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BEFORE THE MISSOURI GAMING COMMISSION
STATE OF MISSOURI

Meeting
October 20, 2010
8:45 a.m.
Missouri Gaming Commission
Doubletree Hotel
422 Monroe Street
Jefferson City, Missouri

COMMISSIONERS PRESENT:

James L. Mathewson, Chairman
Darryl T. Jones
Jack L. Merritt
Barrett Hatches
Noel Shull

REPORTED BY:

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AGENDA

PAGE

- I. Call to Order 3:11
 - 8:45 a.m. - Drawing for Order of Presentations
 - 9:00 a.m. - Applicant Presentation 5:21
 - 10:30 a.m. - Applicant Presentation 56:19
 - 12:00 - 1:00 p.m. - Recess 107:17
 - 1:00 p.m. - Applicant Presentation 108:3
 - 2:30 p.m. - Applicant Presentation
- II. New Business
- VI. Old Business
- VII. Motion for Closed Meeting under Sections 313.847 and 610.021 (1), (11), (12), and (14)
- VIII. Motion to Open Meeting
- IX. Adjournment 157:15

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P R O C E E D I N G S

CHAIRMAN MATHEWSON: I think all five commissioners are here, Staff's in place. Presenters in place. We are recording this morning so when you speak, you can come up here. Or I think you have a mic that you can pass around, don't you?

UNIDENTIFIED SPEAKER: Yes, we do.

CHAIRMAN MATHEWSON: That's there. Okay. We -- for everyone's benefit this morning, we'll go ahead and open, okay.

Chair would accept a motion to open the meeting.

COMMISSIONER HATCHES: So moved.

COMMISSIONER JONES: Second.

CHAIRMAN MATHEWSON: We have a motion and a second. Call the roll, Angie, please.

MS. FRANKS: Chairman Mathewson.

CHAIRMAN MATHEWSON: Here.

MS. FRANKS: Commissioner Shull.

COMMISSIONER SHULL: Here.

MS. FRANKS: Commissioner Jones.

COMMISSIONER JONES: Here.

MS. FRANKS: Commissioner Hatches.

COMMISSIONER HATCHES: Here.

MS. FRANKS: Commissioner Merritt.

1 COMMISSIONER MERRITT: Here.

2 CHAIRMAN MATHEWSON: Okay. Thank you.

3 We're now in business. We had a -- we had a drawing
4 this morning of the three applicants to see who would
5 go first. And the Cape folks with their
6 presentation -- Cape Girardeau's presentation drew
7 number one, so I guess congratulations.

8 What we're going to try to do -- and for
9 anyone that isn't aware of it, the North County
10 presentation will -- we won't be having that today at
11 their request. They sent us an email in yesterday
12 saying that they would not be present to make -- to
13 make a presentation. So anyone that didn't know
14 that, now you knew. They are not going to be with us
15 today.

16 So we have three applicants left out of
17 the four, so we will take those in order. What we'd
18 like to do is give each applicant for the applicant
19 themselves plus the community one hour, and I think
20 you all have been notified of that I believe. And
21 you can split that up however you want to, you know,
22 from our standpoint, you know. The applicant can go,
23 the community can go, blend in or however you want to
24 do it or you take so much time and they take so much
25 time, okay? So we will -- we will proceed in -- with

1 that course of action.

2 So we welcome everyone here this
3 morning. Thank you for being here and thank you for
4 your interest in making your presentation today.
5 We've looked forward to this so that we have an
6 opportunity to ask you questions and you have an
7 opportunity to share your application thoughts with
8 us.

9 So Commissioners, anyone else, anyone
10 have any comments or thoughts or anything before we
11 start?

12 Okay. We need for you to identify
13 yourself when you speak because again, we are
14 recording, okay? So, and if you -- if you speak once
15 and then -- and then, you know, someone else speaks
16 and then you're going to speak again, reidentify
17 yourself, so the lady can --

18 MR. PERRY: I'm coming up there.

19 CHAIRMAN MATHEWSON: Okay. So we have a
20 microphone that's ready to go, so.

21 MR. PERRY: Good morning, Mr. Chairman.

22 CHAIRMAN MATHEWSON: Good morning.

23 MR. PERRY: Members of the --
24 Commissioners, members of the Commission's staff. My
25 name is Jim Perry; I am the chairman and CEO of Isle

1 of Capri casinos. It's a pleasure to be here today
2 to share with you our thoughts on a project that
3 we've been working on for the past eight or nine
4 months, a project that we feel is in the best
5 interest of the state, the community of Cape
6 Girardeau, as well as our company. And we're excited
7 to tell you about that project and fill you in today.

8 I'm going to start out and fill you in on
9 some facts about Isle of Capri. Isle of Capri is a
10 billion dollar gaming company with locations in 14 --
11 with casinos in 14 different locations. We started
12 Pompano down in Florida, move to up to the midpart of
13 the country through Mississippi, Missouri, Iowa, and
14 Louisiana, and then we have two properties in Black
15 Hawk, Colorado, land-based facilities.

16 Our company generates over a billion
17 dollars in revenue. We're one of the larger regional
18 gaming companies. We operate 15 casino properties in
19 six states. Our properties comprise 3,000 hotel
20 rooms, over 40 dining outlets throughout our company,
21 over 15,000 slot machines, 350 table games, and many
22 of our properties have space for meetings, convention
23 centers, and we do have one racetrack at our casino
24 in Florida.

25 This company has a deep commitment to

1 Missouri. Between the senior management team, many
2 of us have been in Missouri operating with one
3 company or another since gaming first came to
4 Missouri, to Riverside back in the early '90s. I
5 personally have been involved in Missouri since I was
6 with Argosy Gaming in 1997, and many of the
7 management team have worked in the state of Missouri
8 and have been licensed in Missouri.

9 Five years ago after the Hurricane
10 Katrina, the company relocated its corporate office
11 to St. Louis where we employ over 150 people.

12 Our management team is deep. We
13 represent over 200 years of experience in gaming and
14 entertainment, and we have managed over 75 properties
15 in 20 different jurisdictions throughout the United
16 States, and we have -- do have some international
17 experience as well.

18 Our corporate office really handles the
19 corporate functions of marketing, information
20 technology, internal audit and compliance, our
21 corporate finance division. We do construction and
22 development out of St. Louis, human resources
23 function, our legal. And then of course our
24 corporate operations people are based in St. Louis,
25 Missouri.

1 With that I'd like to introduce Virginia
2 McDowell who is our president and chief operating
3 officer.

4 MS. McDOWELL: Thank you and good
5 morning.

6 As Jim said, our Missouri roots do run
7 deep. We have properties in three different distinct
8 geographical locations in the state, in Boonville, in
9 Kansas City, and in Caruthersville. At those
10 properties we employ a total of 1,400 people
11 including the folks in the corporate office that Jim
12 just mentioned. In our fiscal year 2010, last year
13 our total Missouri payroll was \$66 million, and the
14 total amount of gaming taxes that we paid in the
15 state was \$53 million.

16 We are good corporate citizens in all of
17 the communities where we are licensed and where we
18 operate. This is just a small sample of the over 150
19 organizations, large and small, and obviously some
20 very familiar names there, that we have supported
21 across Missouri.

22 We also encourage our employees to donate
23 their time, treasure, and talents to a variety of
24 different organizations as well through our Community
25 Aces Charitable Foundation. This is our group from

1 Boonville at the recent United Way Day of Caring.
2 This is our group from Kansas City building a house
3 for Habitat for Humanity, and this is our corporate
4 office at the Gateway Dragon Boat Races benefiting
5 the Ranken Jordan Center in St. Louis.

6 We are a company that is focused on the
7 utilization of minority and women contractors and
8 vendors. At our Missouri properties, we have
9 recruited and encouraged the utilization of minority-
10 and women-owned business in our respective
11 communities across the state, and we continue to work
12 with the Missouri Gaming Commission and with
13 commission staff member, John Nathan, to increase and
14 identify utilization of minority and women vendors.

15 We are also a company that is focused on
16 responsible gaming and preventing underage gaming.
17 We are an active member of the Missouri Alliance to
18 Curb Problem Gaming through the Missouri Gaming
19 Association. We adhere to the code of conduct of the
20 American Gaming Association for responsible gaming.
21 We are actually part of the group that drafted that,
22 and we are a board member of the American Gaming
23 Association. We do conduct annual training for
24 compulsive and underage gaming for all of our team
25 members across our three properties -- actually

1 across our 15 properties, and we also promote the
2 Missouri DAP program and self-exclusion program which
3 excludes problem gamers from all of the properties
4 across our enterprise.

5 When we talk about the opportunity in
6 Missouri and the fact that we know Missouri, we
7 looked at a variety of different opportunities in the
8 state, made the determination that Cape Girardeau
9 represented not only the best opportunity for our
10 company, for the State.

11 It is my pleasure to introduce Steve
12 Gallaway from Gaming Market Advisors who's going to
13 walk you through the numbers as to why we believe
14 this is the case. Thank you.

15 MR. GALLAWAY: Thank you, Virginia.

16 My name is Steve Gallaway; I'm with
17 Gaming Market Advisors. We are one of the premier
18 consulting firms in the gaming industry. We have
19 offices in Las Vegas and Denver. In fact our Las
20 Vegas office has a full research facility for the
21 gaming industry. We've completed work in basically
22 every domestic market in the United States,
23 international markets, Native American markets.
24 We've performed work in over 16 countries for six
25 public companies, numerous private gaming companies,

1 and insti-- financial institutions and Native
2 American tribes.

3 This is a short list of our clients. It
4 includes as I said, public gaming companies, such as
5 Boyd Gaming, obviously Isle of Capri, IGT, MGM, other
6 companies such as Lloyds of London, many private
7 gaming companies and many tribes such as the
8 Coshatta tribe, Mohegan Sun, Casino Morongo, et
9 cetera.

10 Gaming Market Advisors, primarily we do
11 gaming market assessments, expansion relocation
12 analyses, business marking plans, operation analyses,
13 et cetera. For this engagement we were hired to do a
14 gaming market assessment for the proposed Isle Cape
15 facility in addition to quantifying the gaming
16 revenues for the other applicants and the impact on
17 Missouri tax revenues.

18 When you do a gaming market assessment,
19 there are numerous methodologies you can use. When
20 you have a lack of data or if you're trying to do a
21 back-of-the-napkin analysis quickly, we'll do a basic
22 market carve out, concentric ring analysis, or a
23 benchmark analysis. But when you have large amounts
24 of data available, as we do in Missouri, for the
25 existing properties, how they're performing today,

1 the best method and the most widely used method is
2 that of a gravity model. I'm sure everyone here's
3 familiar with gravity models. Many reports use them
4 throughout the industry.

5 The advantage of a gravity model is that
6 you can first calibrate the current markets
7 conditions because you have the data available to how
8 everyone's performing. This means we build a model,
9 you have to put every single casino in the -- in the
10 market in the model, and in addition we can then grow
11 that model to future years based on population trends
12 and economic trends.

13 The cannibalization is a simple matter of
14 subtracting a with-competition scenario from a
15 without-competition scenario. In the situation in
16 Missouri where we're trying to quantify the
17 incremental revenues to the State and then tax
18 revenues, a gravity model is really the best and most
19 accurate model to use.

20 Just want to quickly walk through some
21 markets here that we're talking about. This is the
22 St. Louis market, and we are -- these are ten-mile
23 radius rings around each casino that exists today.
24 The purpose of this slide is to really illustrate how
25 saturated of a market it is. Everyone's markets

1 overlap with one another. These are only ten-mile
2 radiuses. This is a very tight market area.

3 If you put in proposed casinos, either
4 North County or Celebration, you can see it's going
5 to eat the market share of the other existing
6 operators there today.

7 The same case can be said for Kansas
8 City. Again, these are the existing casinos today in
9 Missouri including the Indian casino, the Wyandotte
10 casino. And again, all the ten-mile ring markets
11 overlap significantly. This situation gets only
12 worse in a few years when Penn opens up their
13 speedway facility, and again, the rings significantly
14 overlap showing that they're going to cannibalize
15 revenue from Missouri casinos.

16 To make this situation worse would be
17 approving a casino at Sugar Creek where again, it's
18 completely overlapping existing markets and is going
19 to cannibalize the existing casinos there.

20 On the other hand if we look at the Cape,
21 these rings here, they're ten-mile rings, and as you
22 look, it's pretty silly because they're so far apart,
23 we actually put 25-mile rings on as well. As you can
24 see, with 25-mile rings, none of the casino's markets
25 overlap. The ring in the upper left-hand corner of

1 the map, that's the outer 25-mile ring of River
2 City. This clearly illustrates that Cape, should the
3 Isle be awarded a license, will have minimal
4 cannibalization on Missouri casinos. And there's
5 slight overlap with Harrah's casino, but of course
6 that's in Illinois, so that's okay.

7 Want to quickly go over the results of
8 the model. I'm not going to go through the detailed
9 chart. You have -- you have the report, but I want
10 to show the key result of this.

11 This is for the Chain of Rocks Casino.
12 What this is saying is that we believe that total
13 gaming revenue from Chain of Rocks would be 107
14 million of which 71 million would be cannibalized
15 from existing Missouri casinos, and it would generate
16 approximately 35.8 million of new revenue, new
17 taxable gaming revenue to the State of Missouri.

18 This is a similar situation with North
19 County. This is the detailed number, but we'll go to
20 the summary. North County as well, 117 million.
21 Again, the overwhelming majority of that would be
22 cannibalizing existing casinos, estimated 77.4
23 million of cannibalization and new growth to Missouri
24 of 39.8 million.

25 Sugar Creek is a similar situation. We

1 estimate that the total revenues will be 94 million
2 out of the facility of which 35.3 million would be
3 new growth for Missouri. But the majority of it
4 again, 58.6 million, will be cannibalized.

5 Whereas the Cape, going back to the rings
6 where none of the rings overlap or very few of the
7 rings overlap, you're going to have the most market
8 growth for Missouri. We estimate that the Cape will
9 do 79.4 million in gaming revenue of which the
10 majority -- on the other slides, the red was the
11 majority; here the blue, which is a new revenue to
12 Missouri -- is going to be 66.9 million, and it's
13 only going to cannibalize approximately 12 and a half
14 million.

15 And the advantage here too, that
16 cannibalization of 12 and a half million is spread
17 pretty evenly throughout Missouri casinos. You have
18 some from the Isle's own facility, 85 miles away in
19 Caruthersville, then much of it is distributed
20 throughout some of these St. Louis properties, but
21 they're very small impact because of the distance
22 that the Cape is from the existing Missouri
23 properties today.

24 This chart shows a summary of each of the
25 incremental gaming revenues, incremental taxable

1 gaming revenues to the State of Missouri, and the
2 actual tax revenue. We estimate that the Cape casino
3 will generate an incremental \$17 and a half million
4 of tax revenue purely from gaming for the State of
5 Missouri. The next closest competitor would be North
6 County at 9.9 million; Paragon, shortly behind that
7 at 9 and a half million; and then Celebration, the
8 least amount at 8.9 million. This number, 17 and a
9 half is nearly two times that of the nearest
10 competitor.

11 Just want to -- this is a -- this slide
12 summarizes each of the casinos' revenue, the percent
13 that's new, the hard number that's new, and that
14 which is cannibalized. Again, you can see clearly
15 here that the Isle Cape casino will be generating the
16 most new revenue to the State of Missouri in
17 comparison to the other three.

18 Just want to quickly now go through
19 some -- want to go through some empirical data from
20 Missouri in terms of gaming statistics. If we look
21 at St. Louis, when River City opened up, River City
22 jumped, immediately grew their revenue, very quickly
23 stabilized, and basically stabilized right around \$15
24 million of gaming revenue, which is great for them.
25 But if you look at the other four existing operators

1 in St. Louis, every casino's revenue has been
2 experiencing a steady decline since the opening of
3 River City. And of course we brought President down
4 to zero.

5 That's pretty -- that pretty much tells
6 the story right there. They open a new casino and it
7 cannibalized the heck out of everyone else. You look
8 at the overall market since February in St. Louis and
9 basically it's stayed flat. What happened here is
10 that River City opened up and it cannibalized the
11 existing operators.

12 We have a similar situation in Kansas
13 City. We have more data in Kansas City, as I'm going
14 to refer to the Argosy expansion which occurred back
15 in about 2006. When Argosy built their expansion
16 where they built a new boat, added a nice hotel, and
17 of course it was done by the group behind me at a
18 different company, the facility did fantastically
19 well. However, that was generally at the expense of
20 the other properties in Kansas City.

21 Every casino since 2006 revenues
22 declined. You look at the overall market in Kansas
23 City; yes, it did increase slightly from 2006 to
24 2009; however, I would argue that growth had more to
25 do with increases in population and income. And then

1 while we had the recession in 2008, we had the
2 relaxation of the \$500 betting limit which helped the
3 market continue to grow. Argosy did not expand the
4 market; it simply cannibalized everyone else.

5 In summary, the greater Cape Girardeau
6 market is not saturated. The St. Louis and Kansas
7 City markets are saturated. Kansas City will be
8 further diluted when Penn National opens up its
9 facility out by the speedway. The best remaining
10 market in all of Missouri is Cape Girardeau.

11 Thank you. And on that note I'd like to
12 pass it over to Scott Meyer, the city manager of
13 Cape.

14 MR. MEYER: Thank you, Steve.

15 I am Scott Meyer, the city manager of
16 Cape Girardeau, Missouri. Steve told you why -- why
17 Cape Girardeau, and I'm here to tell you within Cape
18 Girardeau, you know, why the location we've chosen,
19 so why -- why are we going to be where we are.

20 Really this story starts many years ago,
21 but a lot of the planning for expansion in Cape
22 Girardeau started a few years ago when we started our
23 new comprehensive plan and began to look at how Cape
24 Girardeau wanted to grow and where we wanted to grow
25 and how we wanted to go about doing that business.

1 Through that we developed within the city several
2 areas, and one of the areas was in our downtown
3 area. We then undertook the State-sponsored Dream
4 Plan which took and looked at the downtown in much
5 more detail and really began to develop strategies of
6 how to revitalize your downtown or how to revitalize
7 the Cape Girardeau downtown.

8 Just this year we had a new council,
9 several new council members came on, and we began to
10 look at our strategic plan and mission. And the key
11 of our -- one of the key components of our commission
12 is to enhance our regional hub status. Cape
13 Girardeau has been for many years a regional hub, and
14 we've identified we want to enhance that regional hub
15 status, not only keep it, but to grow it. All of
16 these factors add up to the idea that we have good
17 planning in place, at least a good government. That
18 basically leads to good sustainable growth, and
19 that's why we're going to be at the location that
20 we're going to be at.

21 This is our existing condition; it's just
22 adjacent to our downtown. The -- it's a location of
23 the old Florsheim Shoe Factory that many cities had
24 in their -- in their towns 30 years ago. The
25 Florsheim Shoe Factory left about 30 years ago and

1 left it in this condition, and it's been that way for
2 30 years, just adjacent to our downtown.

3 These are some of the structures
4 surrounding the site. It is a -- blighted with
5 abandoned buildings, and without any additional
6 investment, we believe that it will stay that way.

7 Our Dream initiative said that in order
8 to revitalize downtown, you need a strong anchor
9 located downtown to help fuel that downtown
10 revitalization. The other benefit of reusing the
11 downtown is that you reuse land and infrastructure
12 that's already in place. So the water lines, the
13 sewer lines, everything -- the storm water, all that
14 is already in place and you're able to reuse that
15 rather than go out and build brand new and expand and
16 further stretch your city's services. So that's a
17 big part of why this location, is revitalization and
18 reuse.

19 The other thing about this site is just
20 adjoining the site -- the site is there to the
21 right -- just adjoining that site on the left is our
22 existing river front district. And then in between
23 there will be a land that will be available for an
24 additional new development that will be spurred on
25 by -- by the -- by the casino development and allow

1 the -- us to not only connect to the downtown and
2 revitalize the downtown, but actually have new
3 opportunities to further build upon this
4 redevelopment opportunity.

5 What -- what the site doesn't -- it
6 doesn't look like much now, but it does have a lot of
7 advantages I've kind of alluded to earlier. And that
8 is that it does -- it is protected by a levee.
9 It's -- flooding is not a problem because it's
10 protected by a hundred-year levy, and it has --
11 requires no Corps of Engineer permit. There's really
12 no permitting necessary. The access is available
13 from all directions. We have an interstate, we have
14 a major river crossing that are all close by and have
15 good access into this site. The geotechnical
16 investigations have already been done, and there are
17 no significant problems with the -- in the geotech
18 work.

19 We -- not only do we have good traffic,
20 we are also doing a ten-year traffic study to look
21 ahead and see if there are any that are going to crop
22 up so we can make plans ahead using our planning
23 process, plan ahead for anything that might come up
24 that we can -- we can take care of if there are any.

25 We're proud to be a city that is -- that

1 looks forward and plans for our future growth, that
2 has growth that is not only good for today, but is
3 sustainable and good to our future.

4 We have been a city that's been committed
5 to infrastructure investments. We just recently
6 passed a transportation tax for our fourth time. We
7 renew every four years. The citizens have been good
8 that if we -- if we do what we say, they will come
9 back and support us for another five years. They
10 recently have done that, and we're proud that we are
11 a forerunner of that and that we maintain our systems
12 well and continue to look forward to not only the
13 growth, but the reuse of sites just like this one.

14 The proposed site comes complete with the
15 levee protection, the access to major utilities,
16 adequate transportation routes from all directions.
17 We're also looking ahead on planning and zoning
18 issues on storm water with our partner, Isle.

19 We've been working with Dick Meister.
20 He's the corporate vice president of design and
21 construction with Isle and have been conducting
22 biweekly meetings with our city engineer and her team
23 as well as our planning and zoning has seen what is
24 coming and they formed a subcommittee to stay up on a
25 weekly basis on what is happening so that we can be

1 responsive and make sure that the development fits
2 within our comprehensive plan, the Dream Plan, and
3 the results that we get will be effective.

4 So Dick's going to come and give us the
5 details of all the exciting development on this site.

6 CHAIRMAN MATHEWSON: Scott, excuse me.
7 Let me ask you a question before you leave please.

8 MR. MEYER: Sure.

9 CHAIRMAN MATHEWSON: One of the concerns
10 that came out when you all were kind enough to have a
11 public meeting down here, one of the things that was
12 brought up at that meeting that I still don't have a
13 real feel for is the access from like I-55 over to
14 that property.

15 MR. MEYER: Uh-huh.

16 CHAIRMAN MATHEWSON: And I notice -- I
17 was waiting kind for your presentation here because I
18 believe maybe you were going to touch on that.

19 MR. MEYER: Uh-huh.

20 CHAIRMAN MATHEWSON: But you didn't.

21 MR. MEYER: Okay.

22 CHAIRMAN MATHEWSON: Okay. You're
23 promoting that site which I have no problem --

24 MR. MEYER: Sure.

25 CHAIRMAN MATHEWSON: -- with you doing.

1 MR. MEYER: Uh-huh.

2 CHAIRMAN MATHEWSON: But at the same time
3 how we going to get folks there from out like I-55?
4 And you don't have to spend a bunch of time on it,
5 sir, right -- right this minute. But what I'd like
6 to see, and I think the other commissioners and staff
7 would too is -- is get a city map.

8 MR. MEYER: Sure.

9 CHAIRMAN MATHEWSON: And help us
10 understand how we're going to move traffic from out
11 on the highway or the intersections out on the
12 highway to that site. Because I'm hearing all the
13 way from, you know, three and a half miles to seven
14 miles. And, you know, GPS doesn't even have that
15 site on it, or didn't when we came down to that
16 meeting because we were trying to find it.

17 MR. MEYER: Sure.

18 CHAIRMAN MATHEWSON: So could you --
19 could you give us that information please and try to
20 help us understand how we're going to get from out on
21 the highway to that location?

22 MR. MEYER: Absolutely. Actually we've
23 been -- Dick and I have been sharing a -- they start
24 with a consultant to look at that, those exact
25 issues, and what are the access points, and we've

1 been looking at both truck and car traffic. I'll
2 tell you the best way to get traffic there, we have a
3 brand new river bridge that has a brand new four-lane
4 highway between the river bridge and I-55. If you
5 bring -- on I-55, if you bring them off at that
6 interchange and then come down, is it three miles
7 then to Sprig Street? And there's a -- there's a
8 stoplight there. Bring them across Sprig or
9 Fountain, either one, they both have stoplights. And
10 it's -- I'm -- six or seven blocks and you're in the
11 downtown and then just one block over to the site.
12 We could show that on a city map a lot easier, but
13 that's -- that's essentially --

14 CHAIRMAN MATHEWSON: Okay.

15 MR. MEYER: -- the best way to bring
16 people in because of the -- of that four-lane access
17 to get them right there. And of course crossing the
18 bridge is just a -- just a matter of making a right
19 turn.

20 CHAIRMAN MATHEWSON: Right.

21 MR. MEYER: And we're going to hassle --

22 CHAIRMAN MATHEWSON: Yeah. I don't see a
23 problem from coming from the east.

24 MR. MEYER: No, it's not.

25 CHAIRMAN MATHEWSON: I mean, that's the

1 bridge and basically one right turn and something
2 and --

3 MR. MEYER: Right.

4 CHAIRMAN MATHEWSON: -- you're about
5 there, right?

6 MR. MEYER: Right.

7 CHAIRMAN MATHEWSON: We noticed that when
8 we were down -- that was one of the advantages we had
9 by coming down --

10 MR. MEYER: Absolutely.

11 CHAIRMAN MATHEWSON: -- and seeing what
12 you were doing there. But if you could -- if you
13 could put that on a map for us and just let staff
14 have it.

15 MR. MEYER: Absolutely.

16 CHAIRMAN MATHEWSON: As soon as you can.
17 And then we can -- we can all look at it.

18 MR. MEYER: Yeah. We've already got
19 that; we'll get it to you.

20 CHAIRMAN MATHEWSON: Okay. Thank you,
21 sir.

22 MR. MEYER: Thank you.

23 MR. MEISTER: Good morning. Richard
24 Meister, vice president design and construction. If
25 I could just tag on that for a second, sir.

1 CHAIRMAN MATHEWSON: Sure.

2 MR. MEISTER: We have done a traffic
3 study. There are four routes into the property to
4 serve it from a vehicle perspective for patrons, and
5 we have two truck routes in. They've all been done
6 along with the traffic study. We'll make certain
7 that you get that information in the next day or so,
8 so we can move forward.

9 CHAIRMAN MATHEWSON: Okay.

10 MR. MEISTER: Thank you.

11 I'm here today to talk a little bit about
12 the project. It's my pleasure to give you our vision
13 of Isle Cape Girardeau. In formatting the design for
14 this project, we looked back into the Cape's rich
15 past, recent history to develop a port city collage
16 if you will of the traditions that make the Cape what
17 it is today.

18 Initially we thought about riverboats and
19 gantries and how they look, and then we started
20 looking for more modern aspects of it. And we looked
21 at the new Bill Emerson Memorial Bridge which was
22 just built and finished a few years ago. So as we
23 started to develop the building, you'll notice a
24 strong resemblance to the bridge and the riverboat in
25 the stone and steel columns and the cable support for

1 the porte-cochere. You'll also notice on the right
2 side, we've got a tower which is remnants of a silo
3 that was seen in many of the Missouri river towns; in
4 fact, oil towns up and down the river during the
5 1800's and 1900's. This horizontal wood siding, it's
6 a strong representation of some of the old port
7 cities.

8 You'll also notice the red color on the
9 building. That's very reminiscent of Louis Lorimer's
10 Red House which is located a short walk down Main
11 Street from the exist-- where we're planning to have
12 the facility.

13 To the left of the facility, a little
14 hidden behind the corner there, we have sort of an
15 oval chimney which is in our Otis and Henry's
16 Terrace, and that comes up the twin stacks, again,
17 more reminiscent of the modern riverboats that are
18 going up and down the river today. And also on that
19 side we have a piece of real Americana, it's a bottle
20 cap sign that marks the Otis and Henry's location.

21 We feel that the facility's heavily
22 influenced by the history of Cape Girardeau in the
23 sense of place and design, and we look forward to
24 moving forward with the Cape and keeping this
25 going -- history going forward.

1 Entering the facility you will come in
2 and we have sort of an echo of the river if you will
3 up in the ceiling with metal panels that reflect
4 light, and these criss-cross wooden pieces in there
5 that look like the bottom of barges that used to
6 float down the river.

7 As you look back, the Sky Deck with its
8 metal and glass staircase and lit ballast takes you
9 up into the upper level which is the Sky Deck and
10 allows you to look out over the promenade.

11 Directly below that will be the entrance
12 to Otis and Henry's Express, which is where we're
13 going to have our Missouri-themed gift shop. We're
14 also going to have, it's an opportunity for someone
15 to grab a cup of gourmet coffee, some delicious
16 sandwiches or desserts.

17 Adjacent to that is the Otis and Henry's
18 Restaurant with its massive fireplace and again, a
19 wide variety of food choices from sandwiches to
20 comfort food and steaks.

21 The entry to the casino is marked by the
22 illuminated columns which take you in and start to
23 give you a view of the inside. Inside the casino
24 itself you'll note that the heavy timber on the
25 columns is very reminiscent of the timber trestles

1 that we used for railroad crossing on the tributaries
2 to the rivers as the 1800 and 1900's proceeded.

3 The Sky Deck, we think this is going to
4 be one of the premier spots of the facility.
5 Overlooking the Mississippi River, you've got views
6 of Old Town Cape, you've got the Bill Emerson
7 Memorial Bridge in the background. So we've got a
8 lot of views there and a lot of views that aren't
9 available currently in the Cape, and we feel this is
10 going to be very important to help develop the
11 facility and also make it a place for folks to come.

12 The Lone Wolf is a casual atmosphere
13 restaurant that we have on the casino level, main
14 level. It's set up with again, a large fireplace,
15 try to give a warmth and a feel to the facility.
16 Strategically placed throughout we have flat panel
17 TV's, going to be a great place to come and enjoy
18 yourself for a sporting event. And we'll also have a
19 stage, as you can see in the background, for
20 showcasing local and regional bands. So we think
21 that's going to be exciting.

22 Attached to the Lone Wolf is an outdoor
23 patio where you can go out, enjoy the warm summer
24 evenings or also go out in the cooler weather and
25 enjoy the fireplace just to be outside for a bit.

1 It's an area that's only accessible through the Lone
2 Wolf and we think it's going to be a really good
3 place and another area where folks can come, enjoy
4 themselves, and have a lot of fun.

5 We do have an event center and conference
6 room. The event center can handle shows; it can
7 handle concerts, meetings. It's set up so it can be
8 divided into six smaller rooms, so it has the ability
9 to handle anywhere from 80 to almost 800 folks
10 depending on how you want to use it and what you want
11 to do. But it's a great place for a special event,
12 an anniversary, a wedding, or also a meeting. We
13 think that's something that's missing currently in
14 Cape Girardeau.

15 Farmers Pick Buffet is the buffet for the
16 facility. It's located again on the main level, and
17 what we're doing here is we're looking at the Farmers
18 Pick Buffet as a place to feature locally grown and
19 produced foods and just show what is in southern
20 Missouri. And we look at this, it's going to be
21 open, have a lot of space, it's going to be very
22 gracious. It also is going to have two smaller rooms
23 which will allow us to host small parties so folks
24 can come in, they want to have a small meeting on an
25 impromptu basis, take one of these rooms and then

1 have the meeting and also be able to use the buffet
2 so they don't have to worry about what they're going
3 to set up or how they're going to enjoy their menu.

4 This is a fly-through. Starting at the
5 Lone Wolf, you can see the twin stacks and the
6 seating for the Lone Wolf along with there's a
7 railing around that's made of stone and glass so
8 folks can see into it. Little bit better rendering
9 of porte-cochere giving you an idea of how it's going
10 to look during the day with the concrete or stone and
11 steel masts and the cable supports.

12 And this is the view of the Sky Deck,
13 again, giving an idea of how that's going to be
14 facing the river and how folks are going to be able
15 to take a look at it. As spectacular as the building
16 is, we believe, during the day, it even gets better
17 as evening progresses and you start to get a view of
18 it at night with the glass and the steel and the
19 sparkling lights. It really starts to come together
20 and help with just a welcoming, welcoming sight.

21 Again, entering, you start to see how
22 it's going to look; the Sky Deck, you can see the
23 entry to the top of it up there on the upper right;
24 casino off to our left, again, a vision of the
25 columns. That area in the back with the little round

1 bead -- balls on it is the entrance to Otis and
2 Henry's Express.

3 And that's basically what we're looking
4 at for our project in Cape Girardeau and I thank you.

5 CHAIRMAN MATHEWSON: Questions?

6 MR. MEISTER: At this point I'd like to
7 introduce Paul Keller.

8 MR. KELLER: Thank you, Dick.

9 I'm Paul Keller, chief development
10 officer for Isle of Capri. Like many of us at Isle
11 and sitting at the table and elsewhere, I was with
12 Argosy Gaming Company during the early days of the
13 riverboat industry in the state of Missouri, and in
14 fact, I designed and opened the very first riverboat
15 casino in Kansas City at the Riverside City Park.
16 Designed and built the permanent facility in
17 Riverside and then designed and built the version of
18 Argosy in Kansas City that is there today. So we are
19 all quite familiar with Missouri and especially the
20 Kansas City market.

21 A few years ago we strategically made a
22 decision to divide the Isle portfolio into two
23 brands, Lady Luck brand and the Isle brand. The Isle
24 brand and our -- or the Lady Luck brand, our first
25 conversion was actually in Caruthersville. And we

1 have been actually delighted with the results of that
2 conversion as it has actually performed quite well
3 given the economy and the unemployment situation in
4 that part of the state. The Lady Luck brand focuses
5 on close proximity patrons; it's primarily a gaming-
6 driven facility, whereas an Isle brand, what we're
7 proposing for Cape Girardeau, is a much more expanded
8 product, providing conferences and other experiences,
9 as well as the opportunity for other development in
10 and around the area.

11 And the bottom of this slide is our
12 Caruthersville facility which again we've converted
13 into a Lady Luck brand. On the top is what we are
14 proposing, as you saw from Dick's presentation, the
15 Isle of Cape Girardeau.

16 We believe that these two brands will
17 compliment each other extremely nicely in the years
18 ahead.

19 One of the things Scott talked about was
20 the desire of the City to provide another vital
21 anchor to downtown and to create yet another reason
22 for people to enter the downtown area of Cape
23 Girardeau to help restore it. The question is where
24 do those people come from. The ring on this map
25 shows our primary regional markets, shows the reach

1 of this facility into areas that are not presently
2 well-served by casinos.

3 As you can see, this market area will
4 actually contain as many as six states. We will
5 actively market in those areas, so our reach is quite
6 extensive into northern Arkansas, southern Illinois,
7 mid-Missouri, western Tennessee, western Kentucky,
8 and southern Indiana. So for example a significant
9 urban community such as Carbondale, Illinois, whose
10 option primarily right now is Metropolis, we become a
11 jump ball for Carbondale. So the State of Missouri
12 can now compete for Carbondale.

13 The market study, and this is consistent
14 with our own experience in gaming, we believe will
15 provide visitation of approximately 25,000 people per
16 week, approximately a million people per year coming
17 into and around the downtown area of Cape Girardeau.

18 Again, and Steve did discuss this
19 previously, proximity to other casinos, this is from
20 Google maps. Our closest casino is actually in
21 Illinois, Harrah's Metropolis. The next closest is
22 our own casino in Caruthersville which is a full 85
23 miles away, and the next casino beyond that is River
24 City in South County St. Louis area.

25 One of the things that Scott also

1 mentioned was the undervalued use of the land in Cape
2 Girardeau. Right now of all the parcels that we're
3 looking at, the City collects in total on a given
4 year \$9,736 in real estate taxes. For a similar-
5 sized property in Boonville, our property in
6 Boonville we looked at, Boonville is collecting
7 between real estate, personal property, and admission
8 tax almost \$3 million a year on about the same amount
9 of ground with, we believe, revenues that will be
10 very similar to ours.

11 In the area that's currently existing in
12 Cape Girardeau that we're talking about for our
13 project, there might be maybe ten jobs. What we are
14 proposing is in the neighborhood of 450 permanent
15 jobs on the same piece of land. So as you can see we
16 think we are taking a piece of property that has
17 significant value and creating value with our
18 project.

19 So with that I would now like to
20 introduce chief financial officer, Dale Black.

21 MR. BLACK: Good morning, everyone.

22 I am Dale Black, the chief financial
23 officer of Isle of Capri casinos. I'm going to talk
24 just briefly about our financing plan for this
25 project. We are a seasoned issuer of both public

1 debt and equity securities as well as we have many
2 long-standing relationships with commercial banks and
3 private debt financing. We have the ability to fund
4 this project from our existing credit facility that's
5 already in place. And as I mentioned, we have long-
6 term relationships with commercial banks and public
7 securities.

8 Among our commercial banks that we have
9 existing relationships with are many names that are
10 nationally known in gaming as well as here in
11 Missouri: Wells Fargo, U.S. Bank, Credit Suisse, and
12 the like. We have over 75 institutional shareholders
13 that invest in Isle as well, have long-standing
14 relationships with the public equity markets from
15 companies like Vanguard, JP Mortgage, PAR Capital
16 Management, and the like.

17 Our existing credit facility that's in
18 place today and our cash flow approximately -- we
19 generate approximately \$60 million a year in free
20 cash flow from our existing operations. Should be
21 sufficient for us to build this project. However if
22 marketing conditions get to the point where we think
23 it makes sense to project -- finance this as a stand-
24 alone project, we do have access to alternative
25 sources of capital just through our existing

1 relationships, and we think that would be an option
2 for us, although our current plan is to use our
3 existing financing.

4 With that it gives me pleasure to
5 introduce Mayor Harry Rediger from Cape Girardeau.

6 CHAIRMAN MATHEWSON: Mr. Black, just --

7 MR. BLACK: Yes, sir.

8 CHAIRMAN MATHEWSON: -- a minute.

9 Mayor, just a minute. Let me ask him a
10 question please.

11 What's your -- what's stock selling for
12 now?

13 MR. BLACK: Around \$8 a share.

14 CHAIRMAN MATHEWSON: Okay. Is that up,
15 down, or indifferent? I've got a lot of them are
16 down. I don't have any of yours, okay.

17 MR. BLACK: It's up for -- it's up for
18 the year, but down from where it was earlier this
19 year.

20 CHAIRMAN MATHEWSON: Yeah. Well, that's
21 kind of standard --

22 MR. BLACK: Yeah.

23 CHAIRMAN MATHEWSON: -- I think. Does --
24 do you -- do you plan to -- I noticed you didn't
25 mention that, but do you plan to sell additional

1 stock to finance this project or not sell additional
2 stock?

3 MR. BLACK: No. Our current plans right
4 now are to use our exist-- we have -- our revolving
5 credit facility is \$375 million of which we have less
6 than \$100 million drawn today. Our current plans are
7 to utilize that revolver and our existing cash flow
8 stream over the construction period to fund the
9 project.

10 CHAIRMAN MATHEWSON: Okay. You feel
11 comfortable with that?

12 MR. BLACK: Yes. I mean, we -- as I
13 mentioned, we feel comfortable with it. We have the
14 availability under the line. We've done several
15 different iterations of financial analysis based on
16 everything else that's going on in our company and
17 around us and at this time believe that that's
18 sufficient to get the project built.

19 CHAIRMAN MATHEWSON: Okay. I'm not --
20 I'm going to ask almost the same question of the
21 other two applicants too; I'm not trying --

22 MR. BLACK: I understand.

23 CHAIRMAN MATHEWSON: -- to put you on the
24 spot, sir.

25 Because one of concerns that I have as a

1 commission member is that if we decide to do this
2 license, okay, worst thing possible could happen to
3 me, you know as a member of this commission is we get
4 started and the money runs out. And, you know, I --
5 that really concerns me because I think I would have
6 to probably go to Mexico or something, you know. And
7 I don't have anything against Mexico; I kind of like
8 it if they don't shoot you.

9 But I -- you know, I just -- you know, I
10 want you to know and I'm going to tell the same thing
11 to the other two applicants, I mean, I think our
12 staff is going to check those financial data very
13 closely because we are very concerned, not -- not
14 that anyone's bad guys or anything, but we want to
15 make darn sure if we're going to issue that 13th
16 license in the state of Missouri, we're going to --
17 we're going to try every way we can to make sure that
18 that finances is covered.

19 MR. BLACK: I understand, and you know,
20 as I mentioned, we go through the same exercise
21 internally. I know that the last few years have put
22 a strain on companies across all industries.

23 CHAIRMAN MATHEWSON: Yeah, everywhere.

24 MR. BLACK: All industries, no exception.
25 The one advantage I think we do have is we do have

1 access to the public equity markets if we choose to
2 use them or think it would be beneficial for this.

3 But as I look at this project and getting
4 it funded, I also have to look at what it does to the
5 15 other casinos that we operate around the country
6 and the rest of our balance sheet. And we would not
7 undertake this if we didn't think we had the
8 financial wherewithal to get it done.

9 CHAIRMAN MATHEWSON: Thank you. Any
10 other questions? Thank you, sir.

11 Mayor.

12 MAYOR REDIGER: Thank you, Dale, and good
13 morning.

14 CHAIRMAN MATHEWSON: Morning, sir.

15 MAYOR REDIGER: Mr. Chairman,
16 Commissioners, and members of the Gaming Commission
17 staff, I am Harry Rediger, mayor of Cape Girardeau.
18 It's an honor for me to appear before you today to
19 talk about our community's collective vision for
20 economic development and the important role that this
21 license will play in a comprehensive plan to help our
22 community and especially our beloved and historic
23 downtown.

24 Before I go further, I would like to take
25 a quick moment and tell you a little bit about

1 myself. I am not a career politician, and just like
2 you, I'm not in this for the money. I do it for
3 service to my community.

4 CHAIRMAN MATHEWSON: We get a hundred
5 dollars a month, Mayor. How much do you get? I
6 mean, if we're going to get on the same level.

7 MAYOR REDIGER: I'm on top of --

8 CHAIRMAN MATHEWSON: I'm kidding, Mayor.

9 MAYOR REDIGER: I'm on top of the world;
10 I get an extra 50.

11 CHAIRMAN MATHEWSON: Okay. We'll keep
12 that secret. Okay. Go ahead, sir, I'm sorry.

13 MAYOR REDIGER: I was a retail executive
14 for 38 years, the last 20 of which I spent in Cape
15 Girardeau. I had several promotional opportunities
16 through the years, but I declined all of them. Cape
17 is a very special place to me, and I chose to remain.
18 I have dedicated my time and energy to do everything
19 in my power to make Cape an even better place to live
20 and work and help create a platform for growth that
21 will last long beyond my tour as mayor.

22 Commissioners, this license is not just
23 about jobs and tax revenues, although of course these
24 benefits will be important and vital. This license
25 is about bringing people back to one of the most

1 historic downtowns in our state, a place where
2 General Ulysses Grant once stood and directed troops
3 during the Civil War. We believe our downtown is
4 worth preserving and the proposed casino, conference,
5 and entertainment complex will be the catalyst for
6 that effort.

7 Cape Girardeau has a very long and valued
8 history in the discovery and development of Missouri
9 and the entire Mississippi River area. Sitting in a
10 strategic position on the banks of this great river,
11 Cape Girardeau has established itself as a
12 significant regional hub city for southeast Missouri
13 and the surrounding states of Illinois, Arkansas,
14 Kentucky, and Tennessee.

15 Our ever expanding state of the art
16 health care facilities, expansive retail centers,
17 industrial development, and our outstanding
18 educational facilities, including one of Missouri's
19 great universities, Southeast Missouri State
20 University, are all assets which help nurture the hub
21 status of our city in the minds of those who live in
22 our region.

23 Our community is supportive of efforts to
24 rebuild a vibrant downtown community. Like many
25 communities, we watch large retail stores and

1 commercial developments move out near the interstate.
2 Despite our best efforts, downtown has suffered, and
3 with it a vital piece of Missouri's river heritage
4 has suffered as well. We know that we can change
5 that, and we are determined to do so.

6 We understand that the casino will not in
7 itself solve all of our issues. We are not naive
8 enough to believe that -- to believe that, and we are
9 not promoting that notion in Cape Girardeau. We took
10 the time to carefully integrate the casino
11 development into a much broader strategic concept
12 that places the casino as an anchor at one end of
13 downtown and our historic Old Town Cape district on
14 the other.

15 The synergy between the two anchors will
16 create opportunities for future development.
17 Visitors from a six-state region will bolster our
18 downtown businesses and give them access to new
19 customers. Our developmental agreement is carefully
20 crafted so that both old and new can work together
21 collectively, beginning to create a critical mass for
22 entertainment, night life, and shopping.

23 While we do not believe that all this
24 will magically happen the day the casino doors open,
25 we are convinced that over time our vision will

1 become a reality. We are always looking for ways to
2 create jobs, tourist destinations, and businesses
3 that bring life and activity back to our downtown.
4 We can preserve our river heritage and our special
5 place in Missouri history by creating a modern
6 downtown Cape Girardeau that reflects our proud past,
7 yet includes modern forms of entertainment such as
8 casino gaming.

9 Our gaming partner, Isle of Capri, shares
10 this vision with us. In fact they insisted on an
11 integrated vision for downtown that would build on
12 itself and nurture the area in the years ahead. Isle
13 did not want to be a stand-alone facility at the end
14 of the road. Working together with Isle we can
15 create a new river front district of which the whole
16 state of Missouri will be proud.

17 So when all the people traveling on I-55
18 daily, many of whom already stop in the largest city
19 between Memphis and St. Louis, they will find fun,
20 excitement in a truly historic downtown. They may --
21 maybe decide to spend the night, to buy a meal, to
22 visit a shop or tour the campus of Southeast Missouri
23 University.

24 We are here today to ask you to help us
25 take the next important step in achieving this

1 vision.

2 Seventeen years ago in 1993 Cape
3 Girardeau came to the Missouri Gaming Commission with
4 Boyd Gaming and sought a license. Gaming had been
5 approved by a majority of our citizens. We did not
6 succeed in that effort. Since then we have kept the
7 torch burning. Cape Girardeau has been waiting
8 patiently for 17 years.

9 We watched new gaming operations flourish
10 in the large metropolitan areas of Kansas City and
11 St. Louis. We also watched as gaming extended itself
12 into the more rural areas of Boonville and
13 Caruthersville. We watched the employment and tax
14 benefits of riverboat gaming get deployed for good
15 purposes in those regions, and we have watched as
16 investment dollars were committed to projects that
17 helped other communities. We watched as the early
18 talk of increased crime and other negative social
19 consequences did not materialize in these
20 communities.

21 Now, it is 2010, 17 years after our first
22 effort to win a license. Cape Girardeau, a regional
23 hub for a large portion of southeast Missouri is
24 ready to accept this industry. We understand how to
25 leverage it for the maximum benefit of our region and

1 state. We strongly believe that Cape is the right
2 choice for the state, and we believe gaming is a good
3 industry for Cape.

4 One of the themes during my campaign for
5 mayor was expressing the need to continue to develop
6 additional brands for the Cape Girardeau to nour-- to
7 nurture and further develop our hub status. The
8 entertainment opportunity of gaming does exactly
9 that: Expands our hub offerings to include
10 entertainment and will significantly enhance our
11 current status. In fact many people in our tourism
12 industry including executives from Drury Southwest,
13 which we are proud to say is a hometown company, have
14 described this opportunity as a game changer for our
15 community.

16 According to an independent market study,
17 over one million additional visitors are projected to
18 come downtown to play, have fun, and be exposed to
19 other activities and restaurants that we can offer.
20 More than 60 percent of these visitors will come from
21 outside Cape Girardeau, and many of them will visit
22 from a six-state region.

23 As you know our City has entertained as
24 many as five initial proposals, as various companies
25 and venture capital groups recognized the significant

1 importance of our geographic location and the gaming
2 opportunities present in the Cape Girardeau regional
3 area. We undertook a very thorough process to be
4 certain that we selected the best developer with the
5 right vision. And more importantly we sought a
6 developer with the financial ability to complete the
7 project and the proven ability to be found suitable
8 for a license.

9 We held many meetings, we involved
10 community leaders, we held a public forum, and we
11 performed our own due diligence in vetting. We took
12 this process seriously, and our city council was
13 involved in every step. We are excited and confident
14 that we selected the ideal applicant for Cape
15 Girardeau, the Isle of Capri Casinos.

16 We found that they share the same values
17 and high standards. Isle of Capri is a licensed
18 Missouri operator with corporate headquarters in the
19 state of Missouri. They are a publicly traded
20 company and well regarded in the industry. Isle
21 executives are frequent speakers and leaders in the
22 gaming industry, not only in Missouri, but across the
23 country as well.

24 We have determined through our research
25 that they have a very good reputation within their

1 other host communities. All the mayors that I have
2 spoken with state without exception that they are
3 wonderful community partners.

4 Since the time we signed a developmental
5 agreement with Isle, they have participated
6 wholeheartedly in educating our community about the
7 project. They have presented the project at
8 countless speaking engagements presenting in the
9 morning, noon, and also in the evenings, and have
10 answered hundreds of questions, made numerous one-on-
11 one visits to community leaders, stakeholders,
12 merchants, prospective vendors, contractors, and even
13 those people who don't agree with gaming, but wanted
14 to learn more.

15 The community understands this project,
16 and Isle has been very transparent from day one about
17 their plans.

18 I might also add that representatives of
19 Isle have even met with the president of our
20 university, and both parties are excited about the
21 numerous partnership opportunities that could be
22 developed together, such as through Southeast
23 Hospitality Management Program, Dietetics,
24 Telecommunications, and Computer Networking and the
25 School of Visual and Performing Arts.

1 This is the type of ancillary benefit to
2 the state that makes our application so unique and so
3 powerful -- powerful.

4 Now, as you know, despite the early
5 positive vote for gaming, a group of citizens in our
6 community developed an initiative petition calling
7 for another vote on gaming. They were successful in
8 gathering enough signatures, and that issue will be
9 on our upcoming November ballot. I am proud to say
10 that I -- there has been a very civil and
11 information-based campaign leading up to this
12 election. I am confident that a positive vote will
13 result, given the jobs and economic development
14 opportunity and the high quality of the project that
15 has been presented to our community.

16 I believe this tremendous opportunity is
17 a game changer for Cape Girardeau, for downtown, and
18 for our entire region. The project is estimated at
19 \$125 million, generating 400 construction jobs
20 initially and 450 permanent jobs bringing a great
21 economic boost to our area.

22 Isle asked for no tax abatements, so
23 their project will result in virtually all
24 incremental revenue to the State, a new \$3 million
25 annual revenue stream to our city and our schools.

1 We are also developing a plan to use new
2 revenue -- the new revenue base to fund capital
3 projects and public safety needs within our city,
4 many of which will -- are in our annual capital funds
5 improvement plans, but traditionally have been
6 unfunded. We are also committed to a revenue sharing
7 program with our neighboring partners, the City of
8 Jackson, the City of Scott City, and also Cape
9 Girardeau County.

10 Also important to us was the fact that
11 Isle has committed funds over and above those
12 required which we intend to match as a City for the
13 long-term beautification and maintenance of our
14 historic river front and Broadway Street corridor.

15 I would respectfully suggest that Cape
16 Girardeau represents the best opportunity for the
17 State of Missouri. We genuinely believe that our
18 location with ready access to Illinois, Kentucky,
19 Arkansas, Central Missouri, even Tennessee and
20 Indiana provide new incremental tax dollars as well
21 as keeping those gaming dollars that we are now
22 exporting to places like Metropolis, Illinois.

23 In summary we believe that the best
24 choice for Missouri is Isle in Cape Girardeau.

25 We have the right partnership, \$125

1 million capital investment, 450 permanent jobs, a
2 licensed experienced Missouri-based corporation.

3 We have the right plan; it compliments
4 our state sponsored Dream Initiative. We've
5 committed revenue sharing with our county and our
6 contiguous cities. It enhances our regional hub
7 status. And they've asked for no tax abatements of
8 any kind.

9 We have the right place. We have the
10 right place. It develops the downtown area as
11 outlined in Cape's 2008 comprehensive plan, and it
12 brings the most incremental revenue to the State.
13 The project is permit friendly and levee protected.

14 We have many community endorsements which
15 you can see on the screen.

16 Yes, Cape Girardeau and Isle are right.
17 They're right right now. Missouri needs additional
18 revenue and incremental revenue now; Missouri and
19 Cape Girardeau need jobs now. Cape Girardeau needs
20 substantial impact on downtown development now.

21 By selecting Cape Girardeau and Isle,
22 Missouri will have a financed project, a licensed
23 operator, a site without permit issues, and a
24 location that adds the most tax dollars to the State
25 of Missouri.

1 Mr. Chairman, Commissioners, members of
2 the staff, I thank you for your time today. And
3 James Perry, our CEO well close.

4 CHAIRMAN MATHEWSON: Thank you, Mayor.

5 MR. PERRY: Thank you very much, Mayor.

6 In closing we'll give you the five
7 reasons why I think the Isle is a great choice and
8 Cape Girardeau's a great choice for the State of
9 Missouri. We are a billion dollar revenue company
10 with 15 properties, plenty of experience. We're
11 already licensed in the state of Missouri, operating
12 three properties. We have significant development
13 experience, not only in Missouri but throughout the
14 country. We can generate the additional revenue to
15 the -- tax revenue to the State of Missouri, and we
16 have the existing financial capabilities to build the
17 project.

18 Mr. Chairman, I share with you the
19 concern. If we couldn't build this project, if we
20 didn't have the financing to build this project, I'd
21 be on the same bus with you to Mexico. I give you my
22 word --

23 CHAIRMAN MATHEWSON: Maybe we'll get a
24 group rate.

25 MR. PERRY: I give you my word, we will

1 get this project done.

2 CHAIRMAN MATHEWSON: Thank you, sir, very
3 much. Any questions?

4 MR. PERRY: I'd be happy to answer any
5 questions.

6 CHAIRMAN MATHEWSON: Any questions from
7 the Commission on any one of their presenters?

8 Thank you all very much.

9 MR. PERRY: Thank you.

10 CHAIRMAN MATHEWSON: Excuse me. I'm
11 sorry, Jack.

12 COMMISSIONER MERRITT: My only question
13 was to know, and I think the mayor addressed it, but
14 what the status on the upcoming election is, kind of
15 where they stand on that, what the feelings are on
16 that.

17 MAYOR REDIGER: We have had --

18 CHAIRMAN MATHEWSON: Mayor, excuse me,
19 come back up to the mic so she can pick you up. And
20 reidentify yourself, sir.

21 MAYOR REDIGER: Harry Rediger, Mayor.

22 CHAIRMAN MATHEWSON: Yes.

23 MAYOR REDIGER: We have had two polls
24 have shown positive and growing results for that --
25 for that election. We will -- we are within two

1 weeks. As I said in my presentation, we've got a
2 very information-based campaign; both the yes and the
3 no campaign have been very information-based which
4 really pleases me. It hasn't been a large campaign,
5 an elongated campaign. We feel very positive that we
6 will -- we will have the vote, and then we will have
7 the support of our citizens of Cape Girardeau at the
8 conclusion of this.

9 The no committee has stated that they
10 really after 17 years, the citizens deserve another
11 chance to vote on this issue, and we agreed with
12 them. And we honored the petition and it's on the
13 ballot. And I think at the conclusion of this, this
14 election, we will be together as a city. They have
15 stated that in the no committee too, but this gives
16 them another chance to express their options and I
17 feel confident about the result.

18 CHAIRMAN MATHEWSON: Thank you, sir.

19 Okay. Any other questions?

20 Okay. Thank you all. Thank you very much
21 for being here. We appreciate it.

22 Okay. Sugar Creek -- we'll take about a
23 ten-minute break and then we'll listen to the
24 application from Sugar Creek, okay? Thank you very
25 much.

1 (Off the record.)

2 CHAIRMAN MATHEWSON: Okay. If everyone
3 would take their seat please. Thank you. Thank you
4 all very much. I'm sorry, we -- we have to visit a
5 little bit, you know. We're legal to visit in a
6 setting like this; otherwise we can't talk, you know,
7 so.

8 Hey, it's good to have you all here.
9 Thank you very, very much for being here and making
10 your presentation. So again, you know, what we'll
11 try to go by, try to hold it within an hour if
12 possible. And we of course are recording everything,
13 so please identify yourself when you -- when you
14 speak. And if you're called back up, please do that
15 for a second time, okay, so the lady can get the
16 information correct.

17 So with that, we welcome you, and let's
18 go.

19 MS. BENNETT: Try not to hit yourselves
20 with the covers.

21 Mr. Chairman, members of the Commission,
22 Staff, my name is Diana Bennett and I'm CEO of
23 Paragon Gaming. Thank you very much for having us
24 here today. It's truly an honor to present the Sugar
25 Creek project for you today.

1 I have with us today Scott Menke,
2 president of Paragon Gaming; John Groom, chief
3 operating officer; Dennis Amerine, our VP of
4 compliance; Matt Knipp, director of development; Rick
5 Richards from Epic Gaming; Michael Gaughan from
6 Gaughan Gaming; Jim Oberkirsch from the Innovation
7 Group; Ed Vance from Ed Vance Architect. And it is
8 truly an honor to introduce to you right now Mayor
9 Stan Salva from Sugar Creek.

10 CHAIRMAN MATHEWSON: Morning, Mayor.

11 MAYOR SALVA: Good morning. Morning.
12 Mayor Stan Salva.

13 Mr. Chairman and the members of the
14 Commission, the Commission Staff, it's really a great
15 opportunity and a great pleasure to be here this
16 morning. I'm going to talk, not too long, but some
17 very important things that I wanted to mention. I
18 want to talk about the City of Sugar Creek first of
19 all and its partners, and its partners are the people
20 of Sugar Creek.

21 Sugar Creek is a very, very unique
22 place. Like I was talking earlier, you know, in 1905
23 both of my grandfathers came over on the boat from
24 Eastern Europe. That's how Sugar Creek was
25 established; tremendous work ethic and very, very

1 proud people. People and -- who have had some bad
2 times.

3 Back in the mid'80s we had a huge
4 refinery in Sugar Creek; it shut its doors, Amoco.
5 We lost 56 percent of our revenues. Amazing.
6 Everyone thought that we would die, but we
7 recovered. And it's been a long road back, but we're
8 there now.

9 Before I go any further though, I'd like
10 to introduce some very important people that are with
11 me: My mayor pro-tem, Joseph Kenney; my city
12 administrator, Ron Martinovich; and two people
13 that -- from Zimmer Real Estate, Dan Musser and Troy
14 Nash. Zimmer Real Estate has been a partner in this
15 from the very beginning and has really helped us
16 develop our position today.

17 This is -- Sugar Creek just celebrated
18 this year its 90th anniversary. Been there for a
19 long time, and this project has developed over a long
20 period of time. You know, started back in the mid
21 '90s, when we petitioned for a casino. It didn't
22 happen at that time.

23 Then we had another proposal in November
24 of 2006 which resulted in the Wild Rose's
25 Entertainment application in 2007. Actually that

1 project was selected for licensing in February '08.
2 But then we all know what happened. The moratorium
3 was approved, and so the -- the licensing did not
4 happen. And then of course there was the November
5 2008 ballot which pretty much put an end to that.

6 But we didn't give up. When this
7 opportunity arose, we were looking for developers,
8 and that happened in early 2010. The Epic Gaming
9 Project development with Gaughan Gaming and Paragon
10 came forward, and then our formal application in
11 September 2010. So we've been seeking this
12 opportunity to better our city for many, many years.

13 Talk a little bit about community and
14 area support. The residents of Sugar Creek voted on
15 this and the vote was almost 70 percent; I believe it
16 was just a little bit less, 68 something percent
17 positive. If you took that vote today, I think it
18 would be much more. We have many supporters that
19 came in and then at the -- our opportunity to have
20 some of our support personnel come forward here
21 earlier this month. We had some very impressive
22 people that spoke on our behalf, former Commissioner
23 Judge Jack Gant was there; State Senator Victor
24 Callahan; our local Missouri Rep., Raymond Salva; our
25 Jackson County executive, very much in support, Mike

1 Sanders; Independent School District; the Fort Osage
2 School District; the City of Independence, our
3 neighbor; the Independence Chamber of Commerce Board
4 of Directors; and the Sugar Creek Community
5 Development Corporation. Everybody around us, the
6 whole region is for this project in Sugar Creek.

7 I'd like to talk a little bit about the
8 market analysis base project that you're going to
9 hear a lot more about later this morning. This area,
10 although -- recalling some of the earlier presenter's
11 slides on the market, I think one thing was
12 neglected, and that's the tremendous growing
13 population that's happening in eastern Jackson
14 County. Jackson County, eastern Jackson County is
15 exploding. And those kind of numbers which are
16 incorporated in some of the studies that you will --
17 you will hear about here in a little bit here is the
18 main reason why Sugar Creek will add much revenue to
19 the State. It really shouldn't take anything away
20 from anyone else.

21 But this is just not a casino. And
22 that's -- as you'll also see later. The people of
23 Sugar Creek wanted more, and I think what you're
24 going to see presented is a mixed-use development
25 offering unique amenities. It is anchored by our

1 casino. It's something that's going to appeal to all
2 ages and provide business and cities -- business
3 incentives, I'm sorry, to the entire region.

4 Also in evaluating developers, our choice
5 was based on someone who will come forward with a
6 well-funded plan. And I think Paragon people and
7 Gaughan Gaming people have that plan; I don't think
8 there's any doubt. And I think you'll see that.

9 At the hearing that took place here a few
10 weeks ago, there -- there were some opponents, but I
11 was so encouraged because those opponents didn't
12 really have anything to offer. The market comments
13 that made [sic] were inaccurate. There was an
14 adjacent landowner whose agenda was not related to
15 the casino, but probably more related to some
16 property issue.

17 La Forge was mentioned which is a large
18 corporation in our city and a mining project, had
19 some people up there that were against that. They
20 claimed they weren't against the casino, but they
21 were just against the fact that we were given an
22 opportunity to move forward.

23 And then there were also some comments
24 about impact to existing businesses. As to be a
25 negative? The entire corr-- 291 corridor which

1 encompasses Sugar Creek and Independence, it's going
2 to just, it's going to explode.

3 And, you know, I'm a good friend of the
4 mayor of Independence. And he agrees, he agrees,
5 this is going to be a tremendous boon to business in
6 Independence and in Sugar Creek.

7 Those basically are all my comments. The
8 City is ready. We have the resources, we have the
9 infrastructure and we have the enthusiasm of our
10 people. So I think you'll enjoy what you're going to
11 hear in the next hour. And again, Sugar Creek is
12 ready, and we've been ready for a long time.

13 CHAIRMAN MATHEWSON: Thank you, Mayor.

14 MS. BENNETT: The mayor and I would like
15 to introduce a little film that we made for you guys
16 and we're both very proud of this film. And thanks
17 to the City's help. We hope you enjoy it.

18 (A video was played.)

19 MS. BENNETT: Diana Bennett, CEO.

20 So with that I'd like to give you just a
21 little background on Paragon. My father was William
22 Bennett. He founded Circus Circus Enterprises, so
23 with that he built Circus Circus, Excalibur, Luxor,
24 so we have a very strong background in Las Vegas
25 gaming. But that also included Tunica, Mississippi,

1 and going well beyond just the Las Vegas market.

2 Although, you know, I know a lot about
3 Las Vegas market. And when -- we talked a little bit
4 earlier about cannibalization. In Las Vegas we can't
5 do five-mile circuits -- circles; we can maybe do a
6 hundred feet circles. And we don't call that
7 cannibalization; we call it growth. Las Vegas at one
8 point was called the fastest growing city in the
9 United States because of that competitive growth
10 structure. So we're used to a lot of casinos
11 being -- being built really close to each other,
12 and -- and we were really proud of that growth.

13 And I think Missouri should be proud of
14 the growth that you guys have done because you've
15 managed your growth really well. You guys, yes, have
16 seen perhaps when a new casino is built, you've seen
17 a slight decline, because that's only natural. But
18 what the other casinos have to do when a new casino
19 is built, of course, is to make certain that -- that
20 they make improvements in their own casinos so that
21 they're not just losing all of their customers to a
22 new casino.

23 But you guys have -- have built your
24 growth in Missouri very well and managed to maintain
25 your gaming revenues, and that's something you should

1 be very proud of. And the other casinos need to make
2 certain that they use their R&R dollars very
3 carefully so that they don't lose their customers to
4 new casinos, but that you just see an increase in
5 revenue.

6 Because as the new casinos come on, they
7 bring something new to the market. They enhance the
8 market and they bring in new customers to the
9 market. And that's one of the things that we think
10 we can do when we come into Sugar Creek. Because we
11 have seen casinos in Las Vegas and we saw them get
12 bigger and bigger, and we were with my father when
13 casinos were smaller, when they were more intimate.
14 And we've had that experience of operating casinos
15 where you walked through the casino, we knew every
16 employees' name, we knew the customer's name. You
17 know, we saw Martha and Joe come in every single
18 day. We said, how's the dogs today and how is -- how
19 are people doing. That's the kind of casinos that
20 Scott and I like to build.

21 And as the casinos got bigger and Las
22 Vegas got bigger and the corporations came in, it
23 somehow didn't get -- it wasn't any fun anymore to
24 work in those kinds of casinos, and that's not what
25 we wanted to do anymore.

1 So we had that experience; we knew what
2 it was like to be part of a public company, and for
3 us, it wasn't what we wanted to do.

4 So in 1999 we formed our own company and
5 had the privilege to build a very small casino in
6 Palm Springs. Built from the ground up, just \$15
7 million, everybody said it couldn't be done; we did
8 it. Became very successful. We had that first
9 opportunity.

10 From there we went on to River Cree, to
11 Eagle River, to Edgewater in Vancouver, and each one
12 of these singular experiences were something that
13 people said couldn't be done and we managed to do it.

14 We've been fortunate to be in the right
15 place at the right time. And in each case they've
16 been smaller casinos where we could bring our culture
17 of having the opportunity to be in a community that
18 wanted us to be there, where we had diverse
19 populations. Certainly Vancouver was absolutely
20 nothing like Eagle River that was absolutely nothing
21 like River Cree. And we would go into each of our
22 communities and we would find out what the community
23 was looking for, what the city leaders were looking
24 for. And we would create an environment that was
25 conducive to that community, what the regulators were

1 looking for. Because what we know for certain is
2 that gaming in Missouri is not like gaming in
3 Vancouver is not like gaming in Edmonton and is not
4 like gaming in Las Vegas, and one shoe does not fit
5 all. And that's our job to find out what that shoe
6 is and what that shoe is for Missouri.

7 Another thing that we know is important
8 is to make certain that we are a strong member of the
9 community and that our employees are strong members
10 of the community. And we have done that in every
11 place that we have been. We encourage our employees
12 to participate in community events and to get
13 involved in charity work and we also are strongly
14 involved in charitable projects in each community
15 that we go into. We believe that all of that starts
16 from the top and flows down, and we give our
17 employees that opportunity to be involved in those
18 community projects.

19 Our team members are vastly
20 responsible -- not yet, but we're close -- we also
21 decided that we're all clicker unfriendly, so Matt
22 Knipp is responsible for the clicker. We can't quite
23 talk and click at the same time, so Matt has to do
24 it.

25 Our team members are responsible for our

1 development in operation, and as such, we have a very
2 diverse group in our development and our operations.
3 We at first had a slide that said that we had, like,
4 over a hundred years of development and operations
5 experience. I think actually John Groom and I have
6 close to a hundred years of experience just between
7 the two of us, so I know we have well over a hundred
8 years of experience.

9 But the other thing that we know that we
10 have to have is the diversity in that. So we can
11 have young people and old, and obviously we have men
12 and women, but one of the things that we know is that
13 gaming is really not -- I mean, it's a very old
14 profession, but it's a very young profession as
15 well. Because in order to keep gaming fresh and in
16 order to keep gaming moving on, the technology
17 continues to change. So you have to have a diverse
18 group. Because the 65 years and older are not going
19 to be your gaming customers.

20 We have to define this as an
21 entertainment industry for those people that are 25
22 to 40, and technology is what's going to lead us into
23 gaming in the future. And Paragon wants to be a part
24 of finding out what that technology is going to be
25 and how to keep a property like Sugar Creek that

1 we're building, how to make it interesting for that
2 new customer.

3 And so Paragon wants to make certain that
4 our employees are part of leading that, that
5 technology. We like to work with companies like ITT
6 or Bally's or Williams or whoever that might be to
7 make certain that -- that our property is conducive
8 to making certain that we are part of that new
9 technology in going on. So our employees have to be
10 diverse, so that they can be part of that.

11 For us the partnership with Sugar Creek
12 is largely responsible to Epic and to Gaughan. And
13 we are so privileged to have been introduced by John
14 Groom to Epic and to Gaughan. Paragon Gaming is the
15 majority partner in this partnership, but we would be
16 nowhere had we not been introduced. We created a JV
17 in order to have this opportunity.

18 There is a long-standing relationship
19 between the Las Vegas families of Gaughan and Epic
20 and Paragon, largely through our partner Scott. I
21 will admit that I didn't have the privilege of being
22 able to work with the Gaughan family before this, but
23 it truly is an honor to be able to pair the Bennett
24 family and the Gaughan family.

25 Epic had provided the notice of interest

1 in Sugar Creek. Epic has a wide experience of gaming
2 in multiple jurisdictions and they come with a lot of
3 experience and the relationship originally with Sugar
4 Creek. And if you know anything about the Gaughan
5 family, Jackie Gaughan was originally from Nebraska,
6 and so he's from this -- this part of the country and
7 went back to Las Vegas, and his grandsons, John and
8 Michael, created Gaughan gaming. And this really is
9 a uniting of two very famous Las Vegas families, and
10 we are privileged to be working with them.

11 So we hope you enjoy the rest of the
12 presentation, and it's my privilege to introduce my
13 partner, Scott Menke.

14 MR. MENKE: Good morning, Mr. Chairman,
15 Commission members, Commission Staff. Thank you very
16 much for the opportunity.

17 Because Paragon hasn't been in front of
18 the Commission that much, we thought that it would be
19 very opportune to kind of tell you where Diana and I
20 started and where the values and the important parts
21 of our company and why we set it up in three distinct
22 different segments of our business.

23 As Diana said, we are a private --
24 private company, and we believe ourselves to be a
25 gaming real estate-based development company. So

1 when we left our family business, we were looking at
2 the -- the great diversity and the great
3 opportunities that were going on in multiple
4 different jurisdictions, most importantly for us at
5 that time was California. And if you looked at where
6 some of the failures where people started
7 developments and stopped them, it was because they
8 didn't really have a big background in either
9 predevelopment or construction operations.

10 So we put -- we put a very strong
11 commitment into having those values put into our
12 company. I think that's probably, you know, one of
13 our biggest successes. And I think our
14 predevelopment and project planning goes into,
15 whether it was our first project in Coachella Valley,
16 California, where the Augustine tribe had four prior
17 developers that couldn't make arrangements with the
18 City and the BIA to get water and environmental
19 inspections to the facility, we did in a very short
20 amount of time and opened the facility on time, on
21 budget.

22 I think that that's kind of a theme that
23 you'll see, because obviously we're going to talk
24 about financing in a couple of minutes. And that on
25 time, on budget means money to the State and

1 assurances that we're going to get you where we say
2 that we need to be.

3 The construction and development
4 obviously is right on top of mind. We're starting a
5 very large project in Vancouver, and we'd like to
6 again, take each facility in a much different light.
7 And what we would build in Coachella Valley and what
8 we would build in Vancouver, you know, are going to
9 be one of the best development cities that have
10 continued to grow and reclaim land out of the ocean
11 and continue to bring up these great developments.

12 The sensitivity in that community is much
13 higher than it would be in Edmonton, but we take it
14 all very seriously. We pride ourselves in being able
15 to use the best designers, the best architects, and
16 being able to be in the room ourselves, not our
17 consultants, to make sure that at the end of the day
18 we're building something that is going to be cost
19 efficient, is going to be recognized by our customers
20 and our employees as a great development and design.

21 And lastly onto operations, I think
22 having the operations team interact from the very
23 beginning of the project, planning the development
24 construction, it's certainly an asset that we have
25 and we brought to the table.

1 I can tell you that when we went up to
2 Edmonton, Alberta, Canada and the First Nation of the
3 community said that we wanted to build a very large
4 facility -- the biggest facility at the time was
5 probably about \$40 million; we were going to build
6 \$181 million. And the community was insistent that
7 we build a hockey arena. Coming from Las Vegas, we
8 had absolutely no idea, you know, what a hockey arena
9 would do to gaming, what that would mean to us. But
10 we looked into it.

11 I can tell you between the operations
12 with predevelopment, we have two very two successful
13 rinks that generate about 3,000 adult male bodies
14 through our facility every day. So what was not my
15 idea and not my experience turned out to be a great
16 benefit to our operating facility, and one of the
17 reasons why we've been additive to that market
18 instead of, you know, going against other charitable
19 operators that are up there.

20 Our culture and our long-lasting -- it is
21 a lasting and very strong belief in our
22 relationships. I think that that takes on such a
23 broader importance when you start to look at the
24 diversity of the groups that we work with.

25 Our First Nations certainly have

1 individual needs and concerns that we have to bring
2 to their communities when we work with them. And,
3 you know, being a private operator I think that that
4 gives us the availability to not necessarily look at
5 our stock prices all the time and work within the
6 communities maybe to give a little bit more, because
7 it really only comes out of Diana and my's pocket.

8 I think this is probably best shown -- at
9 the beginning of the year, we were lucky enough to be
10 a part of a corporate community that welcomed the
11 2010 Vancouver Olympics. What should have been one
12 of the greatest opportunities for destination gaming
13 right in the middle of everything turned out to be
14 one of the -- one of the hardest times that we had
15 during our operation and turnaround of that facility.

16 For literally five, months because of our
17 location in between the Olympic Village, the opening
18 ceremonies, and the hockey arena, we were basically
19 cut off. And we had ten-foot barb wire fence around
20 our entire facility for about a half mile in each
21 way. So that obviously gave us a little bit of
22 angst. Our once very successful casino operation
23 went to nothing. Our customers that had moved from
24 other facilities we had and turned over left to go to
25 other facilities, but most importantly, it was our

1 employees that we had to worry about because these
2 people needed the jobs, they needed their tips and
3 they -- and they needed to be a part of something.

4 I can tell you that it was compounded in
5 that -- in that time frame with the intense media
6 scrutiny on the Vancouver 2010 Olympics because they
7 didn't want any black guide -- any black eye on the
8 local -- the local community or on major TV. We
9 worked through that entire process with the local
10 unions, with our employees, with the city government,
11 with the VANOC organizing committee and with the BCLC
12 lotteries corporation. Didn't lay off one person and
13 made, you know, made lemonade out of lemons.

14 And I think that that goes to show you
15 that, you know, our relationship means more than
16 anything, and Diana and I's commitment to those
17 communities are more important than a few dollars we
18 got at the end of the day.

19 As Diana kind of pointed out, we have a
20 lot of years in gaming history. But I think what's
21 most important is that we took the great traditions
22 and great values that we got out of Circus Circus
23 Enterprises, a company we all worked for for a long
24 time, transferred that over to a private company,
25 Sahara Gaming, owned by Diana's father. And now

1 we're able to look around and when we go into
2 communities or we need specific things, when we go
3 into Vancouver and determine that a large portion of
4 our dollars is coming from baccarat play, we can go
5 get the best people because of the company and the
6 way we operate. So we can go get people from
7 Caesars Palace, people from Bellagio to augment our
8 team based on different situations and things that
9 are in front us.

10 So those are our teams, that's our
11 background. And I'll now turn it over to John Groom.

12 MR. GROOM: Thank you, Scott.

13 Mr. Chairman, members of the Commission,
14 and Commission Staff, good morning.

15 CHAIRMAN MATHEWSON: Morning, sir.

16 MR. GROOM: It's good to be back in
17 Missouri. I had the privilege of coming here in
18 early 1996 as the executive vice president of
19 operations for Players Island. As you may remember
20 Players Island was a partnership, entered into a
21 partnership with Harrah's to create the great casino
22 that exists there today.

23 When we first undertook this partnership
24 with two equal casinos at either end -- by the way as
25 far as I know it's a unique partnership; I've never

1 heard of something -- of a casino partnership where
2 one end, like a mall, two anchors on a mall would
3 compete equally on equal space with practically equal
4 machines, equal games, and see may the best man win
5 in this fight. And here we were, a small public
6 company with casinos in Louisiana and southern
7 Illinois. You've heard Metropolis mentioned; that
8 was one of our casinos. And we were also on the
9 border of -- the Utah border in Mesquite, Nevada.

10 Well, we said, How in the heck are we
11 going to compete against Harrah's Entertainment. And
12 because we had to go up against Harrah's
13 Entertainment, we made ourselves stronger.

14 And I can tell you -- I've never said
15 this in a public forum and because Harrah's has new
16 owners now -- we compared numbers month after month.
17 And without telling you the specific results, I can
18 tell you that Harrah's stopped comparing numbers and
19 said, Don't bother sending them to us anymore after
20 about a year. We were able to meet them in almost
21 every month. And how did we do it? We did it by --
22 by going out in the community. And we didn't hire
23 any experienced dealers; we trained 95 percent of our
24 dealers. When we interviewed, we gave jobs to people
25 that otherwise were not able to get work. We looked

1 for one characteristic and that was an ability to
2 deliver superior service by your manner, by your
3 temperament, by your appearance.

4 We were also able to take that group and
5 within about three months train them to be effective
6 in whatever game they dealt. We also trained our
7 slot floor staff as well. That was the key element.
8 And it's an element that we'll employ again in
9 Sugar Creek. It allows us to reach out and make all
10 those -- have the right mix of staff that we need to
11 be successful in the marketplace.

12 We did such a good job that in 2000 I
13 got a call from the CEO of Harrah's and he said that
14 he -- that Harrah's wanted to buy our company. He
15 offered us a very good price, and the shareholders
16 supported that. And the reason they bought the
17 company was not for the Louisiana and not for
18 Illinois; they wanted to own the entire complex in
19 Missouri. And from that -- that spirit of
20 competition, I'm going to segue into that same spirit
21 of competition that needs to be reuni-- reignited in
22 Kansas City.

23 The Kansas City oligopoly continues to
24 thrive despite a tumultuous national financial
25 crisis. In my opinion Kansas City is not saturated;

1 it's stagnant. Healthy competition raises the bar
2 and stimulates capital reinvestment by all serious
3 players.

4 Argosy has created a highly competitive
5 product in part because it is the first line of
6 defense against the emerging Kansas market.

7 Paragon -- Paragon can achieve similar results at the
8 eastern end of the Kansas City market, and at the
9 same time move the market center in that same
10 direction and farther away from that expanding market
11 across the border in Kansas.

12 The lesson of casino operations in my
13 long career is innovate or die. With regulatory
14 approval Sugar Creek Casino will create a virtual
15 casino with server-based technology. Paragon will
16 hire and educate the vast majority of its staff from
17 scratch. In Sugar Creek a diverse work force will
18 deliver a superior guest experience. Paragon
19 executives enjoy a long history of supporting and
20 advancing minorities and women across the United
21 States and well into Canada. Paragon will meet or
22 exceed all jurisdictional goals. In our view it's
23 just plain good business.

24 Let's take a look at phase one. There we
25 go. Thank you, Matt.

1 Phase one will include a robust and
2 dynamic casino-driven casino floor, a traditional
3 table games layout, server-based slots as I mentioned
4 earlier, live entertainment, retail, and a variety of
5 food and beverage options, and very important, easy
6 access parking.

7 Moving on to phase two, essentially --
8 phase two essentially doubles the size of the casino
9 floor, adds a 400 room hotel, expands live
10 entertainment with two additional broader venues. It
11 also introduces a multiscreen theater complex
12 operated by a premier exhibitor.

13 Paragon's vision of this master plan
14 includes the addition of branded culinary, retail,
15 and entertainment experiences. The second phase of
16 the project will transition Sugar Creek to a
17 destination resort.

18 I want to mention something that both
19 Diana and Scott neglected to say about their
20 backgrounds. Very important when you hear someone
21 stand up and say they were lucky enough to be born
22 into a very successful gaming family. That's --
23 that's one side of the story. The side of the story
24 they did not tell is that they each worked from the
25 ground up in those operations. In fact Diana worked

1 most of her career and learned the business outside
2 of her father's casinos. It wasn't until later in
3 life that she went to work for her father.

4 They both know the industry and the
5 casino business itself from firsthand experience.
6 It's rare to find that in -- at the top echelon of
7 casino companies today, and it's really one of the
8 reasons I -- I chose to join the company.

9 I have a similar background without the
10 pedigree. I worked myself up from a dealer through
11 the operation and -- and really focused on the one
12 thing that was different from their days back in
13 Atlantic City, Jim Carey and I were there together,
14 and it was all about -- at Caesars it was all about
15 customer service. And guess what, it's still all
16 about customer service, knowing the customer and
17 delivering to the customer what he or she wants.

18 In closing I respectfully ask you award
19 the 13th license to Paragon Gaming. We will not
20 disappoint you. Thank you.

21 It's now my pleasure to introduce Jim
22 Oberkirsch from the Innovation Group.

23 MR. OBERKIRSCH: Good morning, Chairman
24 and Commissioners. Again, my name is Jim Oberkirsch.
25 Here's a card; that's hard to spell.

1 I'm with the Innovation Group; I've been
2 their director of consulting services for about five
3 and a half years now. We're one of the leading
4 consulting companies in the gaming and lodging
5 industry. Prior to that I was with the Missouri
6 Gaming Commission for seven years as their chief
7 financial analyst. Coincidentally one of my last big
8 projects as a member of the commission staff was the
9 St. Louis market expansion study which brought
10 Lumiere and River City to the market.

11 Anyway, it's great to be back in Missouri
12 and seeing all these friendly faces.

13 First I'd like to take a look at the
14 Kansas City market from a historical perspective.
15 You can see in 19 -- or in 2003 revenues were rather
16 flat in the \$610 million range. Obviously the dates
17 are off, it starts December '02 and goes to December
18 2010.

19 Revenues were flat at about \$610
20 million. Then at the end of 2003 Ameristar and
21 Argosy opened major expansions. Argosy moved from a
22 riverboat format to their current barge facility,
23 added a bunch of restaurants; obviously you know what
24 a nice property that is.

25 Ameristar restructured their food and

1 beverage operation, implemented several enhancements
2 on the casino floor. Revenue jumped by \$67 million
3 over the next year or so, or a gain of 11 percent.

4 In mid-2005 Harrah's rolled out an
5 expansion. They added a new hotel tower, upgraded
6 their entertainment district, added meeting space.
7 Revenues jumped again \$30 million or 4.5 percent.

8 Argosy opened a hotel in March 2007; you
9 can see revenues tracked higher again.

10 Bottom line, capital investment grows the
11 market. Note that none of these expansions added a
12 new location, just enhanced existing properties.

13 We contend that the Sugar Creek project,
14 the proposed Sugar Creek project will grow the Kansas
15 City market and for a variety of reasons. First,
16 it's going to enhance the convenience of gaming for
17 residents in Sugar Creek, Independence, Blue Springs,
18 Lee's Summit, Liberty, Oak Grove, Odessa just to name
19 a few. These residents will now find -- would find
20 the Sugar Creek project to be most convenient. It
21 will also add an alterative venue with a unique
22 design and theme and a unique gaming product. This
23 is going to appeal to the bored or disgruntled
24 patrons looking to reenter the market.

25 Number four, it's going to increase the

1 level of marketing generally. First Sugar Creek will
2 roll out their promotional strategy, and more
3 importantly, the existing competition will need to
4 react with more promotions; bottom line, more
5 promotions for the gaming customer.

6 It's going to add capacity during crucial
7 peak times, mainly on Saturdays and holidays. And
8 it's going to add an additional traffic intercept
9 point. Currently Highway 291 is untapped with regard
10 to pass-through traffic, mainly related to truckers.

11 This next slide presents our forecast for
12 the Kansas City market going forward considering the
13 proposed project, the Speedway project, and the Sugar
14 Creek project. Right now we're projecting some
15 growth in 2011 and 2012 as the economy rebounds from
16 the recession.

17 In 2012 we factor in Speedway. We're
18 estimating that Speedway will grow the market by
19 about \$86 million or 11 percent. Again, this is
20 incremental gaming revenue. This is a rather
21 extensive project with 2,300 slot machine, 86 table
22 games. It's going to make gaming more convenient for
23 mainly residents living in the southwest portion of
24 the metro area.

25 We're taking a more conservative view of

1 the Sugar Creek project. We're estimating that it
2 will increase the market by \$35 million, so that's
3 incremental revenue of 4 percent. That's a smaller
4 project in terms of gaming positions, but nonetheless
5 represents incremental growth.

6 This next slide rolls up our gaming
7 revenue forecast for Sugar Creek. Let's start on
8 Row 4, that 34.6 we just discussed, that's
9 incremental market growth. You add in recapture from
10 Kansas properties of 12.2 million, brings the total
11 incremental to Missouri to 46.8 million. And that
12 recapture from Kansas is obviously mainly the
13 Speedway project. Then you add and capture for
14 other -- for Missouri properties of 50.6 million
15 brings our total gaming revenue forecast for Sugar
16 Creek to 97.4 million.

17 We believe we're conservative. This is a
18 modest figure, especially viewed with what the
19 market's currently doing. It's about half what
20 Argosy's doing, about half of what Harrah's is doing
21 and about 40 percent of what Ameristar's doing. We
22 think the development team did a great size in right
23 sizing this project relative to market potential for
24 phase one.

25 This next slide segregates capture from

1 the other Missouri properties. As one might expect
2 we're forecasting that Ameristar will be hardest hit
3 losing about \$23 million in gaming revenue, followed
4 by Harrah's at 12.2 million. Total again, 50.6 or 52
5 percent of gaming revenue.

6 We projected -- we projected that the
7 Sugar Creek project will pay gaming taxes of about
8 27.2 million, that includes admission fee; 12.4
9 million of which would be incremental to the State.
10 In other words once you factor in recapture from --
11 or capture from other Missouri properties, so the
12 incremental rate on the tax piece is about 46
13 percent.

14 We also conducted an economic study on
15 behalf of the project. We -- we employed the
16 industry standard M-plan model, I won't read the
17 figures, but suffice it to say there's a construction
18 phase, one time benefit, and then there's an ongoing
19 operation phase where the benefits continue in
20 perpetuity. Bottom line, 713 full-time equivalent
21 construction jobs and 829 full-time equivalent
22 ongoing jobs for the State of Missouri.

23 That's what I have prepared unless you
24 have any questions. If not, I'll turn the
25 presentation over to Dennis Amerine.

1 MR. AMERINE: Mr. Chairman, members of
2 the Commission, members of the Commission Staff, good
3 morning, very pleased to be here today to speak
4 before you.

5 Since we're somewhat of the new -- one of
6 the new kids on the block here I thought it would be
7 important that I give you a little overview of our
8 approach to gaming regulation, gaming control, and
9 our corporate culture relative to compliance. As in
10 any company, the culture of compliance starts at the
11 top. And as you've heard already today Diana and
12 Scott have grown up in the gaming industry and they
13 know full well that this is a privileged license to
14 have. And that along with that privilege, that there
15 are responsibilities that are necessary to meet the
16 regulatory requirements.

17 Early in the process I was actually one
18 of the first people contacted by Diana and Scott to
19 come on board with Paragon Gaming to assist them in
20 developing a regulatory -- internal regulatory system
21 and perform due diligence on people we were going to
22 do business with. I've been with Diana and Scott at
23 Paragon now for ten and a half years.

24 So we have over this period of time
25 developed an internal reporting system, and it has

1 grown as our company has grown. Today I receive
2 daily reports from security and surveillance
3 departments at all three properties. I have
4 designated at each of the properties a compliance
5 officer that reports to me in writing monthly,
6 compliance issues that may come up or incidents that
7 come up that may arise to be a compliance issue. So
8 we take a very proactive role in developing a system
9 of compliance and reporting those issues and
10 incidents that may become a regulatory issue.

11 The other thing that we've done is we
12 have developed a due diligence program whereby we
13 conduct background investigations on any of our
14 employees. And we also conduct background
15 investigations into people that we intend to do
16 business with, whether they're vendors, whether
17 they're potential partners in a venture. We will
18 perform due diligence and background investigations
19 of those people to make sure that we are only doing
20 business with people that would be able to get
21 licensed in this industry and would not give -- or
22 harm Paragon's reputation. So we do very significant
23 amount of due diligence on individuals we do business
24 with.

25 As far as the internal reporting process,

1 we have also taken a step that we believe in
2 self-reporting. We don't sit around and wait for the
3 regulators to come and find areas where we have
4 possibly gone wrong. I mean, this is -- this is
5 probably one of the highest, most intensive
6 regulatory process in the world is the gaming
7 industry. There are a lot of requirements. People
8 make individual errors, they make errors of
9 judgment. When those things happen, and they're
10 significant, I go directly to the regulators and I
11 tell them, This is what happened, this is what we've
12 done to correct the issue. We don't wait. Again, we
13 take a very proactive role when it comes to
14 regulatory compliance.

15 Being a former regulator myself and
16 someone who has spent many, many years training
17 regulators throughout the gaming industry, I have a
18 great respect and appreciation for the regulatory
19 process, and I try to project that to all of our
20 management teams within Paragon, to all of the
21 employees at the various properties. Regulatory
22 compliance is one of the number one issues that they
23 have to deal with and that we expect nothing better
24 than full compliance. That's all we -- it's what we
25 expect from our employees, our management, et cetera.

1 And I play a very big role in monitoring
2 that and making sure that we are complying with
3 regulatory requirements in three jurisdictions right
4 now. We have Alberta, British Columbia, and Nevada,
5 and hopefully Missouri pretty soon.

6 I think as your investigators do their
7 due diligence at some of the places we are doing
8 business right now, British Columbia, Alberta,
9 Nevada, I think the response will come back that we
10 are a good corporate player in the gaming industry.
11 We address issues that the regulators bring to us
12 quickly. We take them head on and we take a
13 no-nonsense approach to correcting any issues and
14 think we'll have a -- you'll find we have a very good
15 reputation in that area with all the regulators that
16 we deal with. And I will make a commitment that if
17 we are selected, we will work very diligently to make
18 sure that we have that same reputation here in
19 Missouri. Thank you.

20 CHAIRMAN MATHEWSON: Thank you, sir.
21 Now, we're getting a little close --

22 MR. OBERKIRSCH: Sorry, this is -- I
23 forgot to introduce Ed Vance from Ed Vance Architects
24 is going to give the presentation on the project.

25 CHAIRMAN MATHEWSON: We're running on

1 time here. We're at the cusp right now, so. If we
2 could kind of move along because I know I have a
3 couple questions of someone. Okay?

4 MR. VANCE: Just as always, the architect
5 has less time to do stuff because everybody else took
6 too much time. I'm kidding.

7 CHAIRMAN MATHEWSON: I think --

8 MR. VANCE: No, no.

9 CHAIRMAN MATHEWSON: -- that Knipp
10 couldn't use his clicker back there. I think there's
11 your problem.

12 MR. VANCE: The only reason I have this
13 is because it's mine.

14 CHAIRMAN MATHEWSON: I've known him since
15 he was a kid; let's blame him. Go ahead, sir.

16 MR. VANCE: Okay. We'll be as quick as
17 possible here. I'm going to move right to this, to
18 this slide. And you've seen most of this already,
19 gentlemen.

20 By the way, good morning, and it's a
21 pleasure and an honor to be here and yada-yada-yada.

22 All right. As John mentioned, we're
23 going to start out with about a 55,000 square foot
24 facility which will have an ample gaming floor, two
25 food and beverage facilities, retail, and

1 entertainment. The nice thing about this project is
2 right here we're going to be right off 291, easy
3 access to the project, great visibility from Liberty
4 Bend Bridge and we're again in a historical area
5 where we're going to be queuing off of the historical
6 projects in that -- in that region, drawing and
7 queuing off of those historical references in the
8 vernacular that's appropriate here, which will make
9 this project appropriate for here and none other.

10 But what's great about this project is it
11 really does set the stage for a much larger project
12 which we've master planned as -- as all wise
13 developers do. And because we're sitting on 300
14 acres, we're able to take this project to the next
15 level.

16 By doubling this gaming floor, we'll be
17 adding additional food and beverage opportunities,
18 theaters, 1,200 seat showroom, convention facilities,
19 a 400 room hotel, and a 6,500 seat arena which will
20 service not only concerts but also perhaps equestrian
21 events.

22 Access to this project again, what I like
23 about this is that we're going to have great queuing
24 off of this so that as traffic develops in here,
25 we're going to have room to handle that. But the

1 nice -- but the other great thing about this project
2 is it's going to set up for other future development
3 which will make this a truly a regional destination
4 which goes beyond the gaming components.

5 And having said that, I will move on to
6 the schedule. Here's the elevation of the full
7 master plan. Once we're awarded this project in
8 January, we will proceed into schematics and design
9 development to take us into April. We'll be pushing
10 schem-- or we'll be pushing civil, traffic, and other
11 engineering disciplines faster to pull permits in the
12 May, June area so that we can start grading and break
13 ground as early as possible.

14 We'll then complete the construction
15 documents, with the help of Sugar Creek, in a sort of
16 staggered approach which gets us underway on the
17 shell construction late November. And then building
18 through 2012, we can open fourth quarter of 2012.

19 This project is far beyond just a gaming
20 project. It will become a true mixed use project as
21 the mayor said.

22 And it's an honor and privilege to be
23 here, not just in front of you gentlemen, but to be
24 on this team. This team has the experience and the
25 passion to make this project a success. And they're

1 actually some of the nicest people I've ever met in
2 my 30 years of practice and I wouldn't want to be on
3 any other team.

4 Having said that, I'm going to bring up
5 Scott Menke and he's going to talk about finance.

6 CHAIRMAN MATHEWSON: Thank you.

7 MR. MENKE: Would this be where the
8 questions will come at --

9 CHAIRMAN MATHEWSON: Yeah.

10 MR. MENKE: -- Mr. Chairman?

11 We'll go ahead and I'll give you --

12 CHAIRMAN MATHEWSON: Scott --

13 MR. MENKE: -- a real quick overview --

14 CHAIRMAN MATHEWSON: -- let me just ask
15 you one question before you get into this.

16 MR. MENKE: Yes, sir.

17 CHAIRMAN MATHEWSON: It's just kind of an
18 overview question, maybe even more like goofy.

19 MR. MENKE: Uh-huh.

20 CHAIRMAN MATHEWSON: Would you -- would
21 your group even be here if the \$500 limit was still
22 on in the state of Missouri?

23 MR. MENKE: That's a really good
24 question.

25 CHAIRMAN MATHEWSON: And it's not a

1 loaded one; it's gone.

2 MR. MENKE: No, it's not a loaded one.

3 CHAIRMAN MATHEWSON: I mean, it's a fact.
4 I'm not trying to set it up that we got rid of it or
5 we keep it. I mean, it's over, okay?

6 MR. MENKE: Yeah. And I think --

7 CHAIRMAN MATHEWSON: I wondered from a
8 financial standpoint, would you have been a player in
9 the state of Missouri if we still had the \$500 cap?

10 MR. MENKE: I think we would have
11 looked. We had no opportunity to look at it at that
12 time --

13 CHAIRMAN MATHEWSON: I understand.

14 MR. MENKE: -- so it would be hard to say
15 exactly what it is. But I think with the raising of
16 the cap, it certainly goes to our belief that, you
17 know, this is first phase. We're in true belief
18 that we want to build a destination gaming which
19 our -- you know, which obviously the -- the raising
20 of the -- to the \$500 cap is much more advantageous.
21 So we -- our belief is we want to build more
22 restaurants, more hotels, and become more of a
23 destination, and we truly believe that this is the
24 first phase. And, you know, I think that --

25 CHAIRMAN MATHEWSON: Okay. Thank you.

1 Go ahead, sir. Thank you very much.

2 MR. MENKE: As it comes for the capital
3 structure and the financing portion of this and I
4 kind of feel like I'm -- had a little -- like I'm
5 cheating on a test because I know you're going to
6 have a few questions for me. But obviously we're a
7 private gaming company; we're experienced capital
8 providers. We -- we -- the capital resources are
9 from Diana and I and our committed partners.

10 Paragon Gaming, although not a public
11 company has experience in public markets, so our debt
12 is held by a lot of different hedge funds and banks
13 that are out there and different facilities. We've
14 developed, in our family business, over a billion
15 dollars worth of developments. Currently we're very
16 underway in the final -- final few months of
17 providing permanent financing for the \$450 million
18 facility in Vancouver.

19 Obviously I know that we're going to
20 provide you much more detail when it comes to the
21 financing package that's required on Monday, but we
22 will -- in that package we will have a highly
23 confident indicative financing terms, letter from a
24 major financial institution. The capital structure
25 at initial phase, obviously we're looking at \$107

1 million project plus \$8 million of prefunded interest
2 reserve. In that, we plan on providing \$40 million
3 worth of equity and a \$75 million debt finance.

4 I think that it's important when we start
5 to talk about the financing portion of this, it's
6 our belief that the construction and the delivery and
7 the -- and the construction contracting is just as
8 important as the financing. The -- in our
9 facilities, and in obviously in Las Vegas, we've had
10 issues where the money was committed, but the banks
11 pulled out and the -- and the facilities sit half
12 empty.

13 What we have always done in the past,
14 because we are committed to the completion, is we
15 arrange a hundred percent of the financing; it's put
16 into accounts and it's -- and it's paid out over a
17 period of time. So it's not just the financing
18 range; we believe that the financing has to --
19 everything to do with the construction, the delivery,
20 and the construction contract that we have on the
21 site.

22 Obviously we have advisors that help us
23 in this. We showed on a previous slide that Regal
24 Advisors is helping us. Regal Advisors has helped us
25 on many other very difficult financings. He's worked

1 with us for a period of seven years. We're very
2 confident in this marketplace in the financing and
3 the enthusiasm we've received from our lenders. He
4 was -- he was a former managing director of Credit
5 Suisse and we knew him when he was the
6 manager/director at CIBC World Markets which helped
7 us do the first First Nation gaming facility in
8 Edmonton, Alberta. So that was a very significant
9 one with new policies, new regulatory environments, a
10 new -- a new tax structure.

11 So we're very confident in our team and
12 our ability and look forward to delivering you a
13 package that your staff can go through and ensure
14 that we meet your expectations.

15 CHAIRMAN MATHEWSON: Stop with that.
16 Thank you. With that commitment that you mentioned
17 from a major financial company, okay?

18 MR. MENKE: Yes, sir.

19 CHAIRMAN MATHEWSON: Will that be an
20 unrestricted commitment letter?

21 MR. MENKE: It will be -- it will be a
22 term sheet of -- yes.

23 CHAIRMAN MATHEWSON: Okay. Scott, do you
24 understand why we're concerned about that? I mean,
25 you know, I unfortunately play the market and --

1 some, and you know, I have it on CNBC in my office
2 all the time. And many days it just makes me mad,
3 you know. I think today's one of them from what I
4 understand.

5 But the bottom line is, you know, I see
6 constantly where banks are pulling out of deals, you
7 know. Financial companies are not like they were.
8 And I'm old when, you know, you had a commitment from
9 a bank, that was it. I mean, they stayed with you
10 because they stayed strong.

11 And, you know, and I don't mean to put
12 you all on the spot; I'm not going to do the same
13 thing with our next one. But, you know, it is a
14 concern that I have, and I think all the
15 commissioners and staff have that when -- whatever
16 we're going to end up doing here in another month or
17 so as far as a license is concerned, that then we
18 really need strong commitments that we're not going
19 to get into a project and then, as I said earlier,
20 then I'd have to go to Mexico.

21 MR. MENKE: Well --

22 CHAIRMAN MATHEWSON: And so --

23 MR. MENKE: Then I guess I would have to
24 join that bus as well.

25 CHAIRMAN MATHEWSON: Yeah. Well, we're

1 going to get a group I think if that happens.

2 MR. MENKE: But, Mr. Chairman, you know,
3 I'm living in a state that's seen that exact
4 same happen -- same thing happen.

5 CHAIRMAN MATHEWSON: Sure.

6 MR. MENKE: And it's devastating to me to
7 drive down our biggest tourist attraction, the Las
8 Vegas Strip and see two half-built buildings.

9 CHAIRMAN MATHEWSON: Yeah.

10 MR. MENKE: Because --

11 CHAIRMAN MATHEWSON: One of them's been
12 that way for about two and a half years, hasn't it?

13 MR. MENKE: You had -- you had --

14 CHAIRMAN MATHEWSON: That blue building.

15 MR. MENKE: You had companies pull out,
16 you know, you had public companies pull out without
17 the financing because, you know, the markets changed
18 and they didn't want to complete -- complete the
19 project. And you've also had banks pull out, where
20 the bank, halfway through the construction, decided
21 not to follow through with their commitment.

22 And, you know, I think that this is a
23 little bit different. I mean, obviously we're doing
24 a very conservative capital structure, and it's our
25 money. And we want that just as much as you. We're

1 not using public companies' money, we're not using
2 revolvers. We're using our personal hard cash into
3 these projects.

4 And additionally, you know, like I was
5 referring to, we want all the assurances that you're
6 going to have everything up and open, and that's why
7 we would insist from our banks that we have a hundred
8 percent control of the money from the day that we put
9 a shovel in the dirt because we don't want that to
10 happen. We don't want to get halfway built and then
11 the economy change and us not be able to follow
12 through on everything. So being in that situation
13 where it's -- it's our reputation, but more
14 importantly our money, we want the assurances every
15 bit as much as you do.

16 CHAIRMAN MATHEWSON: First of all, I
17 mean, let me compliment you on your presentation.
18 Number two, let me compliment you on, with the
19 economy being what it is, still not any real solid
20 answers with where we're going to be six months or a
21 year, two years from now, you all are still willing
22 to take your money and go out and invest it. God
23 bless you. You know, that's what we need more of
24 instead of holding onto all that cash reserve all
25 these big corporations have, and start hiring some

1 people or doing something to turn this thing around,
2 you know. So thank you for that, all of you.

3 MR. MENKE: Thank you.

4 CHAIRMAN MATHEWSON: Any -- any questions
5 from any of the members?

6 Yes, Senator Hatches -- or Senator.
7 Commissioner.

8 COMMISSIONER HATCHES: Yes. My question
9 is for Mr. Groom I think.

10 CHAIRMAN MATHEWSON: Yeah, come up here,
11 sir, would you please. Reidentify yourself so that
12 pretty lady over there can get you.

13 MR. GROOM: John Groom, chief operating
14 officer, Paragon Gaming.

15 CHAIRMAN MATHEWSON: Thank you, sir.

16 COMMISSIONER HATCHES: Just I'd like you
17 to elaborate a little bit on something that you
18 touched on earlier. I really want to applaud you for
19 some of the things you talked about spearheading at
20 your previous employer that was connected with
21 Harrah's on the style at which you employed people
22 and how you trained them.

23 One of the things that you talked about
24 was MB and WB successes that you had there, and I
25 think you had something we questioned. Could you

1 just expand on that just a little bit?

2 MR. GROOM: Yes, I'd be happy to. I
3 could actually -- you know, I've been accused of
4 suffering from microphobia, you know, fear that
5 someone's going to take this mic away from me, and I
6 could answer this question over a couple hours, but
7 I'm going to try to be very concise in just a few
8 minutes.

9 We were successful in Maryland Heights,
10 but in my remarks I indicated that we did this across
11 the United States. We were in highly regulated
12 competitive markets -- Atlantic City was one of
13 them -- with serious mandates from the State in this
14 area of minority and female representation in the
15 workplace. We learned a lot in that, from 1979
16 until -- I'd say we learned a lot in the first five
17 years of operation. Unfortunately we didn't have the
18 workforce to represent the minorities, the females
19 through the entire organization. And so it really
20 took Atlantic City some 10 or 15 years for most
21 companies to have equal representation. It's easy to
22 have equal representation at the entry level.

23 So what happened then is it took us many,
24 many years, a decade plus to get minority and female
25 representation all the way up and down the

1 organizational chart. And because we actually
2 achieved that at Caesars Atlantic City, after I was
3 there about 13 years, I was asked by chief operating
4 officer of Caesars Entertainment to take on the same
5 task at Caesars New Orleans.

6 Now, as luck would have it, Caesars New
7 Orleans never came to be; Harrah's won that bid from
8 Caesars. My job was -- again, a chief operating
9 officer, my job was to build the team.

10 Well, New Orleans is a very interesting
11 city. At that time in 1993 it was 50 percent black
12 and 50 percent white, so I was bound and determined
13 not to be in the same situation that we found
14 ourselves in Atlantic City, taking a decade to right
15 size the organizational chart.

16 So we started out from the top of the
17 chart and we recruited 50 percent representation
18 black and white, 50 percent representation females
19 and males and through the entire organization.

20 And we were -- we were supposed to be
21 awarded the license. And unexpectedly Harrah's won.
22 And when they won, the chairman of the company, Phil
23 Satre, called me and he said, I know you guys are all
24 ready to go and you built the team. We didn't think
25 we were going to win. Would you like to come over

1 and join us.

2 And I didn't. I couldn't do that because
3 I'd worked with Caesars for so long. And my boss
4 again said, John, come on back to Caesars Palace,
5 I've got a job for you. In the course of one year
6 from 1993, August 1993 to '94 I believe, about
7 midsummer, I took what was an all-white, male
8 management team at Caesars Palace and transformed it
9 into an equally represented and diverse workforce all
10 the way up and down the casino line.

11 When I put a woman in the dice pit, it
12 hadn't -- they hadn't had a woman in the dice pit
13 in 30 some years in that operation. We had -- we
14 also had the beginning of a coming casino in Detroit
15 and we needed to have -- be ready to staff that as
16 well, and that's why my boss asked me, We have to
17 show that we can do this at our flagship property.

18 We also had the first black female as a
19 shift manager, casino shift manager, top job on the
20 casino floor, and it was very innovative at that
21 particular time. In 19-- couple years later I had
22 the privilege of promoting the first female to the
23 job of president of a major property, and that was at
24 Lake Charles, Louisiana.

25 So those are the examples of what we've

1 achieved.

2 Now, more recently under Paragon's
3 leadership, we've had unique situations, not only
4 involving minorities and women, but now when we're in
5 Canada, the minorities become the Aborigines, what
6 we call Native Americans in our country and we've had
7 to deal with those same issues up there. I hope that
8 answers your question.

9 COMMISSIONER HATCHES: Thank you.

10 CHAIRMAN MATHEWSON: Thank you, sir.

11 MS. BENNETT: Diana Bennett. Quickly in
12 closing, want to thank you very much for your time.
13 We know that we've gone over. I don't envy you
14 gentlemen. You've got three great communities who
15 all have very deserving people who need this for
16 their community, for the people to have jobs, for
17 their schools. I don't envy you at all, but Paragon
18 believes that we are right for this project. This is
19 the right opportunity for us. We believe we have the
20 right project. We know we have the right team. We
21 know this is the right market for us, and we
22 certainly know that Sugar Creek is the right
23 community. So we hope you will give us great
24 consideration, and we thank you very much for your
25 time today.

1 CHAIRMAN MATHEWSON: Thank you. Great
2 presentation.

3 COMMISSIONER SHULL: Mr. Groom?

4 MR. GROOM: Yes.

5 COMMISSIONER SHULL: You touched on your
6 diversity in the corporate structure.

7 MR. GROOM: Yes.

8 COMMISSIONER SHULL: What about your MBE
9 and WBE supplier sources, have you been able to
10 develop those?

11 MR. GROOM: Yes. Those -- those concern
12 the -- the philosophy expands and extends throughout
13 the entire operation. We've made those same
14 commitment-- it's actually easier to -- to meet those
15 goals because there's a whole world of suppliers out
16 there.

17 And we -- we did a unique thing in Lake
18 Charles, Louisiana. We had a gentleman, a minority
19 gentleman running our casino operation when I took
20 over, and he just wasn't doing the job. And so we
21 had to bring someone else in, and I -- I really don't
22 remember to who that person was, but instead of just
23 turning him loose, we advised him how he could get
24 into the liquor distribution business. And he did,
25 and he's been grateful to us ever since.

1 COMMISSIONER SHULL: Thank you.

2 CHAIRMAN MATHEWSON: Okay. Any other
3 questions?

4 Thank you, sir.

5 MR. GROOM: Yes, sir.

6 CHAIRMAN MATHEWSON: Any other
7 questions?

8 Hey, again, thank you all very, very
9 much. Thanks for your presentation. Good luck in
10 the future, you know. Proud to get to meet you,
11 meantime, you know. You're all good operators.

12 With that, we're going to take a break
13 and then we will start back up this afternoon at --
14 yeah, somewhere around 1:15, 1:20, we'll start with
15 our third applicant. So hang with us; thank you all
16 very much.

17 (Off the record.)

18 CHAIRMAN MATHEWSON: Okay. Okay. We're
19 ready to start with the hearing on Casino
20 Celebration. So with that, same thoughts, if
21 possible, an hour to something close to an hour,
22 okay, if you can.

23 So, anyone have any thoughts or questions
24 before we start?

25 Okay. Would you all please make your

1 presentation. Thank you. Thank you very much for
2 being here.

3 MR. SMITH: Thank you, Mr. Chairman,
4 members of the Commission, members of Staff,
5 appreciate this opportunity to be here.

6 I'm Greg Smith, and I'm an attorney with
7 Husch Blackwell; I've been the spokesperson for
8 Casino Celebration. And all I can say is last but
9 not least, we are here to tell you why this is the
10 best opportunity for the State of Missouri with this
11 last remaining license that you have to give out.
12 You know, one of the advantages of being last is we
13 did have the opportunity to watch the other
14 presentations, all of which were very well done and
15 very well presented and I might even go so far as to
16 say I'm sure represent interesting and great
17 opportunities possibly for the State.

18 However, you are, as Ms. Bennett pointed
19 out, I'll echo her thoughts, you have one remaining
20 license to give out, and we're here today to tell you
21 why the best opportunity for this very challenged
22 state, this very challenging budget environment, the
23 best opportunity for that is Casino Celebration in
24 the City of St. Louis.

25 There are some other reasons for this

1 license to go to this location as well. First of all
2 the Koman family is a very strong committed family
3 from St. Louis with strong -- a strong, viable
4 financial plan. Bill Koman Jr. who's the manager of
5 Casino Celebration is here today; he's going to talk
6 in a moment, address the -- some of those issues.

7 It's a great location. This location is
8 immediately adjacent to Highway 270 as it crosses the
9 Mississippi River. Some 60 -- almost 60,000 cars a
10 day pass by that location at Riverview and 270. It's
11 going to have a great visibility and great proximity
12 to a market that we want to compete with more
13 effectively than I think the State has been competing
14 with, and that's going to be an important part of
15 what we're going to talk about.

16 The site itself sits well above the
17 Mississippi River, and it's a great vista to downtown
18 St. Louis. And Scott Haley, director of development
19 for us is going to talk about some of those issues in
20 a moment.

21 It's also a fabulous opportunity to
22 preserve and facilitate the use of a historic bridge
23 that crosses the river, of course the Chain of Rocks
24 Bridge. Susan Trautman, the executive director of
25 the -- of the Great Rivers Greenway is here to talk

1 about that. That's of course a public body with whom
2 we're going to cooperate and restore that bridge,
3 maintain that bridge, and create a great trailhead
4 location that's part of a -- of what's becoming a
5 model trail system for states and regions,
6 metropolitan regions around the country.

7 It's also a great opportunity to return
8 this license to of course the jurisdiction where the
9 license originally existed and to generate
10 significant economic development and job opportunity
11 in a very challenging economic region of our city.

12 Mayor Francis Slay of course is here to
13 talk about some of the reasons why we think this is a
14 great, great opportunity. Rodney Crim is also here,
15 the executive director, of course, of the St. Louis
16 Development Corporation. We also have with us
17 general council for Casino Celebration, Derek
18 Hamilton.

19 But the primary reason and the primary
20 focus I think this Commission has, of course, to
21 address is will this be the best economic opportunity
22 for this state. And Dan Farris who is our project
23 director is going to talk primarily about the study
24 that was conducted by Professor Don Kridel.
25 Professor Kridel could not -- Kridel could not be

1 here today because he's actually a professor, and so
2 unlike a lot of us consultants and other service
3 providers, he's actually teaching today. And when
4 you all moved the presentation to this opportunity,
5 he had some three or four classes today, he could
6 not -- he could not be here.

7 So Dan is going to talk to the study that
8 we did commission. He of course is a professor of
9 economics at UMSL, University of Missouri-St. Louis,
10 quite an expert in this, used the same gravity
11 modeling that he's used before when he did a study
12 for the State Gaming Commission back in '77 -- I'm
13 sorry, '97 -- 2007, 2008. And he updated that
14 model.

15 And what it's going to demonstrate, I
16 think Dan will do a great job, we hope, of helping
17 you walk through that, is that there is capacity in
18 this market and that there -- there is a tremendous
19 opportunity to compete with Illinois and particularly
20 the Alton Belle which is, of course, the oldest boat
21 in our market. It is an original boat on the river.
22 It hasn't been updated since it opened. And we think
23 the combination of the ability to grow our market and
24 our ability to take market share from Illinois will
25 be a demonstrably better opportunity for the State

1 than any other that you've seen before you today.

2 So with that I'm going to introduce Bill
3 Koman Jr. who's going to take it from here.

4 MR. KOMAN: Good afternoon, Chairman,
5 members of the Commission, Gaming Commission members.
6 I'm Bill Koman with Casino Celebration.

7 We've been involved in the gaming
8 industry and the St. Louis market area for -- since
9 1991. And I don't think I'm going to come up here
10 and -- I think like the rest of the very well-spoken
11 groups, we operate at multiple jurisdictions. We,
12 you know, have 20, you know, facilities, but what we
13 do is we think we know our market cold.

14 We were asked by the City of East
15 St. Louis in 1991 to -- to try to gain a license for
16 the community of East St. Louis, which was the only
17 one written in the Illinois Gaming Act, you know, at
18 that point. I think we were about the fourth person
19 that was asked, the fourth group that was asked, and
20 probably the only one that passed the introspection,
21 you know, for the State of Illinois.

22 So with that we put together a project
23 team. We brought in what we -- it's almost a case
24 study of what we're proposing to do here. We brought
25 in a team; we financed independently. We developed

1 in one of the -- if not -- one of the most poorest
2 communities in the Midwest, and I think that we've
3 generated significant amount -- a significant amount
4 of revenues and success with our investment in Casino
5 Queen and which is still going on today.

6 And as you know, obviously as a, still a
7 current owner and both my brother, Jim, and my
8 father, another Bill Koman, we are still active --
9 are still active owners on the Casino Queen side. So
10 if we believed that it was very detrimental to that
11 boat's operation or to that license operation, we
12 probably wouldn't have been involved in proposing
13 another license.

14 So with that, I guess what I'd like to do
15 is go into our experience. We've been in the
16 development business for 30 to -- 30 to 50 -- I've
17 been in 30 years; my dad I guess has been in 50 years
18 right now. We've done projects primarily in the
19 Midwest, have done projects all sizes from 2 million
20 to 200, 250 million, you know, dollars. And I think
21 that part of that local involvement and local
22 ownership is -- is that -- what we find is that the
23 dollars stay locally too.

24 So we are able to go out, make deals, and
25 continue to reinvest in our community. And I think

1 that we've done that by, you know, developing over,
2 you know, well over a billion dollars worth of
3 projects, you know, in the St. Louis and regional
4 area, you know, over the last 20 years.

5 So with that, what we'd like to do is say
6 that we've -- we've had, with this exact same
7 position as we're looking at before, we found a
8 compelling -- we believe it's a compelling site. And
9 that the operation that we're trying to grow from
10 here will be something that's additive to -- additive
11 to the market. So we look at it more as kind of a --
12 as a gaming operated operation, but also as a real
13 estate operation too.

14 With that, similar to the past
15 proponents, we all have organizational involvement.
16 All of our various companies are deeply involved in
17 both the St. Louis and surrounding communities and a
18 number of organizations that I'm sure that you all
19 will recognize.

20 I think what we'd like to do here is show
21 you why we believe that -- that the St. Louis
22 marketplace can support another license. And
23 obviously it did have another license when the
24 President was down here with -- you know, next to
25 Pinnacle.

1 Obviously you have East St. Louis and
2 Casino Queen here, you've got Pinnacle down here, you
3 have River City that's just opened, and the two
4 casinos, Ameristar and Harrahs' out west.

5 As you look at Alton which was the
6 original casino, it's at the far north quadrant, you
7 know, of the St. Louis regional market which is, you
8 know, approximately 2.7 million person marketplace.
9 So with that, when we filled in -- when Casino Queen
10 came in and followed Alton, there was obviously not a
11 lot of competition and both boats thrived at that
12 point.

13 I think when the President came in and
14 was -- and was relegated to a riverboat with not much
15 ground base facility, it wasn't able to really garner
16 all that much traction. I don't think it did the
17 numbers that they hoped to do at that point. And I
18 think that we are able to see that when -- when
19 Lumiere Place developed and there was a large spend
20 on developing appropriate, you know, product in the
21 market, that the market really expanded at that time
22 and you saw a boat that was -- or an operation that
23 was able to grow a 200, \$250 million gaming revenue.

24 I think you're seeing very similar to
25 that right now by opening up the south area of the

1 market with River City, and this is what we hope to
2 do with Casino Queen. We look at these trade areas
3 as 500, 550,000 person trade areas, you know, in our
4 marketplace, and we think that, you know, by having
5 the best access off of a major interstate, you know,
6 as we're seeing Highway 270 here, this is the Chain
7 of Rocks Bridge, and this is our site.

8 So having the ability to have that type
9 of access off of an intersection where you're 250,
10 300 yards, you know, from the intersection is a lot
11 different than what you do when you have to come
12 downtown to Lumiere, go to Casino Queen, go to
13 Ameristar, go to Harrah's. Where once you're
14 circumventing the highway, you know, system on things
15 that are very visible from the highway but that you
16 can't get to directly, that -- to us that adds a lot
17 of ability to add road time, you know, which for us
18 picks up five to seven miles for that five minutes of
19 further reach.

20 And for us we believe a lot of that reach
21 will occur, you know, into the Illinois area. We
22 think that we will take a significant -- we'll take a
23 significant share of the Alton -- Alton Belle
24 marketplace. We think that the county of Madison
25 County down here, you know, will have direct access

1 into our market. And when we're talking about -- and
2 like I said, Dan Farris will come up later, but the
3 ability to attract new net incremental market share,
4 I think that a lot of ours we hope will be coming
5 from Illinois, predominately this market directly
6 across.

7 As we look at expanding incremental
8 growth in the St. Louis market, we're looking at
9 these communities. And I guess when you say that,
10 by emphasis, kind of why would we think of it on a
11 real estate basis as local market knowledge is I
12 think people avoid large areas that are --
13 intersections that are congested areas. And I think
14 if you go out to 270 and 70 on a -- on an ability to
15 draw people to your marketplace, that that is the
16 most highly trafficked, you know, intersection in the
17 state right there. And in doing that I think a lot
18 of the rest of the St. Louis area out through here
19 tries to avoid, you know, going there unless, you
20 know, you're a local or you know your routes, et
21 cetera.

22 I think that's what -- and the same thing
23 I think getting into downtown. I think -- obviously
24 we have the mayor here, great city, great community,
25 great place to live and work, but, you know, some

1 people are fine going downtown and some people
2 aren't. And I think what we're hoping to do is
3 compliment that by reaching into the near north city,
4 the North County area and the east side by offering
5 this which we would say is very parallel to what
6 River City was, we think, able to do with growing the
7 St. Louis marketplace.

8 So in doing that we also feel that as
9 Greg pointed out, the Alton Belle is an original
10 facility and we think that putting in a new right
11 size, right investment offering in there will be very
12 attractive to a lot of people that patronize Alton
13 right now; they'd prefer to go to a newer and a
14 better, hopefully a much better located facility.

15 I think before I -- I turn it over to --
16 to Dan Farris to dive a little bit farther into this,
17 as you know we wanted to touch on a little bit of,
18 you know, our investment, you know, comparative to
19 the other applicants here that presented before. And
20 I think this is all in your -- in your packets in
21 front of you, but, you know, investment size are all
22 in that 100 to 130 million range. We think that we
23 will, you know, highlight this, but our new and
24 out-of-state share take will be, you know, as a
25 compelling percentage of our market. And we think

1 that's what the decision that the Gaming Commission
2 will be making off of is that incremental dollars to
3 our market, and we think that's where we're deriving
4 it from.

5 I think as we also look at it, we look at
6 both the gaming age populations -- these are within
7 20 minute drives, this 550,000 to 50,000 to 141. I
8 think most of us know that gaming is a local's, you
9 know, is a local market right now. The proliferation
10 of gaming around the country has made it, you know, a
11 lot more localized than thinking it's going to be as
12 much of a tourist or a drag -- drawing people in from
13 multiple state -- state areas. So we think those are
14 very salient numbers, you know, coming across from
15 there.

16 So, and then to -- I guess in answering
17 the -- the financial question that I'm sure was
18 coming one way or the other from Chairman Mathewson
19 that we saw beforehand as -- you know, it's the same
20 thing too. We are real estate developers and
21 investors. We're used to being at every project with
22 our dollars. Our dollars are always our own equity
23 in coming in these projects.

24 I think that your staff has our balance
25 sheets, our capabilities, our financial statements

1 from there. I think that my both my father, my
2 brother, and I have all done individual projects as
3 large as what we're -- that exceed what we're
4 proposing right.

5 I think -- you know, I touch on that last
6 year, in probably the worst financial marketplace
7 that any of us have seen in our lifetime, we were
8 able to develop a half million square foot tower in
9 St. Louis County that was a \$150 million project,
10 source it to seven banks, hundred million dollar loan
11 syndicate. It was probably one of the less than ten
12 that were done in the country including New York
13 City's and stuff like that during the last year. I'm
14 happy to say that the building's opened up and it's
15 97 percent leased now.

16 So I think that, you know, on a financial
17 basis that, you know, we believe that we can perform.
18 We think that -- you have our information that
19 hopefully will show you that we can perform.

20 With that I'm going to turn it over to
21 Dan Farris.

22 MR. FARRIS: Thanks, Bill.

23 Thank you, Commissioners, for giving me
24 the opportunity to present to you guys today.

25 One of the parts that Bill was getting

1 ready to touch upon was just kind of the net
2 incremental at the State of Missouri.

3 CHAIRMAN MATHEWSON: Tell that lady who
4 you are.

5 MR. FARRIS: Dan Farris.

6 CHAIRMAN MATHEWSON: Thank you.

7 MR. FARRIS: And what we think is that
8 our project not only has the ability to grow the
9 existing St. Louis market, but one of the key drivers
10 as Bill had touched on a few times was the actual
11 ability to bring dollars in from existing out of
12 state casinos.

13 So this is just kind of our project, you
14 know, 121 million, 83 is actually going to be
15 coming -- considered new to the State of Missouri.
16 You know, as you can see, Isle of Capri, we agree
17 with their assumptions that the majority of their
18 revenue is going to be new, but the pie is much
19 smaller when you look at population densities and the
20 ability to draw people in, that, you know, on a net
21 basis, you know, 61 to 83 we think we have, you know,
22 a tremendous ability to derive new revenues into the
23 state and provide the biggest economic benefit from a
24 tax revenue perspective.

25 I think one of the things that we want to

1 talk about, you know, from my perspective is that the
2 St. Louis market, you know, we've continued to see
3 the arguments that the market is saturated. One of
4 the things that we definitely wanted to point out is
5 that surprisingly, most people not -- might not be
6 aware is that St. Louis is actually the seventh
7 largest gaming market in the country at this point.
8 It's continued to grow. It's one of only three
9 markets that have actually posted growth since 2005.
10 In actually 2008 to '9 it was one of only three
11 markets that grew in the entire country. So as the
12 economy was going down, the St. Louis market was
13 actually going up in gaming revenues, about 2.3
14 percent per year from 2005 to now.

15 So I think the argument, you know, that
16 we've peaked out and that we're either steady or
17 declining, you know, doesn't really hold a lot of
18 weight at this point. That the market has continued
19 to expand and the St. Louis market is starting to
20 become a destination market for people throughout the
21 state, throughout the Midwest as we've gained some of
22 this critical mass with some of the newer casinos
23 opening. There's a lot to do in St. Louis, and
24 gaming is starting to be a part of that as well.

25 This is the map that Bill touched upon

1 earlier. One of the things that, you know, we look
2 at and like Bill had talked about, being in a local's
3 market and a local real estate operator, you know,
4 drawing ten-mile rings, you know, is one way to look
5 at demographics, but we looked at it from a drive-
6 time perspective.

7 In St. Louis with it being a local's
8 market, about a 20-minute drive time most people
9 would consider excessive to be able to get to a
10 destination when you do have multiple offerings in a
11 marketplace. Especially whenever you have the
12 opportunity to, you know, select from several
13 facilities that, you know, probably that 15- to
14 20-minute drive time is what you're looking at as the
15 peak ring of demand, just given the ability to get to
16 basically anywhere in the St. Louis market in that
17 time frame.

18 You can see that the Argosy Casino is the
19 closest casino to our site. Bill had mentioned it's
20 a '93 original casino. We think, you know, there is
21 a certain degree of functional obsolescence with that
22 facility. We think providing a new upgraded facility
23 in a more accessible location definitely allows for
24 the market to expand and, you know, more -- more
25 directly compete directly with the Argosy Casino.

1 You know, Ameristar and Harrah's are both
2 20 minutes, as Bill had stated, that our market
3 segment in the north would actually have to pass
4 through one of the busiest intersections in the state
5 of Missouri, kind of bifurcating the market, that if
6 they did have the opportunity to go to one
7 destination or another, we think that, you know, kind
8 of that eastern half of the north market would be
9 more likely to frequent our facility.

10 To the south we believe that Highway 70
11 actually provides pretty significant -- significant
12 barrier to anything to the south. Lumiere is
13 predominately going to be unaffected by our opening,
14 as with Casino Queen, especially River City to the
15 south.

16 As Bill said, the downtown market is
17 definitely a different type of gamers market than
18 what we're looking for, is more the north area of the
19 neighborhood. And just the accessibility of being
20 able to get from our site to downtown, there's no
21 major thoroughfares to be able to do it. You have to
22 basically drive down Riverview Drive until you start
23 hitting more neighborhoods before you jump on 70. So
24 we think there is definitely still some insulation
25 between some of the other St. Louis area casinos.

1 And not only will we not take any of their market
2 share, but we think that by placing it in the north,
3 we have a substantial opportunity to grow it.

4 This is kind of the drive time map. The
5 red rings is the 5 minutes, green is 15 minutes, and
6 then the blue is a 20-minute drive time emanating
7 from our site. As you can see that pretty much every
8 casino on the map is essentially at the tail end of
9 our 20-minute drive segments.

10 And this map is basically the population
11 densities of our markets, as we've discussed, where
12 we think our market demand is going to be coming
13 from. That's, you know, key to basically saying that
14 we have a localized market that at this point is
15 predominately frequenting the Alton Belle.

16 You can see that Alton has a pretty good
17 density, and then the north St. Louis population
18 definitely has access up Highway 367 into Alton or
19 the ability to pass through the 270/70 interchange
20 which most, you know, in our opinion don't -- would
21 rather not do that drive. And then substantial
22 populations in Granite City and Edwardsville.

23 Edwardsville is about the same size as
24 Carbondale, but the university is actually I think
25 bigger at this point than SIU-Carbondale and actually

1 growing more at this point. So we -- we think that
2 there's some population gains to be had from the
3 Edwardsville market. But you can see that three out
4 of four major population densities in the market that
5 we'll be targeting are actually on the Illinois side.

6 The upper left is a pie chart, the way
7 that -- for fiscal year 2010, the way the St. Louis
8 market breaks down. You can see that the President
9 was 2 percent of the market during fiscal year 2010
10 and River City only accounted for 5 due to that it
11 opened in March and wasn't operational for a full
12 year within this chart.

13 In the four months of this fiscal year
14 that River City had opened up, the entire St. Louis,
15 Missouri, side of the market actually grew by a net
16 12 percent. That's one thing that, you know, as far
17 as market growth goes, our projections are calling
18 for about 9 percent over a two to three year time
19 period. River City grew its -- a net 12 percent over
20 their initial opening. So we can think that with
21 that pocket, if you look at it from a demographic
22 perspective, River City and our site are very
23 similar, that we think our growth projections are,
24 you know, more or less conservative at this point.

25 We're projecting a year one operation

1 of 2012. At that point we think that we'll account
2 for only about 10 percent of the market. We've kind
3 of reiterated that we think this is the right size
4 project and the right location. We don't think that
5 we're coming in to take a 25 percent share of the
6 market. We're not trying to be the next Ameristar or
7 Harrah's. We realize that those are big, you know,
8 facilities that are destination types with the larger
9 hotels.

10 We think that the size of our facility is
11 what the market can bear and still have everyone
12 benefit as well as growing the market in addition to
13 that. We're trying to make sure that we're very
14 cognizant that, you know, the Commission, the task
15 that you guys have to make sure that, you know, all
16 of Missouri casinos can do well is something we think
17 that can definitely be accomplished at our site.

18 See, the Alton Belle did account for 7
19 percent, but we've got the projected down to 3
20 percent which, as we've reiterated is a substantial
21 part of our gaming revenues by upgrading our facility
22 with the same demographic base.

23 As we've discussed, we think that
24 basically the new revenues to the State of Missouri,
25 we've got 32 for market expansion which is about a 3

1 percent expansion of the existing market. As we just
2 stated, River City is the only 10 to 12 range
3 depending on the time period that you look at on a
4 net expansion basis. The revenue share take from
5 Illinois is about 51 million. These two together
6 combine for basically 68 percent of our overall
7 revenues. You know, a substantial majority of our
8 revenues are coming from out of state or new market
9 growth, not from other area casinos, just based on
10 our location and our size.

11 This chart basically shows individual
12 casinos in the St. Louis market area as well as you
13 can see the changes in 2008 whenever the Lumiere
14 Casino opened. You know, the main effect was the
15 Casino Queen obviously located directly across the
16 river fell. The Argosy fell, the President. But you
17 can see Ameri-- Ameristar and Harrah's had a little
18 fall off or negligible at that point. 2010, full
19 year, River City opening at this point. We've all
20 seen the stats from your -- from you guys is that
21 there has been some market share take, but we think
22 that should start to go back on the upside whenever
23 it's established itself in revenues and even that the
24 entire market will grow with more upgraded
25 facilities.

1 As you can see with our opening,
2 projected in 2012, that every single casino in the
3 market will be back to their 2012 operating levels
4 within two to three years. The high share take that
5 we would take from any Missouri casino -- sorry about
6 that. The highest share take we would take from any
7 Missouri casino is about 5 percent of their overall
8 revenues, so we don't project any -- any significant
9 cannibalization.

10 The one thing that we think that is
11 important to the state of Missouri is these two
12 lines, the green line basically is the Missouri side
13 of the St. Louis market, the purple line is the
14 Illinois side of the casino market, and this line
15 here is the total St. Louis market.

16 You can see the St. Louis overall market
17 has continued to grow, more of that coming over to
18 the Missouri side, and with the opening of our
19 facility, the Illinois side continuing to level off
20 and shrink with the Missouri side continuing to grow.
21 It's a matter of repatriating the dollars from
22 Illinois over to Missouri and making sure that we are
23 a benefit to the State being on this side of the
24 river.

25 One of the things that we want to bring

1 up is the -- is our ability to derive our revenues
2 and -- basically with our market study. As Greg had
3 said, Dr. Kridel was unable to be here, so I'm kind
4 of pulling double duty as a economics professor.

5 But the -- our projections are based
6 essentially in line with what our market averages
7 are. We've really not projected market growth from
8 here. As I said, we're taking what the market gives
9 us. It's one of the things that, you know, we think
10 that, you know, kind of running the numbers of some
11 other proposals that are out there, there's
12 definitely significant, you know, growth in the
13 markets that's really not out there as the data
14 dictates.

15 Our win per admission is \$30. Our casino
16 hold is in line, table hold is in line. But we
17 think, you know, as we said with the gaming
18 positions, we're at 1,800 total. The market average
19 on the Missouri side is 2,500. We think it's a
20 quality project that's going to bring in quality
21 revenues, but it's not anything that we're
22 overbuilding the marketplace, something that we would
23 not be able to complete, finance, or continue to
24 operate at a profitable level to make sure that it
25 continues to be a strong facility.

1 This is just more of a comparison
2 directly across of all the casinos in the markets.
3 As we've said just from a sheer size perspective and
4 the metrics that we use, whenever you look at our
5 financial models are all in line, if not more
6 conservative, than what's going on in the market at
7 this point. We think that all the projections that
8 we've provided to the Gaming Commission are very
9 conservative.

10 Bill kind of touched on this slide a
11 little bit, but a couple more things that, you know,
12 just wanted to reiterate is, you know, our population
13 is definitely much more dense than some of the other
14 proposals out there. We think that the ability of
15 gamers to frequent our site, depending on the
16 projections and the conservative nature of those, is
17 much more reliable just given the surrounding
18 demographics and population density.

19 As I discussed, our win per admission is
20 about 31 and our market average is right around 30.
21 Or our win per admission is 30; market average is 31,
22 excuse me. In the out state casinos, looking at the
23 proposal from Cape Girardeau, their win per admission
24 equates to about \$42 per admission. The out state
25 average is 32. Again, I think that we're using

1 conservative estimates.

2 Paragon, today I think, you know, was
3 about 37. This slide is obviously before we were
4 able to see their presentation, but, you know, still
5 a little bit higher than what the market is at that
6 point. And

7 What we think it all translates to is
8 that our \$83 million of new revenue to the State of
9 Missouri is on a very conservative basis and very
10 defendable, and we think that the St. Louis market
11 has substantial room to grow.

12 Just a reiteration of the other slide,
13 seeing the breakdown net revenues to the State of
14 Missouri to be able to provide the greatest economic
15 impact for revenues in an ongoing perspective to the
16 State.

17 And with that, I'll turn it over to Scott
18 Haley who is our director of development to talk
19 exactly about the project.

20 COMMISSIONER JONES: Mr. Farris?

21 MR. FARRIS: Sure.

22 COMMISSIONER JONES: I guess I'm having a
23 problem with this 51 million. I mean, can you go
24 into a little bit more detail explaining the 51
25 million out of state share? Because it seems like

1 it's just shifting. Are you saying that all 51
2 million's got to come from Alton Belle or 90 percent
3 of it's coming from Alton Belle and then the rest of
4 it's going to come from I guess Illinois residents
5 that are going to St. Charles or Maryland Heights?

6 MR. FARRIS: No. The 51 million is
7 basically what we looked at and what Dr. Kridel's
8 study looked at is the amount of gaming revenues that
9 are actually being taken in by the Alton Belle at
10 this point. They do about \$85 million a year of
11 revenue. Based on the population, you know,
12 gravitational models around the Alton Belle that
13 would actually probably be more likely to frequent
14 our facility, is that their revenues would be
15 decreased by about \$47 million, that that is a change
16 of the Alton Belle into our facility.

17 COMMISSIONER JONES: So all of that would
18 be from the Alton Belle?

19 MR. FARRIS: Alton Belle with minimal,
20 about 3 to 4 percent of that coming from the Casino
21 Queen itself, yes.

22 COMMISSIONER JONES: Okay.

23 MR. FARRIS: And then the 32 million is
24 from a growth of the market and new gamers that have
25 that easier access to the facility.

1 CHAIRMAN MATHEWSON: Any other questions?

2 Thank you.

3 MR. FARRIS: Thank you, Commissioners.

4 MR. HALEY: Scott Haley, H-a-l-e-y.

5 Good afternoon. Our site, located, as
6 Mr. Smith said earlier, we're located right along the
7 river, Interstate 270. This is we're looking north
8 here and Riverview Drive. What makes this, our site,
9 I think unique and -- is that this intersection, we
10 see over 75,000 cars on the highway and Riverview
11 Drive. This direct access from our site to the
12 interstate is, you know, about an eighth of a mile
13 which makes ease getting in and out of our site
14 tremendous.

15 Also what makes this interesting for our
16 site is that Interstate 270 is the -- one of the
17 northernmost entrances to our great city and doing so
18 provides us as a welcoming center and a great
19 opportunity to showcase the city and metropolitan
20 area. As you can see we have the Chain of Rocks
21 Bridge which is a historic bridge that's located, you
22 know, crosses the Mississippi to Illinois and becomes
23 a great asset to our site.

24 Existing shots of the site now as you --
25 I'm assuming when you were in St. Louis you at least

1 went by the site or are familiar with the site.
2 Currently can you see the bridge in the background.
3 This site is not a pristine site. This is a
4 former -- former or it is a landfill from the resting
5 spot of the Pruitt-Igoe housing development in the
6 early '70s.

7 As it sits on the river, putting our
8 development here would greatly enhance what you
9 currently see here. This spot is used for bicyclists
10 and travelers, but with our integration of our site,
11 the bridge, the river loop system that we're going to
12 talk about here in a minute, will be a great benefit.

13 Also our site is largely above the --
14 above the river about 50 feet. We're going to
15 protect the portions of the river, the site that
16 front the river.

17 One of the -- one of the aspects I wanted
18 to talk about regarding our development is the site
19 itself. You're looking at a view that's going to be
20 seen from Interstate 270. This building will be
21 built under the concept of a St. Louis style. We're
22 utilizing brick, we're incorporating some of the
23 architectural designs that you would see up and down
24 the river, warehousing, other structures. We've
25 incorporated the aspects of some of the riverboat

1 aspects into the building. We've also incorporated a
2 strong emphasis on our musical history as you can
3 see.

4 We are also building this building,
5 constructing it under the lead specifications and
6 trying to incorporate the environmental and energy
7 efficiency that is allotted us today.

8 One of the aspects that I think makes
9 this sight intriguing, and I'm going to step back
10 here, is our work with Great Rivers Greenway. Great
11 Rivers Greenway is a not-for-profit organization, and
12 we have today the executive director to speak to the
13 group.

14 But Great Rivers Greenway, we have been
15 working with, has been a terrific organization.
16 They've owned a piece of ground that we have now
17 worked out an agreement on, so with that in hand, we
18 have committed our project with this Chain of Rocks
19 Bridge to spend over \$350,000 on day one to make
20 enhancements to the bridge. We've committed a
21 hundred thousand dollars a year to make maintenance
22 to that bridge. We've also committed to maintain all
23 the improvements that you'll see later on the site in
24 terms of trailheads, restrooms for the public and
25 users that are going to come to the site to utilize

1 the bridge and the river loop system. We're also
2 making commitments to continue the trailhead and make
3 those improvement and do all the maintenance on there
4 throughout each year.

5 So again we have worked hard with Great
6 Rivers Greenway and other agencies. And with that
7 being said, we are going to protect this portion of
8 the site and develop the western portions that are
9 outside of the -- the river front.

10 One of the aspects of our building as Dan
11 talked about, you know, the \$131 million that we're
12 budgeting for this project, we have a 40,000 square
13 foot gaming facility, 1,400 slots, 36 tables. And
14 the visitor center we have steakhouse, buffet, delis,
15 all the other amenities that you would -- you would
16 find, also including drinking establishments,
17 entertainment venues, and we provide both structured
18 and surface parking on our site.

19 This size of 40,000 is what we -- what we
20 believe as you heard earlier is the right size and
21 the right location.

22 We do have a phase two which is a 150
23 room hotel. We're talking about incorporating a
24 business center lounge and -- around 66 Museum and to
25 compliment the Chain of Rocks Bridge. In doing so we

1 would increase the number of slots up 400 to 1,800
2 and an additional ten gaming tables.

3 One of the points I wanted to talk about
4 was some of the comments that were made at the public
5 sessions that you -- that the Commission held a few
6 weeks ago. And I just want to quickly address
7 those.

8 Again, the site was -- is -- was a
9 landfill from the early '70s. It's a resting spot
10 for the Pruitt-Igoe housing development. We have
11 received back in the mid '90s a clean letter from the
12 State and we believe many of the improvements we meet
13 would be a significant improvement to what is there
14 now.

15 Regarding the river front, the river
16 front's going to remain unchanged. It's going to be
17 owned and controlled by Great Rivers Greenway.

18 There's also comments about migratory
19 birds and waterfowl and the effects it may have on
20 the Mississippi flyway. This will not be an issue.
21 I mean, there's development up and down the river in
22 the St. Louis area there. And related to that, we
23 are not the confluence; we're not a pristine wetlands
24 which are located several, several miles to the
25 north.

1 Also I think the question was raised
2 about water quality issues. This project will be
3 engineered with, you know, volume reduction
4 techniques and be reviewed by local and state
5 agencies. We're also looking at doing a bio-- bio
6 retention and other water quality strategies which
7 will improve the water quality and protect the inlet
8 takes from the City of St. Louis's water -- water
9 treatment plant that's located -- and I'll show you
10 that here in a moment.

11 Other components that's consistent with
12 other projects: Construction jobs, we project about
13 700 construction jobs during this phase; also
14 permanent jobs for the casino, roughly 570. Phase
15 two would be an additional 55 jobs.

16 Spin off jobs, I think conservatively
17 we're at 950 jobs. As Dan mentioned earlier, the
18 revenues we talked about, nearly 7 -- \$11 million for
19 the City of St. Louis and nearly \$30 million for the
20 State of Missouri.

21 In terms of community impacts I wanted to
22 talk about again, you know, just following with Great
23 Rivers Greenway and what we're -- our commitments to
24 them and the community. We also have commitments
25 that we're making towards contributing to the Second

1 Ward of the City of St. Louis in terms of a fund that
2 will be used for improvements near the casino or near
3 this project and help make improvements for this
4 underserved ward in the city.

5 Let's see. I do want to bring up one
6 aspect. Since we made our submission, we have
7 slightly modified our -- our site plan, and actually
8 put all the entire development within the property
9 that we control. Doing -- this was done largely
10 to -- out of consideration due to the complexities of
11 transferring a small part of the property that was
12 owned by the City of St. Louis.

13 What's this -- what this does in terms of
14 the plan design is really nothing. We still maintain
15 all the square footage, all the density that we
16 incorporated in our previous site plans that you have
17 seen. We're still building the entire square
18 footage. All that has changed is really the increase
19 in size of the parking structure by a level or two.
20 We still have our surface parking out to the side.

21 One other aspect before I move on to the
22 actual building is that we have a strong and long-
23 standing history with hiring minorities and women-
24 owned businesses during the construction and
25 development of our sites. We also have a strong and

1 long-standing history of seeking out purveyors of
2 minority- and women-owned businesses and we usually
3 exceed any expectations from that standpoint.

4 Site plan, simple. Again, everything I
5 said. Here's the Chain of Rocks Bridge coming right
6 into our site. Bike trail, restrooms, parking,
7 parking along here and then here is our facility.

8 Our gaming facility I think is consistent
9 on how many are designed; however, we do have a
10 couple unique -- unique aspects. We have our gaming
11 floor, center bar. We have off the parking garage,
12 which we think a lot of people will enjoy, will come
13 directly in past our gift shops. We have delis, we
14 have a cafe. We also have a 24-hour buffet. We have
15 a couple other restaurants. We have a three-meal
16 restaurant, we have a steakhouse, and the
17 entertainment value which will have live music as
18 well.

19 The interesting aspect is that we have
20 outdoor patios and terraces on both these venues
21 that -- that look out over the river, look towards
22 the bridge, and are outstanding views, especially
23 looking downtown to the south are dramatic views and
24 we think are -- are real assets to this.

25 Just quickly, back of house on the

1 second -- second level. We also have -- this is an
2 image looking from the northwest looking southeast
3 with the bridge. Front of our building. City of
4 St. Louis down here.

5 We believe that the ease of access to the
6 site is a tremendous benefit in serving the people
7 who would be coming from across the river and other
8 parts of St. Louis. And we believe that the design
9 will enhance what -- what has been typically an
10 underserved intersection for a long, long time.

11 As I mentioned before, Great Rivers
12 Greenway has been involved with us for the last
13 several months; it's been a great relationship. And
14 today we have Susan Trautman who's the executive
15 director of Great Rivers Greenway who did speak at
16 the public comment and we're excited to have her here
17 today and I'd like to introduce Susan.

18 CHAIRMAN MATHEWSON: Thank you.

19 Hello, again.

20 MS. TRAUTMAN: Hello. Good afternoon.
21 My name is Susan Trautman. I'm executive director
22 for the Great Rivers Greenway District. And I have
23 to tell you given my long history in parks and open
24 space, I'm a bit surprised myself to be here today,
25 but happy to be here.

1 Our organization is a public entity
2 funded by the passage of Proposition C in 2000. We
3 serve St. Louis City, St. Louis County, and
4 St. Charles County. Great Rivers Greenway works
5 collaboratively and in partnership with over 100
6 public, private, and nonprofit organizations. Our
7 goal is to connect all parts of the St. Louis region
8 through a system of greenways, parks, and trails
9 known as the River Ring.

10 We own property adjacent to the Chain of
11 Rocks Bridge, the Mississippi River, and Casino
12 Celebration. GRG has been interested in purchasing
13 the property owned by Casino Celebration for a number
14 of years in order to secure access and develop public
15 amenities at the Chain of Rocks Bridge. I came today
16 to reaffirm our support for a cooperative agreement
17 between Great Rivers Greenway and Casino Celebration.
18 Our intent is to ensure that one agreement provides
19 for the best possible public benefit regardless of
20 the outcome of the license decision.

21 In exchange for the property that Great
22 Rivers Greenway owns along Riverview Drive for
23 property owned by Casino Celebration adjacent to the
24 Mississippi River, Casino Celebration has agreed to
25 provide for and ensure the list of public amenities

1 represented on the slide today. They include public
2 use of the Chain of Rocks Bridge and access and
3 amenities to trailheads in both Missouri and
4 Illinois. In addition to this, the development
5 provides for the safety and security of the public,
6 which is currently a concern at the site.

7 Given that the site has significant
8 environmental impact, Casino Celebration and Great
9 Rivers Greenway will work collaboratively to ensure
10 that the riparian corridor along the Mississippi
11 River is restored and enhanced. At present no
12 organization has been able to provide these amenities
13 or restore the site. Should this commission choose
14 not to issue a license to Casino Celebration, this
15 same cooperative agreement provides that Great Rivers
16 Greenway can and will purchase the property for use
17 by the public.

18 And I am happy to answer any questions
19 you may have today.

20 CHAIRMAN MATHEWSON: Any questions?

21 Thank you, ma'am. Mayor's here.

22 MAYOR SLAY: Good afternoon, gentlemen.

23 Thank you so much for the opportunity to be here.

24 I'm Francis Slay, I'm the mayor of the
25 City of St. Louis and I'm here to join with the

1 individuals who just testified to support the gaming
2 application of Casino Celebration, LLC, for the north
3 river front of St. Louis City.

4 The City support of the Casino
5 Celebration follows an extensive RFP process that was
6 intended to ensure that the project with the
7 greatest economic opportunity for the City and the
8 State was chosen. As a part of this process, the
9 City engaged Stifel Nicolaus which is a prestigious
10 and one of the -- prestigious company, one of the
11 country's leading financial services firms to review
12 the financial capacity of Casino Celebration and the
13 accuracy of the financial projections that were
14 provided in support.

15 Casino Celebration's ability to obtain
16 debt financing, provide equity capital, construct a
17 state of the art facility and properly manage a
18 first-class operation in a very challenging economic
19 environment was demonstrated to the satisfaction of
20 our consultant.

21 Our confidence in Casino Celebration's
22 ability to deliver its plans is also based on our
23 knowledge and relationship with the Koman family. The
24 Koman family's extensive record of proven success in
25 the St. Louis metropolitan area for over 40 years is

1 well-known, and it's a quality organization, a
2 quality family, and we're pleased that they are part
3 of this in leading the effort for this proposal.

4 The Komans, the three principals of
5 Casino Celebration, LLC have a proven track record of
6 developing and operating the Casino Queen as they
7 talked about in East St. Louis and numerous urban
8 commercial real estate developments throughout the
9 St. Louis area. In addition, the family members make
10 a significant investment of time, expertise, and
11 money to numerous locally-based charitable and civic
12 organizations. They are truly committed to the
13 St. Louis region, truly committed to the state of
14 Missouri, and to quality in everything they do.

15 Casino Celebration promises to bring over
16 1,300 jobs including construction and permanent jobs
17 in -- and also over \$140 million -- \$150 million in
18 capital and investment for the city's northern
19 corridor. This investment would increase local and
20 state tax revenues and promote recreation use -- uses
21 that are compatible socially, economically, and
22 environmentally in the surrounding area.

23 Casino Celebration's proposed location in
24 the city's northern corridor provides a level
25 investment -- a level of investment and job creation

1 not seen in this area in the city of St. Louis for
2 decades and will act as an important catalyst for an
3 economically-challenged area of our city. I think
4 you've seen some of the pictures there. And
5 particularly with the presentation that was made by
6 Susan Trautman from Great Rivers Greenway, the
7 opportunities to create environment as well, that's
8 going to be more inviting to people who would enjoy
9 the outdoors as well.

10 We are requesting that the 13th gaming
11 license stay in the City of St. Louis, not only
12 because the license was the first gaming license in
13 Missouri or because it is a reissuance of a license
14 surrendered by the President Casino, but because
15 granting the license to Casino Celebration at this
16 city location will benefit the State as well.

17 According to Casino Celebration's market
18 study, by far the most exhaustive of any study the
19 City has reviewed, the Casino Celebration is
20 projected to achieve the highest level of new tax
21 revenues from any state applicant. Approving the
22 license for Casino Celebration would achieve a gaming
23 license directive we believe of issuing the license
24 to the project that provides the greatest economic
25 benefit to the State of Missouri. I know that's what

1 you're concerned about.

2 I fully support, the City of St. Louis
3 fully supports the Casino Celebration project and
4 respectfully request that the Missouri Gaming
5 Commission award the sole remaining riverboat license
6 to Casino Celebration, LLC.

7 Thank you again for giving me the
8 opportunity to be here, and thank you for your
9 service to the State of Missouri.

10 CHAIRMAN MATHEWSON: Thank you, Mayor.
11 Any questions of the mayor? Good to see you again,
12 sir.

13 MAYOR SLAY: Thank you. Good to see you.

14 MR. SMITH: Thank you again. I want to
15 close with just going back to a couple of slides if I
16 could find them, and I will answer any questions you
17 might have.

18 As you probably have noticed from
19 listening to these all day as I have, there --
20 there's very -- there's some large similarities
21 between these projects. They represent -- you want
22 Rodney to come up here?

23 UNIDENTIFIED SPEAKER: Do you want me to
24 close?

25 MR. SMITH: We'll give Rodney a chance in

1 just a moment as well.

2 CHAIRMAN MATHEWSON: No, that's all
3 right. I'm sorry.

4 MR. SMITH: He wanted to talk to you,
5 Chairman, but we wouldn't let him.

6 CHAIRMAN MATHEWSON: He and I are just
7 having a little fun.

8 MR. SMITH: I know. I know that. No,
9 sir, appreciate that.

10 What I was going to say was that there
11 are similarities between these projects. They
12 represent relatively the same capital investment
13 within -- within relatively ten -- I think by \$10
14 million of one another. They -- they represent
15 relatively the same amount of construction jobs and
16 the same amount of operational jobs, not surprisingly
17 because they're relatively similar in size. But
18 there are some distinguishing differences I think are
19 very important for this Commission to consider about
20 this project.

21 And we've talked about -- about minority
22 involvement and true employment for minorities in
23 these project. And I want to point out something
24 very important because we know that a lot of these
25 jobs are entry level jobs, and these jobs are going

1 to come from the surrounding communities.

2 The community that we're dealing with in
3 the northeast corner of the city of St. Louis is 45
4 percent African American. The two communities that
5 we're dealing with in Sugar Creek and with the Isle
6 of Capri are over 80 percent Caucasian. And I think
7 it's worth noticing that those jobs that we're
8 talking about are going to be primarily derived from
9 the local population. And so the opportunity to have
10 a very substantial and significant employment,
11 minority employment base in the immediate vicinity of
12 these projects is not going to be a challenge for the
13 Casino Celebration project.

14 I think that again, in similar -- in
15 similar fashions, the projects offer an opportunity
16 to create a significant economic incentive for that
17 community. By that I mean Cape, Sugar Creek
18 certainly, that sort of investment and job creation
19 will be meaningful. But in this particular instance
20 it's the opportunity to have a historic significance
21 with the Chain of Rock Bridge and to make this very
22 significant impact in a not only economically
23 challenged community, but a minority community.

24 The second point I want to make is I
25 think the main reason that we're here talking today.

1 We went out and hired Dr. Kridel because Dr. Kridel
2 had established himself as an independent economist
3 for this sort of analysis in this state. And we
4 asked him to take the very study he had just done
5 several years ago and update it. We didn't give him
6 any instruction. We provided the retention
7 agreements that we have with Dr. Kridel because we
8 think that he represents an independent academic
9 source of information on this. He's not -- he's not
10 a normally paid consultant; he's a professor at UMSL.

11 And you'll notice there's something very
12 similar between his findings and what you heard
13 today. Actually when you look at Dr. Kridel's
14 report -- and Dan did his very best job of being an
15 economist today for you, but -- of course I know your
16 staff will analyze the report carefully.

17 What you're going to find is that
18 Dr. Kridel's projections of revenues for the other
19 two casinos are very much in line with what they told
20 you today. The distinction is that Dr. Kridel finds
21 the opportunity to grow our market at the cost of
22 Illinois is significantly greater than any of the
23 other two economic models that were presented to you.
24 And I might add neither of the other two consultants
25 really addressed this issue, because I don't think

1 they have the familiarity with this part of the
2 market that the Komans and Dr. Kridel have.

3 And what it presents is a \$20 million
4 difference in annual revenue to the State of
5 Missouri. And it's going to come at the cost of the
6 Alton Belle. And again, as the point was made
7 earlier, I thought very effectively, competition's
8 good. Competition drives a market. And the Alton
9 Belle needs the competition. Without competition
10 what has the Alton Belle done; nothing for some 18
11 years. And we're going to change that game plan.
12 We're going to make a significant difference in that
13 North County, north St. Louis marketplace, and it's
14 going to have quite an impact on that competitor to
15 the benefit of the State and to the best of this
16 Commission.

17 So we're here hoping that you agree that
18 this presents the best opportunity to the State on a
19 lot of different levels and really appreciate your
20 time and the opportunity to present to you today.
21 And we'd be happy to have any of our panel answer any
22 questions you might have.

23 And I'm sorry, I'm Greg Smith again,
24 spokesperson.

25 CHAIRMAN MATHEWSON: Thank you. Greg, I

1 want to -- I want to compliment, as you already have,
2 the Koman family as I did on the previous application
3 for putting your money up.

4 You know, I'm -- we're not seeing that
5 happen it seems like across the country, and as you
6 pointed out that you just built the biggest building
7 there was at that time, you know, comparing St. Louis
8 City downtown to Chicago or New York or wherever, and
9 I compliment you for doing that. That's -- that's
10 what it's about. And I thank you and your family for
11 your willingness to do that. I -- I really sincerely
12 mean that.

13 I mean, it's a -- another point that you
14 made that I'll just comment on, I had -- I had never
15 heard, and I've only been on this commission for
16 about 14 months now, but I had never heard that the
17 St. Louis market represents the seventh largest
18 casino market in America. I never thought about
19 that, you know. I knew it was significant, but I
20 didn't realize that it was that significant, you
21 know, to other places that I thought was bigger. And
22 yet population is there to be able to do that.

23 MR. SMITH: It continues to surprise the
24 analysts by outperforming consistently every
25 projection that you've seen with regard to capacity

1 of this marketplace, consistently year in, year out.
2 In the most challenging economic environment I've
3 ever been in in my professional lifetime, you've seen
4 this market continue to grow by two, two and a half
5 percent a year. Now, it's come slightly at some of
6 the competition, but again, that keeps everybody on
7 their toes, and it's certainly not going to harm them
8 to the point where there's going to be any kind of
9 impact on any of the existing Missouri casinos.

10 CHAIRMAN MATHEWSON: I'm going to ask you
11 one other thing that I asked the previous applicant.
12 Would you be interested in doing this if the \$500 cap
13 was still there?

14 MR. SMITH: You know, I'm really not in a
15 position to answer that. I suspect --

16 CHAIRMAN MATHEWSON: Mr. Koman is.

17 MR. SMITH: I can answer by telling you
18 though that we were one of the applicants in 2002, so
19 I think the answer pretty clear is -- remember, this
20 application has actually been before you twice
21 before.

22 CHAIRMAN MATHEWSON: But see, we weren't
23 here. See, there's the problem.

24 MR. SMITH: But -- I mean, I apologize.

25 CHAIRMAN MATHEWSON: No, that's --

1 MR. SMITH: If Bill wants to answer it,
2 that's fine, but I think the best demonstration of
3 that --

4 CHAIRMAN MATHEWSON: But it just kind of
5 fascinates me when I know the background behind all
6 of that and now it's gone, so it doesn't matter.

7 MR. KOMAN: Well, you know, I think that,
8 you know, pretty similar to the last applicant, it
9 levels the playing field. You know, when you have a
10 level playing field, you're able to compete head-to-
11 head, you know, as -- as direct as possible, so I
12 think that's probably the best thing.

13 CHAIRMAN MATHEWSON: And also, sir, I
14 think you'd agree, I mean, we were the only state
15 that had it.

16 MR. KOMAN: Yeah.

17 CHAIRMAN MATHEWSON: And that did put us
18 at a disadvantage I think from an investment
19 standpoint. And so, you know, again, that's behind
20 us now, people spoke and, so, you know. But I do
21 compliment you, sir, and your family on your
22 willingness to make an investment.

23 MR. KOMAN: Thank you.

24 CHAIRMAN MATHEWSON: Thank you very much.
25 Any other questions?

1 COMMISSIONER JONES: You know, I'd just
2 like to add to that, Mr. Chairman, because I'm
3 familiar with the development projects that the Koman
4 family has in St. Louis, and when they put their
5 money behind any project, it's always a successful
6 project. And I'd just like to commend you for doing
7 that. I mean, your projects are fantastic and you've
8 done a lot for the City of St. Louis and the
9 surrounding areas, so thank you, Mr. Koman.

10 MR. KOMAN: Thank you.

11 CHAIRMAN MATHEWSON: Any other comments
12 or questions? Anybody else?

13 Thank you, Mayor, good to see you again.

14 Rodney, good to see you. If I were you,
15 I'd just get up to the dais.

16 MR. SMITH: We have -- we have time left.

17 CHAIRMAN MATHEWSON: That's all right,
18 I'll let him go.

19 Mayor, does John Scott still work for the
20 City once in a while?

21 MAYOR SLAY: He does.

22 CHAIRMAN MATHEWSON: I've not seen him
23 anywhere lately. I just wondered if he was still out
24 there.

25 MAYOR SLAY: Quietly effective.

1 CHAIRMAN MATHEWSON: He just needs to
2 work a little bit.

3 MAYOR SLAY: He's there when we really
4 need him.

5 CHAIRMAN MATHEWSON: Yeah, okay. Well
6 said.

7 Thank you very much, thank you all. Be
8 safe going home.

9 Okay. We are still in -- in our meeting
10 having finished with the three applicants. This
11 morning -- I'm sorry, late yesterday afternoon we
12 found out that our fourth applicant chose -- I'm
13 sorry, excuse me just a minute.

14 (Off the record.)

15 COMMISSIONER MERRITT: Make a motion for
16 adjournment.

17 COMMISSIONER JONES: Second.

18 CHAIRMAN MATHEWSON: We have a motion and
19 a second for adjournment. Any discussion? Call the
20 roll, Ms. Angie.

21 MS. FRANKS: Chairman Mathewson.

22 CHAIRMAN MATHEWSON: Approve.

23 MS. FRANKS: Commissioner Shull.

24 COMMISSIONER SHULL: Approve.

25 MS. FRANKS: Commissioner Jones.

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COMMISSIONER JONES: Approve.
MS. FRANKS: Commissioner Hatches.
COMMISSIONER HATCHES: Approve.
MS. FRANKS: Commissioner Merritt.
COMMISSIONER MERRITT: Approve.
(Off the record at 2:30 p.m.)

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CERTIFICATE

I, Shelley L. Mayer, a Certified Court Reporter, CCR No. 679, the officer before whom the foregoing meeting was taken, do hereby certify that the testimony which appears in the foregoing hearing was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this meeting was taken, and further, that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Shelley L. Mayer, CCR