Hard Rock as just trying to do
5 something for world hunger. We are very active with
6 both local, state, national and international
7 different charitable organizations. And, frankly,
8 it's part of the general manager's responsibility for
9 he or she to literally work with local groups. So
10 we've already offered that to the City of Atlantic
11 City. I personally have been involved in a tremendous
12 amount of charities here in this basic Atlantic City
13 region area. So the goal would be is to create an
14 iconic event not just around the casino opening but
15 also around utilization of the beach in Atlantic City.

16 And primarily what we have is a
17 traditional Hard Rock Cafe restaurant. But if you
18 haven't been to Hard Rock Cafe recently, and I'll give
19 you one an example. The one at the Taj is what we'd
20 be defining as one of the old Hard Rock. It's one
21 that had the old gilded, you know, gold frames and
22 kind of the red carpet. We don't build those anymore.
23 Frankly, now if you look at the Hard Rock, they are
24 really based on technology. You literally can be

25 sitting at your table, and you can be accessing all

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1 the memorabilia from all over the world. You can
2 interact with artists. You can interact with
3 charitable organizations. So that technology is now
4 being installed in all the Hard Rocks on a worldwide
5 basis. And, clearly, that would be, you know, part
6 the focal point of this, is just to be associated with
7 the technology of the restaurant.

8 In addition, we would expand the menu
9 here to also include what I refer to as a large kind
10 of outdoor barbecue grill kind of environment. I
11 don't know if you've ever been to an island where
12 they'll maybe just have a large outdoor grill and
13 where they're cooking lobsters or cooking shrimp or
14 conch or whatever it is. So it's that type of theory
15 to create this kind of, not just a traditional Hard
16 Rock Cafe menu, but to expand that into much more of a
17 local space or kind of more of an afternoon barbecue
18 type of scenario.

19 We also -- there's a pool in the main
20 structure of the building which we'll show you in the
21 few moments. But at the same time, we've actually put
22 the pool, the primary pool, of the resort on the
23 beach. So, now this was something that we've been
24 navigating through for some time. We are -- I'm sure

25 Nick is going to ask me a question of where we are in

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1 approvals in a moment. But I will tell you that we've
2 received a lot of general enthusiasm that you can now
3 really get the feel of utilizing the pool but also
4 have the views of the ocean.

5 When I worked for Sun International, I
6 used to say at the Atlantis, you know what is the
7 hottest commodity in Atlantis? It's not the beach.
8 You know, it's the beach chair on the pool deck. You
9 know? By far, people would get up at 6:00, 7:00 in
10 the morning just to get a beach chair. So we tried to
11 take some of that experience that we've have and
12 incorporate into this particular environment here with
13 the large pool. Utilizing the months, for example, it
14 would have been -- a couple days ago when it was 70
15 degrees here in November. Utilizing fire pits, you
16 know, for an outdoor environment just to kind of
17 create what you may find in, say, Aspen or Vail, those
18 type situations. So and then, obviously -- then truly
19 investing properly into all the infrastructure needed
20 to create a cabana, a hard-surface environment on the
21 beach itself. And, once again, most importantly,
22 working with the City of Atlantic City where then we
23 can then actually have entertainment, an entertainment
24 stage right in this area here, which we could then do

25 either paid or free concerts out to the beach itself.

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1 So Bernie Dillon, who is also another
2 local person who works for us, Bernie refers to --
3 some of you may remember when we did the Beach Boys at
4 Caesars many years ago, we had over 100,000 people on
5 the beach itself. So we have designed this so that
6 the infrastructure will be in place so that it doesn't
7 have all this tremendous cost associated with doing
8 one special event. You know, we will build all the
9 mechanical infrastructure so that we can create what I
10 would refer to as an outdoor entertainment calendar
11 for, you know, obviously, the months when the weather
12 allows us to do so.

13 Q. Approximately how many square feet is
14 the Hard Rock Cafe on the beach?

15 A. The restaurant itself is about 12,500,
16 12,600. But then when you include all the additional
17 decks and all the different amenities there, you've
18 got another 14,000 square feet.

19 Q. Okay. And the combined square foot at
20 this point of the spa, the pool, those decks, is
21 approximately what?

22 A. The indoor spa itself is right around
23 10,000 square feet. But there's also another pool
24 area up there. So I think when you combine the two,

25 we're 28, 30,000 square feet or so. But I may need to

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1 check my notes on that. That may be where Nick
2 finally tripped me up here.

3 Q. I'm trying my best.

4 A. I can see.

5 Q. I'm now going to show you what's been
6 marked as P-8. And what is that?

7 A. This would be the casino level. So this
8 would be the -- directly coming -- once again, this
9 would be the parking garage itself coming over
10 Atlantic Avenue. This kind of teal area is the actual
11 casino floor which includes 44,000 square feet of
12 actual gaming space and 10,000 square feet of
13 simulcast. And then in the casino, one of the things
14 that Hard Rock was famous for is our quote-unquote
15 center bar concept. It's where -- we started them.
16 It seems like every other casino has tried to create
17 or, you know, duplicate them or emulate them in some
18 form or fashion. So we would certainly have a major
19 casino bar function or feature on the casino floor.

20 This area up here is, as I referred to
21 earlier, the Fresh Harvest marketplace concept. As we
22 come down here, we have -- actually, now the busiest
23 improv in the United States is actually at the Hard
24 Rock in Hollywood, Florida. So we've spoke to Andrew

25 and his team, and they said they love to be involved.

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1 But it's important that we not represent that we have
2 a definitive agreement. But certainly they've
3 expressed interest in doing a large comedy venue here.
4 One of the things we've been able to do there is,
5 because of our relationship with the artists, is kind
6 of create comedy festivals you would maybe have a --
7 some entertainment in this particular area. But then
8 use the big room, which capacity been could be 3,000
9 plus for, say, a comedy-type weekend.

10 Navigating here would be a -- let me
11 just look here at -- the corner my eyes are getting a
12 little bad. I'm sorry. It is the steakhouse. It is
13 our goal to brand that as an NYY Steakhouse. We are
14 still in negotiations with the Yankees on that, but
15 the dialog that we've had so far is that they're
16 looking to get to the finish line there with us. But,
17 once again, pending final contractual approval.

18 And we have a relationship with quite a
19 few different celebrity chefs that focus on the
20 Italian. But at the same time, if you're familiar
21 with a legendary restaurant called Cafe Martorano,
22 Steve Martorano himself has expressed an interest in
23 also being involved in the Hard Rock Atlantic City
24 project. And that is a -- so I joke with Steve. I'm

25 not sure how you charge \$20 for one meatball, but he

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1 does, and people wait two hours to come in. But
2 clearly one of the more busy restaurants. The
3 original restaurant in the South Florida area. We now
4 actually have one of those restaurants at the Hard
5 Rock in Hollywood, also.

6 So and this becomes a bridge. Because
7 certainly we do know that it gets a little bit cold in
8 Atlantic City from January, February, March. So there
9 is a bridge that goes over the Boardwalk out to the
10 Hard Rock Cafe and the entertainment amenities in that
11 particular area.

12 Q. What's the approximate square footage of
13 the casino?

14 A. The casino itself, 44,000 square feet,
15 and then an additional 10,000 square feet of
16 simulcast.

17 Q. I'm going to show you what's been
18 premarked as P-9. What is that?

19 A. You know, this is what we refer to as
20 the spa level, and this is where I was referencing
21 earlier. This right now just looks like kind of a big
22 box, but certainly, you know, we're not to the point
23 of the final design on that. Because of our
24 relationship EAG and Live Nation, it would be our goal

25 to -- in fact, we have meetings with EAG tomorrow. It

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1 would be our goal to include them as part of the
2 process itself in the final design there. But that is
3 our entertainment venue, if you will. We believe that
4 capacity will be similar in the area of 3,000 people.
5 Then this particular area here is the spa. And then,
6 once again, another pool associated for the inclement
7 months of, you know, call it probably this time of
8 year. Actually, probably would be more like October,
9 you know, through mid-May or so. If you do want to
10 use the exterior areas you can still access the pools
11 inside the building itself.

12 Q. Thank you.

13 A. It's important as we look, you know --
14 this particular box, we have a relationship with Live
15 Nation. We do something called Hard Rock Calling.
16 It's now actually a TV show. But it's the launch of
17 the Ambassadors of Rock. And this is where we Hyde
18 Park in London. Last year the attendance, just about
19 200,000 people. We actually broke attendance records
20 in the park itself, where basically it's a music
21 festival from Friday -- really starts Thursday through
22 Sunday. Main events being Friday, Saturday, and
23 Sunday. You know, artists from Paul McCartney to
24 Bruce Springstein to Bon Jovi. The list of who's who.

25 Fergie has played this particular event. So they are

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1 the type things that we look as we look at this
2 particular room. Then utilizing the beach as part of
3 our overall entertainment plan which, frankly, we
4 think creates a real uniqueness on the Hard Rock
5 brand.

6 Q. And since you are on the record and
7 under oath, am I going to be invited to go to that?

8 FROM THE FLOOR: Don't answer that.

9 A. So if you're not in the Knife and Fork,
10 we'll see if we can get you in.

11 (Laughter.)

12 A. You know, and a good example -- and I
13 once again, we were incredibly respectful to the other
14 operators, but you mentioned the Black Eyed Peas and
15 Fergie or Shakira, but I'll give you an example. The
16 Hard Rock Hotel in San Diego, which is doing
17 absolutely amazing. It's a brand-new building. We
18 opened about two or three years ago. Fergie actually
19 worked with us designing the uniforms and the suites.
20 So we do that with the artists. And, obviously, that
21 becomes the relationship. And just so -- how people
22 understand how it works is, we'll make a donation to
23 the artist's personal philanthropic efforts in
24 exchange for memorabilia. So that's kind of the

25 triangular marketing event we do. So we'll make that

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1 donation for whatever the artist is involved with in
2 exchange for their support with the brand. And then
3 in many cases that has, obviously, moved to the levels
4 of like our relationship with Yoko or Fergie or Jon
5 Bon Jovi or Bruce Springstein.

6 Eric Clapton, his quote is that when we
7 created our philanthropic efforts with him, his
8 comment was, you know, I scribbled something on the
9 T-shirt thinking nothing would ever work. And sure
10 enough, it is the most profitable thing that's been
11 done for Promises, for Eric Clapton's work with people
12 who have substance abuse problems. So something we're
13 very proud of.

14 Q. And on the easel is what's been
15 premarked as P-10. Any comments you'd like to make on
16 that?

17 A. You know, I think that this certainly
18 gives a nice shot of the overall resort with the
19 beach. But at the same time, as you start looking in
20 here, and you can start seeing some of the finishes.
21 You know, we are truly a brand that has withstood the
22 test of time. If you think of all the people that
23 have tried to emulate or duplicate Hard Rock, not only
24 have we succeed but -- succeeded, but as I mentioned

25 earlier, it was our best year ever last year. We grew

James Allen - direct - Casiello

1 the business last year a little less than 17 percent.
2 This year we're actually ahead 18 percent. So I think
3 people that are in our basis doing that are type of
4 numbers on a worldwide basis, we believe, is very
5 unique. And part of that is making sure we build a
6 worldclass product. So I think this particular
7 rendering here just gives what I'll refer to as the
8 first palate of some of the architectural materials
9 that we're looking with that we think will be
10 something that becomes very attractive to Atlantic
11 City.

12 Q. Subject to various contingencies,
13 including regulatory approvals, when would you
14 anticipate starting construction?

15 A. Well, you know, I think the largest
16 thing out there for us is the largest thing for
17 anybody. Operating in -- and, frankly, in any
18 financial structure is, you know, where are the
19 capital markets? But assuming we get through the last
20 chapter in the capital markets, it would be our goal
21 to start construction sometime prior to July 15th of
22 2012.

23 Q. And approximately how long will
24 construction take?

A. We believe this is somewhere between a

James Allen - direct - Casiello

1 21 and 23-month construction period.

2 Q. And after the first phase is open, when
3 would you start construction of the second phase?

4 A. You know, I -- thank you for the
5 question because I think it's very important. I think
6 it's important to at least go on the record that Hard
7 Rock does not think that it is smarter than the other
8 operators. We certainly recognize that rooms are the
9 key to the longevity and success of Atlantic City and,
10 frankly, to any particular casino project. The main
11 reason, why, you know, this particular bill was
12 attractive to us was because it allowed us to entered
13 into the space and not be writing a billion dollar,
14 you know, project cost which, frankly, is just about
15 impossible to finance now. Not just here in Atlantic
16 City, but really on a national basis. You know,
17 nobody's doing them anymore in Atlantic City. You
18 certainly have some of the pockets where there is now
19 a semi-monopolistic situation where you'll see
20 something like that. So, but it would certainly be
21 our goal to get the second tower up as soon as
22 possible. We do believe that the room count of 850 is
23 what's needed to succeed on a long-term basis. And we
24 also think it's the appropriate and the proper thing

25 to do for Atlantic City so that it can become more of

James Allen - direct - Casiello

1 a destination and not living just on somebody who's
2 driving a car. Where now you're probably down to an
3 hour and 20 minutes. It used to be two hours. Used
4 to be three hours. So it will be our goal to have
5 that within the first two years to break ground on the
6 second tower and the additional parking.

7 Q. And once the -- you start the second
8 phase, how long will it take to complete it?

9 A. You know, that tower we could probably
10 get up somewhere in the area of you know, 16 months or
11 so.

12 Q. Okay. Let's talk about employment. How
13 many construction jobs will the project create?

14 A. You know, a job like this will have, you
15 know, different volumes of people on, depending upon
16 where you are in the critical path of construction.
17 But we think in general, the numbers there should be
18 an additional 2,000 construction jobs for the Hard
19 Rock Atlantic City project.

20 Q. Okay. I'm sorry did you address
21 permanent jobs as well?

22 A. Permanent jobs, I believe we're going to
23 be somewhere in the neighborhood of 14 to 1500
24 permanent jobs. In Phase I.

MR. CASIELLO: I have no further

James Allen

1 questions.

2 CHAIR KASSEKERT: Thank you.

3 Mr. Adams? You're just observing?

4 MR. ADAMS: No questions.

5 CHAIR KASSEKERT: You'll be involved
6 later.

7 MR. ADAMS: We hope.

8 CHAIR KASSEKERT: Let me turn to the
9 commissioners for questions.

10 COMMISSIONER HARRINGTON: I just -- we
11 keep -- you keep talking about Hard Rock, but
12 the actual applicant is -- for this project AC
13 Gateway; correct?

14 THE WITNESS: That's correct.

15 COMMISSIONER HARRINGTON: And what is
16 that relationship?

17 THE WITNESS: That relationship is
18 Och-Ziff Real Estate, who is part of an private
19 equity firm out of New York City with assets in
20 the neighborhood of \$30 billion, contracted --
21 well, a letter of intent with us, who we have
22 not signed final agreements but, frankly, we're
23 pretty much through them. To design, build,
24 manage, and operate the Hard Rock Hotel Casino

here in Atlantic City. We have a relationship

James Allen

1 with Och-Ziff on other projects, also.

2 COMMISSIONER HARRINGTON: Thank you.

3 CHAIR KASSEKERT: Commissioners Fanelle?

4 VICE CHAIR FANELLE: I find a very
5 eloquent presentation.

6 THE WITNESS: Thank you.

7 VICE CHAIR FANELLE: And I really see
8 you did your homework, but I don't know that
9 these questions are resonated with your level.
10 But the consensus with the media in this area
11 is, you know, you see a depressed property like
12 Hilton, AC Hilton. The question that arose
13 many different times is, well, how come you
14 didn't just acquire that? And then -- I know
15 the branding part of it, but --

16 THE WITNESS: Well, you know, it would
17 be fair to say, I think, that there are five to
18 six, maybe more, of the casinos in Atlantic
19 City people have come to us and said will you
20 take it over? Will you purchase it? Will you
21 manage it? Will you brand it? And we have
22 said no in just about all the examples. There
23 were one of the properties which we kind of
24 looked at. And basically the reason is that we

think that new construction is what's going to

James Allen

1 change the perception of Atlantic City. We
2 certainly hope that all the properties do well.
3 Believe me, I've been doing this long enough to
4 know that if anybody fails, it's not good for
5 any of us. So that is the most important
6 thing.

7 I think some of the early mistakes in
8 Atlantic City were really geared towards each
9 Atlantic City was its own island. So we
10 certainly -- Hard Rock, myself personally, I
11 haven't worked in this particular facility --
12 most importantly -- or this particular
13 jurisdiction, but most importantly, working
14 around the world, if you think about the Hard
15 Rock brand we're in 51 countries, so we're
16 constantly working with different properties,
17 different relationships and governments. We
18 just did not feel that the bones, you know, the
19 basic structures of any of the properties that
20 have gone through some challenging times could
21 have really been rebranded enough to change the
22 image. And we feel that new is better. We
23 think that we can grow the market. We think
24 that just by taking one of the existing

James Allen

1 created some short-term excitement but,
2 frankly, not long-term success for anybody
3 involved.

4 VICE CHAIR FANELLE: All right. With
5 regards to your 150 venues in 51 countries, how
6 many casinos do you operate?

7 THE WITNESS: We operate under the
8 Seminole Gaming band seven -- banner, seven.
9 And then through Hard Rock International, one.
10 But two of the seven in Florida are under the
11 Hard Rock brand, also. The rest are licensed
12 or franchised relationships.

13 VICE CHAIR FANELLE: We look forward to
14 having Hard Rock, hopefully, come into the city
15 and create a new, you know, energy within this
16 area.

17 THE WITNESS: Thank you.

18 CHAIR KASSEKERT: Mr. Casiello didn't
19 have the opportunity to ask you the question.
20 But can you update us with respect to CAFRA and
21 those other permits, where you are in that
22 process.

23 THE WITNESS: Yes. The redevelopment
24 plan has been approved by the Atlantic City and

by the CRDA. We still have are the final

James Allen

1 stages of Green Acres and Department of
2 Environmental Protection. And then once those
3 particular permits are obtained, and we believe
4 the first quarter of next year, we'll be able
5 to go for final zoning approval.

6 CHAIR KASSEKERT: Okay. And, you know,
7 having been in the business for as long as you
8 have, you probably come to the conclusion that,
9 you know, what Atlantic City needs, what other
10 venues need, there's a real mix between gaming
11 and nongaming. Do you think this proposal has
12 that right mix?

13 THE WITNESS: I think it definitely has
14 the right mix. I think certainly, you know,
15 probably the most important thing for Atlantic
16 City, in my opinion, on a long-term basis is
17 obviously marketing the product in a different
18 way.

19 CHAIR KASSEKERT: Uh-huh.

20 THE WITNESS: And I think that some of
21 the things that have happened with some of the
22 new zoning and kind of the new entertainment
23 districts, if you will, I think will help that.

24 CHAIR KASSEKERT: And in terms of

James Allen

1 customer list. How will you utilize that for
2 people that are beyond just the, you know, I
3 want to drive to Atlantic City for the day and
4 see the Hard Rock? How will you market this
5 property nationwide and even worldwide?

6 THE WITNESS: Well, I think that's one
7 of the great things about Hard Rock. Because
8 if you look at any of our ads on, whether it be
9 two weeks ago in the "New York Times" where we
10 featured all the different hotels, if you pick
11 up a Delta Airlines or American Airlines
12 magazine where we'll have a brand statement but
13 we list all the different locations. So
14 clearly Atlantic City would be part of that
15 worldwide marketing plan.

16 CHAIR KASSEKERT: Great.

17 THE WITNESS: But I think that -- you
18 know, to the earlier question, I think that
19 when you look at creating, you know, a
20 marketing plan for a cafe, if we're building a
21 cafe in a particular foreign country, I
22 personally don't get involved with. But this
23 particular project, or any of the major casino
24 projects we're involved with, we're involved

with three others in the United States now, you

James Allen

1 know, it's, frankly, something that we
2 recognize it's very important to make sure that
3 it becomes part of the overall branding and
4 marketing statement of Hard Rock on a worldwide
5 basis.

6 CHAIR KASSEKERT: Well, these are some
7 very exciting renderings. And we thank you for
8 your testimony.

9 THE WITNESS: Thank you, Madame Chair.

10 CHAIR KASSEKERT: And we're very excited
11 about you moving forward.

12 You may step down unless Mr. Casiello
13 has any other questions?

14 MR. CASIELLO: No, Madame Chair.

15 CHAIR KASSEKERT: Thank you.

16 THE WITNESS: Thank you.

17 CHAIR KASSEKERT: Mr. Casiello?

18 MR. CASIELLO: May I?

19 CHAIR KASSEKERT: Yup.

20 MR. CASIELLO: As you heard from the
21 testimony, this is rather a unique project. It
22 will have a Hard Rock Cafe, pool, and other
23 entertainment on the beach. The first time
24 that permanent structures have been placed on

the beach as part of a casino hotel. It will

ITEM NO. 9

1 also have the only Hard Rock museum in the
2 entire chain. It complies with all of the
3 statutory requirements for a staged casino. It
4 will have at least one first-class restaurant,
5 at least one entertainment venue. It will
6 start with 208 rooms and finish with 850 rooms.
7 And it will have at least 44,000 square feet of
8 special amenities.

9 If you approve this application today,
10 it will be one step forward in seeing this
11 project come to fruition. There are many other
12 steps in the process. We cannot guarantee that
13 they will all happen. But I can say that we
14 are working very hard to accomplish that goal.

15 Based on the application and the
16 testimony you heard today, I'd ask that you
17 permit AC Gateway, LLC, to participate in the
18 Staged Casino Pilot Program.

19 Thank you.

20 CHAIR KASSEKERT: Thank you, Mr.
21 Casiello.

22 Mr. Adams?

23 MR. ADAMS: One observation.

24 CHAIR KASSEKERT: Sure.

MR. ADAMS: We look forward to the

ITEM NO. 9

1 application and the investigation.

2 (Laughter.)

3 CHAIR KASSEKERT: Look forward to the
4 investigation?

5 MR. ADAMS: Yes.

6 COMMISSIONER HARRINGTON: I guess
7 they're going to Hyde Park, too.

8 CHAIR KASSEKERT: Thank you.

9 At our June 15th, 2011, public meeting,
10 this body adopted a notice of interest form,
11 application, guidelines, and instructions for a
12 statutorily mandated Pilot Program which
13 authorized the Commission to issue two
14 additional types of casino licenses: A
15 small-scale casino facility license and a
16 staged casino facility license, which we've
17 commonly referred to as the "boutique" casino
18 hotel licenses.

19 In that legislation -- in that
20 legislation it provides that no more than two
21 such licenses should be outstanding at the same
22 time. The Commission adopted an aggressive
23 schedule for the submission of notice of
24 interest for the program as well as the

application itself. Notices of interest were

ITEM NO. 9

1 due by July 9th of 2011 with full applications
2 due to August 19th of 2011. The Commission
3 received notices of interest from several
4 interest parties, as well as the Applicant, AC
5 Gateway, LLC, and Affiliates. AC Gateway, LLC,
6 and Affiliates, however, followed its notice of
7 interest filing with a timely submission of a
8 Pilot Program application in which it sought
9 approval to obtain a staged casino facility
10 license with a Hard Rock Casino Hotel in
11 Atlantic City as its proposed project.

12 The Hard Rock brand is internationally
13 recognized as offering worldclass hospitality,
14 gaming, dining, and retail and entertainment
15 with first-rate cuisine, an exhilarating gaming
16 experience, high-profile and high-energy
17 entertainment.

18 The Applicant promotes the fact that the
19 Atlantic City Hard Rock would be the first
20 boutique casino in Atlantic City and will
21 include innovative design elements that not
22 only enhances the gaming experience but
23 spotlights the special amenities.

24 As New Jersey faces the ongoing threats

ITEM NO. 9

1 in neighboring jurisdictions and more
2 sophisticated tourists, the initiatives such as
3 this Pilot Program intend to promote the
4 construction of a new first-class casino
5 facility along the Boardwalk containing
6 first-class restaurants, high-quality
7 entertainment venues, and special unique
8 amenities that will better position Atlantic
9 City to remain competitive and keep the
10 industry strong. This is indeed an exciting
11 time for Atlantic City. The introduction of
12 the Hard Rock Hotel and Casino Atlantic City
13 with its innovative one-of-the-kind theme
14 concepts reinforces the ongoing growth of
15 Atlantic City as a destination resort.

16 The Applicant has provided this body
17 with a detailed description of the Hard Rock
18 Casino and Hotel Atlantic City project. The
19 project meets the statutory requirements for a
20 staged casino hotel facility as detailed in the
21 draft resolution.

22 And unless there are any additional
23 questions or comments from my fellow
24 commissioners --

ITEM NO. 9

1 CHAIR KASSEKERT: I would move that the
2 application of AC Gateway, LLC, and Affiliates
3 to participate in the Pilot Program and obtain
4 a staged casino facility license subject to the
5 findings, rulings, and conditions specified in
6 the draft resolution be granted, and I so move.

7 Is there a second?

8 COMMISSIONER HARRINGTON: Second.

9 CHAIR KASSEKERT: Okay. A motion -- and
10 as -- let me take the vote first on that. And
11 that would be a roll call vote.

12 MR. NANCE: Commissioner Harrington?

13 COMMISSIONER HARRINGTON: Yes.

14 MR. NANCE: Vice Chair Fanelle?

15 VICE CHAIR FANELLE: Yes.

16 MR. NANCE: Chair Kassekert?

17 CHAIR KASSEKERT: Yes.

18 MR. NANCE: The record will reflect that
19 the motion is unanimous.

20 CHAIR KASSEKERT: Thank you.

21 And as an additional order of business,
22 since the Commission is authorized at this time
23 to consider one more Pilot Program applicant,
24 small-scale or staged, casino project, I would

25

move April 30th of 2012 as the deadline for

1 submission of any additional applications.

2 The application instructions and
3 guidelines are available through the Commission
4 or also accessible on the Commission's website.

5 Is there a second?

6 COMMISSIONER HARRINGTON: Second.

7 CHAIR KASSEKERT: Motion has been made
8 and second. All in favor?

9 (Ayes.)

10 CHAIR KASSEKERT: Opposed?

11 (No response.)

12 CHAIR KASSEKERT: The motion carries.

13 Thank you and congratulations.

14 MR. CASIELLO: Thank you, Commissioners.

15 MR. NANCE: In accordance with
16 Resolution No. 11-04-06-03, the next closed
17 session of the Commission shall be held on
18 Wednesday, December 14th, 2011, at 9:30 a.m. in
19 the Commission offices.

20 It is now time for the public
21 participation portion of the meeting.

22 CHAIR KASSEKERT: Prior to taking public
23 comment, I would just like to recognize someone
24 who is leaving the Governor's office staff to

pursue life in the private sector. I just

PUBLIC - Callaghan

1 wanted to thank you, Susan, for all of your
2 help over the past months. You have been a
3 delight to work with, and we're certainly going
4 to miss you, and we'd like to wish you every
5 success in your newest endeavor.

6 MS. KASE: Thank you very much.

7 CHAIR KASSEKERT: You're welcome.

8 Is there anyone from the public who
9 wishes to be heard?

10 Good afternoon.

11 MR. CALLAGHAN: Good afternoon, Madame
12 Chair. Brian Callaghan, of the law firm of
13 Callaghan, Thompson & Thompson. Haven't
14 appeared before this board since 1987. Most of
15 my work is real estate and zoning. But I have
16 a client today, Patricia Fishetti, who is the
17 owner of Southside Food Products.

18 And, Pat, have a seat.

19 Little background. Southside Food is in
20 the meat and frozen food business and has been
21 in the business since, oh, the mid '70s. It
22 was originally owned by John Venuti. Mr.
23 Venuti was the one-hundred percent owner. Miss
24 Fischetti was the business partner. Mr. Venuti

25

passed away in 1998. Miss Fishetti has

PUBLIC - Callaghan

1 maintained the business since 1998 as a hundred
2 percent small-owned women minority business in
3 the state.

4 And our issue today is we've seen a
5 change that the way that the casinos have been
6 doing business in the sense of in the past,
7 there used to be a bidding process. And the
8 State really frowned on a monopolization
9 process. In fact, the reason I was here in
10 1987 was that Mr. Venuti at that time had had a
11 relationship with Playboy and was doing
12 probably about 50 percent of his business with
13 one hotel. And the DGE stopped him and said,
14 hey, you're being monopolization, and we'd like
15 to you stop that particular portion. It was
16 just one hotel, 50 percent.

17 Well, it appears today that -- we call
18 it single sourcing, that the casinos have
19 stopped the bidding process. Where five years
20 ago we were doing \$5 million worth of work with
21 the various casinos. Today we're doing
22 \$500,000. Where you used to be able to have a
23 hundred different items to bid on, you have no
24 items to bid on, that there is a tremendous

25

amount of single source. Trump has entered

PUBLIC - Callaghan

1 into an 90-day arrangement with a Halpert
2 Meats. So where you used to be able to go in
3 and have 30 or 40 or 50 items to have
4 competitive bidding, there is no competitive
5 bidding. Where the casinos are now able to
6 deal with manufacturers to have the products
7 sent to other developed -- other people for
8 delivery purposes. It happens.

9 So one of the goals that we saw as part
10 of the Casino Control Commission to help the
11 New Jersey businesses, to help the women-owned
12 businesses is really suffering.

13 Now, we only speak from our own point of
14 view. We don't know whether or not this is
15 happening in the dairy business, the produce
16 business, the fish business, et cetera. But we
17 believe it is. And we think it's a detriment
18 to the goals of the Casino Control Commission
19 or the goals of the State to help local New
20 Jersey businesses.

21 Now, can major companies sometimes
22 provide better price points than local on the
23 bidding process? Yes. But there are times
24 that the local person in a competitive bidding

market can supply those products, and we've

PUBLIC - Callaghan

1 been doing it successfully for 25 years. We've
2 had a very viable ongoing business and ongoing
3 relationship with the casinos. And I think
4 some of what you've heard today, because of the
5 changing market conditions, has affected us.
6 Where you've heard, unfortunately, the Hilton
7 saying, well, we're going to have to look at
8 decompartmentalizing and losing some people and
9 doing it. Well, maybe some of the purchasing
10 department, it becomes easier if you only have
11 to deal with one supplier than having to have
12 one or two people in the office having a
13 competitive bid market and having chefs having
14 to go back and forth and say, well, this person
15 is delivering this and this person is
16 delivering that, if you can take a ten past to
17 market and reduce it to three people and only
18 deal with one supplier, and it all of a sudden
19 hurts the New Jersey business owner who's been
20 in a competitive businesses.

21 So when we look at those things, I
22 mean -- and we're also concerned with, once
23 again, rumor mill. You know, quality. That
24 are things being delivered that are post-dated

versus a competitive bid where you have it.

PUBLIC - Callaghan

1 And I go back and I look at Mr. Venuti, and I
2 look at Miss Fishetti. When the Sands Casino
3 was opening up their first cafeteria, they did
4 a competitive bid where one came in, and won
5 the bid and did it. In today's day and age,
6 that doesn't happen. You have a single source.
7 One or two source, and that's it. There is no
8 further bidding.

9 So what we're really asking today is
10 that possibly there's a directive to the DGE to
11 take a look and see is there a monopolization
12 going on? And, as I said, we're only speaking
13 from our one point of view where we've seen the
14 meat and frozen food market. As I said, went
15 from 5 million to \$500,000 because we're being
16 single sourced. But is that happening
17 throughout the industry? Is the New Jersey
18 businesses who are involved, not only in meats
19 but in fish and produce and all the other
20 things, being systematically eliminated and/or
21 severely reduced in the -- what they used to do
22 versus what they did do? And not just because
23 of bad economy, tough times, Philadelphia
24 market, New York market, et cetera, but because

PUBLIC - Burgmayer

1 on the various products? So.

2 CHAIR KASSEKERT: Thank you.

3 MR. CALLAGHAN: So we really thank you
4 for having us, letting us speak. And, God
5 willing, I'll be back before you in another 24
6 years.

7 (Laughter.)

8 CHAIR KASSEKERT: Thank you for bringing
9 those issues to our attention. The Acting
10 Director of the Division is here, and I know
11 that he's been listening very closely. So we
12 appreciate you for bringing these matters to
13 our attention.

14 MR. CALLAGHAN: Thank you once again.

15 CHAIR KASSEKERT: Thank you.

16 Is there anyone else from the public who
17 wishes to be heard?

18 Hi, sir. Come on forward.

19 Can you also state your name for the
20 record?

21 MR. BURGMEYER: My name is Harold
22 Burgmayer.

23 CHAIR KASSEKERT: Thank you.

24 MR. BURGMEYER: And I have very simple

25

request. I've been trying -- trying get a copy

PUBLIC - Burgmayer

1 of the fact that the Casino Control Commission
2 no longer takes patron complaints.

3 CHAIR KASSEKERT: That is correct. The
4 statute was changed.

5 MR. B WITNESS: So I've argued that in
6 court for myself. And the judge has given a
7 memorandum and order that I must come to the
8 Casino Control Commission, exhaust the fact
9 that you do not take complaints. So what I
10 need is a letter from the Casino Control
11 Commission simply stating that we no longer
12 take casino complaints and that the New Jersey
13 gaming authority now assumes that role. So
14 that's all I'm asking for.

15 CHAIR KASSEKERT: Okay. I think we can
16 accommodate that. Yeah.

17 MR. BURGMEYER: I want to thank the
18 Casino Control Commission for the many times
19 that many people in the casinos have personally
20 gone to your representatives at every casino,
21 which you don't have anymore via the Christie
22 Administration Directive. It's very difficult.
23 Because when I had this complaint, I tried to
24 go through the Commission, and they said, well,

25

they don't do it anymore.

PUBLIC - Burgmayer

1 CHAIR KASSEKERT: No.

2 THE WITNESS: Go to the Jersey gaming
3 authority. I got their application. They
4 never responded. And my basic complaint was
5 very simple, that the Caesars Casino stopped
6 giving the free meals at their clubs and upped
7 the tier points from 11,000 to 25,000 tier
8 points to be a member. That meant you didn't
9 get free meals anymore. So that, in my
10 judgment, I went to court with it. It's still
11 in operation or being done, that it's a breach
12 of implied contract via the Supreme Court many
13 years ago. So that's in process.

14 But I do want to thank the Commission
15 for the last time, the appeal, they raised the
16 tier credits. This Commission got it back
17 again. But the sad part about it was, we can't
18 go to the same Commission to get the same
19 effect. And I don't know if Mr. Ross is here
20 in this audience, but he was very helpful.

21 CHAIR KASSEKERT: He's a great employee.
22 Yeah.

23 THE WITNESS: And all the members of the
24 Commission are extremely helpful. We won the

25

last case. I believe we'll win this case

PUBLIC - Burgmayer

1 against Caesars, and we'll be back getting our
2 proper services that we rightfully deserve. So
3 I just need a letter saying --

4 CHAIR KASSEKERT: Okay.

5 THE WITNESS: -- that you don't do that.

6 CHAIR KASSEKERT: Right. We --

7 MR. BURGMYER: I appreciate it. Thanks
8 for the audience.

9 CHAIR KASSEKERT: And the good news,
10 again, is Acting Director is here, and I know
11 he's listening intently to what you said. So
12 we appreciate you coming, and we'll take care
13 of getting you that letter.

14 THE WITNESS: Thanks very much.

15 CHAIR KASSEKERT: You're welcome.

16 Is there anyone else from the public who
17 wishes to be heard?

18 (No response.)

19 CHAIR KASSEKERT: Seeing no one, I'll
20 declare this portion of the meeting closed and
21 entertain a motion to adjourn.

22 COMMISSIONER HARRINGTON: So moved.

23 VICE CHAIR FANELLE: Second.

24 CHAIR KASSEKERT: The motion has been

made and seconded. All in favor?

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(Ayes.)

CHAIR KASSEKERT: Opposed?

(No response.)

CHAIR KASSEKERT: The motion carries.

(Public Meeting 11-11-16 was adjourned
at 12:05 p.m.)

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C E R T I F I C A T E

I, DARLENE SILLITOE, a Certified Court Reporter and Notary Public of the State of New Jersey, certify that the foregoing is a true and accurate transcript of the proceedings.

I further certify that I am neither attorney, of counsel for, nor related to or employed by any of the parties to the action; further that I am not a relative or employee of any attorney or counsel employed in this case; nor am I financially interested in the action.

DARLENE SILLITOE CCR
License No XI01023

Dated: November 20, 2011
My Notary Commission Expires
July 22, 2014
ID No 2062871

