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STATE OF NEW JERSEY

CASINO CONTROL COMMISSION

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SPECIAL

PUBLIC MEETING NO. 12-03-26

- - - - -

Monday, March 26, 2012

Atlantic City Commission Offices

Joseph P. Lordi Public Meeting Room - First Floor

Tennessee Avenue and Boardwalk

Atlantic City, New Jersey 08401

10:10 a.m. to 2:38 p.m.

Certified Court Reporter: Darlene Sillitoe

- - - - -

GUY J. RENZI & ASSOCIATES

GOLDEN CREST CORPORATE CENTER

2277 STATE HIGHWAY # 33, SUITE 410

TRENTON, NEW JERSEY 08690

(609) 989-9199 - (800) 368-7652

1 B E F O R E :

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

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

9 OFFICE OF THE GENERAL COUNSEL:
10 DIANNA W. FAUNTLEROY, GENERAL COUNSEL/EXECUTIVE
11 SECRETARY
12 MARY WOZNIAK, ASSISTANT GENERAL COUNSEL
13 STEPHANIE OLIVO, SENIOR COUNSEL
14 VONNIE PRICE, SENIOR ACCOUNTING FINANCIAL ANALYST

15 DIVISION OF GAMING ENFORCEMENT:
16 DEPUTY ATTORNEYS GENERAL
17 JAMES C. FOGARTY, DEPUTY ATTORNEY GENERAL

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1 AGENDA			
2 SPECIAL PUBLIC MEETING NO. 12-03-26			
3 MARCH 26, 2012, 10:10 a.m.			
4	ITEM	PAGE	VOTE
5	1 Applications for casino key employee licenses and for qualifications:		
6	a) Robert J. Andersen	8	8
7	b) Neil A. Cantor	9	9
8	c) Israel Del Rio	9	10
9	d) Deborah J. DeMars	10	11
10	e) Kevin G. DeSanctis	11	11
11	f) Michael C. Garrity	11	12
12	g) Anthony S. Gonsalves	12	12
13	h) Mariann L. Gray	13	13
14	i) Alan J. Greenstein	13	14
15	j) Patrik J. Hellstrand	14	14
16	k) Mary H. Medina	15	15
17	l) Cyndnee L. Phoenix	15	16
18	m) Jeanette A. Sherman	16	17
19	n) Lyndon R. Stockton	17	17
20	o) Sidney S. Yu	18	18
21	2 Petitions of Revel Entertainment Group, LLC, (d/b/a Revel Casino) for the issuance of temporary casino key employee licenses pursuant to NJSA 5:12-89(e) (PRNs 0691201, 0691202, 0691203, 0761202, 0691201, et al):	18	19
22	a) Karen S. Ferus		
23	b) Francis A. Foti		
24	c) Joseph M. Colclaser, Jr.		
25	d) Aaron E. Harvey, III		
26	e) Blaise M. Richards		
27	f) Gene J. Doody		
28	3 Consideration of the qualification of John A. Krasznekewicz as an Outside Director of Revel AC, Inc., Member of the Compliance Committee and Chair of the Audit Committee	19	21
29	4 Consideration of the qualification of Thomas N. Auriemma as an Outside Director of Revel AC, Inc., Chair of the Compliance Committee and Member of the Audit Committee	22	26
30	5 Amended and restated petition of Revel Entertainment Group, LLC, and its holding companies, intermediary companies and subsidiaries for the casino licensure of Revel Entertainment Group, LLC, and for various rulings in connection therewith	27	145

(DGE PRN 0121202; and

1 CONTINUED AGENDA
SPECIAL PUBLIC MEETING NO. 12-03-26
2 MARCH 26, 2012, 10:10 a.m.
ITEM PAGE VOTE
3 5 Petition of Revel Entertainment Group, 27 145
4 LLC, regarding required casino floor space
5 and permission to increase the amount of
casino floor space pursuant to NJSA 5:12-83c
and NJAC 13:69c06.4(b) (DGE PRN 0381201)
Kevin G. DeSanctis, sworn 47
6 Michael C. Garrity, sworn 108

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(Exhibits retained by Commission.)

1 (Special Public Meeting 12-03-26 was
2 commenced at 10:30 a.m.)

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

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

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

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

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

24 Please stand for the Pledge of

ITEM NO. 1

1 (The flag salute was recited.)

2 CHAIR KASSEKERT: Good morning.

3 MR. NANCE: Good morning.

4 Item No. 1, application for casino key
5 employee licenses and for qualification. This
6 agenda item will be entered as Exhibit List 3.

7 Exhibit List 3 consists of the following
8 initial applications for casino key employee
9 licenses and for qualification for Revel
10 Entertainment Group, LLC.

11 Staff has recommended that these
12 applications be granted.

13 Robert J. Andersen, Executive Vice
14 President of Development.

15 VICE CHAIR HARRINGTON: I move that we
16 grant this key license and qualification.

17 COMMISSIONER FANELLE: Second.

18 CHAIR KASSEKERT: Motion has been made
19 and seconded. This is a roll call vote.

20 MR. NANCE: Commissioner Fanelle?

21 COMMISSIONER FANELLE: Yes.

22 MR. NANCE: Vice Chair Harrington?

23 VICE CHAIR HARRINGTON: Yes.

24 MR. NANCE: Chair Kassekert?

ITEM NO. 1

1 MR. NANCE: The record will reflect that
2 the motion is unanimous.

3 Neil A. Cantor, Vice President of Brand
4 Programming and Development.

5 VICE CHAIR HARRINGTON: I'll move that
6 we grant this key license and qualification.

7 COMMISSIONER FANELLE: Second.

8 CHAIR KASSEKERT: The motion has been
9 made and seconded. This is a roll call vote.

10 MR. NANCE: Commissioner Fanelle?

11 COMMISSIONER FANELLE: Yes.

12 MR. NANCE: Vice Chair Harrington?

13 VICE CHAIR HARRINGTON: Yes.

14 MR. NANCE: Chair Kassekert?

15 CHAIR KASSEKERT: Yes.

16 MR. NANCE: The record will reflect that
17 the motion is unanimous.

18 Deborah J. DeMars, Senior Vice President
19 of Human Resource.

20 MS. FAUNTLEROY: You skipped. You
21 skipped one.

22 CHAIR KASSEKERT: We need to do --

23 MS. FAUNTLEROY: Israel Del Rio.

24 MR. NANCE: I'm sorry. Yes.

ITEM NO. 1

1 and Chief Information Officer.

2 VICE CHAIR HARRINGTON: I would move
3 that we grant this key license and
4 qualification.

5 COMMISSIONER FANELLE: Second.

6 CHAIR KASSEKERT: Motion has been made
7 and seconded. This is a roll call vote.

8 MR. NANCE: Commissioner Fanelle?

9 COMMISSIONER FANELLE: Yes.

10 MR. NANCE: Vice Chair Harrington?

11 VICE CHAIR HARRINGTON: Yes.

12 MR. NANCE: Chair Kassekert?

13 CHAIR KASSEKERT: Yes.

14 MR. NANCE: The record will reflect that
15 the motion is unanimous.

16 Deborah J. DeMars, Senior Vice President
17 of Human Resource.

18 COMMISSIONER FANELLE: I'll move that we
19 grant the key license and qualification.

20 VICE CHAIR HARRINGTON: Second.

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

23 MR. NANCE: Commissioner Fanelle?

24 COMMISSIONER FANELLE: Yes.

MR. NANCE: Vice Chair Harrington?

ITEM NO. 1

1 VICE CHAIR HARRINGTON: Yes.

2 MR. NANCE: Chair Kassekert?

3 CHAIR KASSEKERT: Yes.

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

6 Kevin G. DeSanctis, Chief Executive
7 Officer, President, and Equity Holder of Revel
8 Entertainment Group, LLC.

9 COMMISSIONER FANELLE: I'll move that we
10 grant this key license and qualification.

11 VICE CHAIR HARRINGTON: Second.

12 CHAIR KASSEKERT: Motion is made and
13 seconded. This is a roll call vote.

14 MR. NANCE: Commissioner Fanelle?

15 COMMISSIONER FANELLE: Yes.

16 MR. NANCE: Vice Chair Harrington?

17 VICE CHAIR HARRINGTON: Yes.

18 MR. NANCE: Chair Kassekert?

19 CHAIR KASSEKERT: Yes.

20 MR. NANCE: The record will reflect that
21 the motion is unanimous.

22 Michael C. Garrity, Chief Investment
23 Officer and Equity Holder of Revel
24 Entertainment Group, LLC.

VICE CHAIR HARRINGTON: I'll move that

ITEM NO. 1

1 we grant key license and qualification and
2 grant the petitioner's request to waive the
3 residency requirement as provided for in NJSA
4 5:12-89b-4.

5 COMMISSIONER FANELLE: Second.

6 CHAIR KASSEKERT: The motion has been
7 made and seconded. This is a roll call vote.

8 MR. NANCE: Commissioner Fanelle?

9 COMMISSIONER FANELLE: Yes.

10 MR. NANCE: Vice Chair Harrington?

11 VICE CHAIR HARRINGTON: Yes.

12 MR. NANCE: Chair Kassekert?

13 CHAIR KASSEKERT: Yes.

14 MR. NANCE: The record will reflect that
15 the information is unanimous.

16 Anthony S. Gonsalves, Vice President of
17 Marketing.

18 COMMISSIONER FANELLE: I'll move that we
19 grant key license and qualification.

20 VICE CHAIR HARRINGTON: Second.

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

23 MR. NANCE: Commissioner Fanelle?

24 COMMISSIONER FANELLE: Yes.

MR. NANCE: Vice Chair Harrington?

ITEM NO. 1

1 VICE CHAIR HARRINGTON: Yes.

2 MR. NANCE: Chair Kassekert?

3 CHAIR KASSEKERT: Yes.

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

6 Mariann L. Gray, Senior Vice President
7 of Internal Operations.

8 VICE CHAIR HARRINGTON: I'll move that
9 we grant key license and qualification.

10 COMMISSIONER FANELLE: Second.

11 CHAIR KASSEKERT: Motion is made and
12 seconded. This a roll call vote.

13 MR. NANCE: Commissioner Fanelle?

14 COMMISSIONER FANELLE: Yes.

15 MR. NANCE: Vice Chair Harrington?

16 VICE CHAIR HARRINGTON: Yes.

17 MR. NANCE: Chair Kassekert?

18 CHAIR KASSEKERT: Yes.

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

21 Alan J. Greenstein, Chief Financial
22 Officer, Treasurer, and Secretary.

23 VICE CHAIR FANELLE: I'll grant that
24 we -- move that we grant the key license and

ITEM NO. 1

1 VICE CHAIR HARRINGTON: Second.

2 CHAIR KASSEKERT: Motion is made and

3 seconded. This is a roll call vote.

4 MR. NANCE: Commissioner Fanelle?

5 COMMISSIONER FANELLE: Yes.

6 MR. NANCE: Vice Chair Harrington?

7 VICE CHAIR HARRINGTON: Yes.

8 MR. NANCE: Chair Kassekert?

9 CHAIR KASSEKERT: Yes.

10 MR. NANCE: The record will reflect that

11 the motion is unanimous.

12 Patrik J. Hellstrand, Vice President of

13 Hotel Operations.

14 VICE CHAIR HARRINGTON: I'll move that

15 we grant the key license and qualification.

16 COMMISSIONER FANELLE: Second.

17 CHAIR KASSEKERT: Motion is made and

18 seconded. This is a roll call vote.

19 MR. NANCE: Commissioner Fanelle?

20 COMMISSIONER FANELLE: Yes.

21 MR. NANCE: Vice Chair Harrington?

22 VICE CHAIR HARRINGTON: Yes.

23 MR. NANCE: Chair Kassekert?

24 CHAIR KASSEKERT: Yes.

MR. NANCE: The record will reflect that

ITEM NO. 1

1 the motion is unanimous.

2 Mary H. Medina, Senior Vice President
3 and General Counsel.

4 VICE CHAIR HARRINGTON: I'll move that
5 we grant the key license and qualification.

6 COMMISSIONER FANELLE: Second.

7 CHAIR KASSEKERT: Motion has been made
8 and seconded. This is a roll call vote.

9 MR. NANCE: Commissioner Fanelle?

10 COMMISSIONER FANELLE: Yes.

11 MR. NANCE: Vice Chair Harrington?

12 VICE CHAIR HARRINGTON: Yes.

13 MR. NANCE: Chair Kassekert?

14 CHAIR KASSEKERT: Yes.

15 MR. NANCE: The record will reflect that
16 the motion is unanimous.

17 Cyndnee L. Phoenix, Vice President,
18 Equal Employment Opportunity and Community
19 Outreach.

20 COMMISSIONER FANELLE: I'll move that we
21 approve the stipulation of settlement between
22 the Division and the qualifier and grant key
23 license and qualification subject to the
24 compliance with the conditions contained in the

ITEM NO. 1

1 VICE CHAIR HARRINGTON: I will second
2 the motion.

3 CHAIR KASSEKERT: Mr. Fogarty, did you
4 have anything you want to do add, or you were
5 just open for questions.

6 MR. FOGARTY: The motion captured what I
7 was going to add. Thank you.

8 CHAIR KASSEKERT: Okay. Very good.

9 A motion is made and seconded. This is
10 a roll call vote.

11 MR. NANCE: Commissioner Fanelle?

12 COMMISSIONER FANELLE: Yes.

13 MR. NANCE: Vice Chair Harrington?

14 VICE CHAIR HARRINGTON: Yes.

15 MR. NANCE: Chair Kassekert?

16 CHAIR KASSEKERT: Yes.

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

19 Jeanette A. Sherman, Vice President of
20 Food and Beverage.

21 VICE CHAIR HARRINGTON: I'll move that
22 we approve the stipulation of settlement
23 between the Division and the qualifier and
24 grant key license and qualification subject to

ITEM NO. 1

1 stipulation.

2 COMMISSIONER FANELLE: Second.

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

5 MR. NANCE: Commissioner Fanelle?

6 COMMISSIONER FANELLE: Yes.

7 MR. NANCE: Vice Chair Harrington?

8 VICE CHAIR HARRINGTON: Yes.

9 MR. NANCE: Chair Kassekert?

10 CHAIR KASSEKERT: Yes.

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

13 Lyndon R. Stockton, Senior Vice
14 President of Relationship Marketing.

15 COMMISSIONER FANELLE: I'll move that we
16 approve the stipulation of settlement between
17 the Division and qualifier and grant key
18 licensure and qualification subject to
19 compliance with the conditions contained in the
20 stipulation.

21 VICE CHAIR HARRINGTON: I'll second the
22 motion.

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

MR. NANCE: Commissioner Fanelle?

ITEM NO. 2

1 COMMISSIONER FANELLE: Yes.

2 MR. NANCE: Vice Chair Harrington?

3 VICE CHAIR HARRINGTON: Yes.

4 MR. NANCE: Chair Kassekert?

5 CHAIR KASSEKERT: Yes.

6 MR. NANCE: The record will reflect that

7 the motion is unanimous.

8 Sidney S. Yu, Senior Vice President

9 Brand and Revenue.

10 VICE CHAIR HARRINGTON: I'll move that

11 we grant key license and qualification.

12 COMMISSIONER FANELLE: Second.

13 CHAIR KASSEKERT: Motion is made and

14 seconded. This a roll call vote.

15 MR. NANCE: Commissioner Fanelle?

16 COMMISSIONER FANELLE: Yes.

17 MR. NANCE: Vice Chair Harrington?

18 VICE CHAIR HARRINGTON: Yes.

19 MR. NANCE: Chair Kassekert?

20 CHAIR KASSEKERT: Yes.

21 MR. NANCE: The record will reflect that

22 the motion is unanimous.

23 Item No. 2, petitions of Revel

24 Entertainment Group, LLC, is requesting the

ITEM NO. 3

1 licenses for the following individuals pursuant
2 to NJSA 5:12-89(e) for: Karen S. Ferus,
3 Francis A. Foti, Joseph M. Colclaser, Jr.,
4 Aaron E. Harvey, III, Blaise M. Richards, and
5 Gene J. Doody.

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

8 COMMISSIONER FANELLE: I move we approve
9 the petitions and issue the temporary key
10 casino licenses -- employee licenses and permit
11 them to assume the duties of their respective
12 positions for Revel Entertainment Group, LLC,
13 an applicant for a casino license, pursuant to
14 NJSA 5:12-89(e).

15 VICE CHAIR HARRINGTON: I will second
16 that motion.

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

19 (Ayes.)

20 CHAIR KASSEKERT: Opposed?

21 (No response.)

22 CHAIR KASSEKERT: The motion carries.

23 MR. NANCE: Item No. 3, consideration of
24 the qualification of John A. Krasznekewicz as

ITEM NO. 3

1 Member of the Compliance Committee and Chair of
2 the Audit Committee.

3 Miss Olivo?

4 MS. OLIVO: Thank you. Good morning,
5 Madame Chair and Commissioners.

6 CHAIR KASSEKERT: Good morning.

7 COMMISSIONER FANELLE: Good morning.

8 MS. OLIVO: I have circulated a draft
9 resolution for this matter.

10 CHAIR KASSEKERT: Thank you.

11 Mr. Levenson, anything to add?

12 MR. LEVENSON: No.

13 CHAIR KASSEKERT: Mr. Fogarty?

14 MR. FOGARTY: Yes. This is with regard
15 to John K. By the way, I met the man out
16 front. He said it's okay for me to call him
17 "John K."

18 (Laughter.)

19 CHAIR KASSEKERT: Okay.

20 MR. FOGARTY: I mean no disrespect. I
21 just can't pronounce his last name.

22 We have filed a letter with you dated
23 February 28th, 2012, recommending that John K.
24 be approved, be qualified, to serve as a

director -- an outside director -- of Revel and

ITEM NO. 3

1 a member of its compliance committee and chair
2 of its audit committee.

3 I've seen a copy of the draft resolution
4 and have no objection to its entry.

5 CHAIR KASSEKERT: Thank you.

6 Any questions?

7 COMMISSIONER FANELLE: No.

8 VICE CHAIR HARRINGTON: No questions.

9 I will move that we adopt the draft
10 resolution and find John A. Krasznekewicz
11 qualified to serve as an Outside Director of
12 Revel AC, Inc., Member of the Compliance
13 Committee, and Chair of the Audit Committee in
14 accordance with NJSA 5:12-85.1c and d, NJSA
15 5:12-89b(1) and (2), and NJAC 13:69C-2.7.

16 COMMISSIONER FANELLE: Second.

17 CHAIR KASSEKERT: Motion has been made
18 and seconded. This is a roll call vote.

19 MR. NANCE: Commissioner Fanelle?

20 COMMISSIONER FANELLE: Yes.

21 MR. NANCE: Vice Chair Harrington?

22 VICE CHAIR HARRINGTON: Yes.

23 MR. NANCE: Chair Kassekert?

24 CHAIR KASSEKERT: Yes.

MR. NANCE: The record will reflect that

ITEM NO. 4

1 the motion is unanimous.

2 MR. FOGARTY: Chair, may I be heard?

3 CHAIR KASSEKERT: Sure.

4 MR. FOGARTY: I wasn't paying attention
5 but people behind me were, which is their job
6 to pay attention. Did we miss in number one
7 Mr. Stockton?

8 MR. NANCE: No.

9 CHAIR KASSEKERT: No.

10 MR. FOGARTY: Then they weren't paying
11 attention very well.

12 (Laughter.)

13 FROM THE FLOOR: Don't say "they."

14 MR. FOGARTY: I apologize, Chair.

15 CHAIR KASSEKERT: No. I check them as I
16 go through so.

17 MR. FOGARTY: Okay.

18 MR. NANCE: Item No. 4, consideration of
19 the qualification of Thomas N. Auriemma, as an
20 Outside Director of Revel AC, Inc.

21 MS. OLIVO: A draft --

22 MR. NANCE: Miss Olivo?

23 MS. OLIVO: Thank you. A draft
24 resolution for this matter has also been

circulated to the parties.

ITEM NO. 4

1 CHAIR KASSEKERT: Mr. Levenson, anything
2 to add?

3 MR. LEVENSON: No. No, ma'am.

4 CHAIR KASSEKERT: Mr. Fogarty, I'm
5 assuming you know how to say this last name.

6 MR. FOGARTY: I do.

7 (Laughter.)

8 MR. FOGARTY: But I do have to say
9 something important first.

10 CHAIR KASSEKERT: Yes.

11 MR. FOGARTY: I'm only here as an
12 ministerial agent. I had nothing to do with
13 Mr. Auriemma's investigation. Seriously. I
14 was recused, as well as other people in our
15 shop, for the obvious reason that Mr. Auriemma
16 used to be our director.

17 CHAIR KASSEKERT: Uh-huh.

18 MR. FOGARTY: And he used to -- well, I
19 think he still is my friend.

20 (Laughter.)

21 MR. FOGARTY: I've been dying --
22 personally -- I've been -- although I had
23 nothing to do with this.

24 (Laughter.)

MR. FOGARTY: I've been dying to look at

ITEM NO. 4

1 his PHD.

2 (Laughter.)

3 MR. FOGARTY: Just to see, you know?
4 Just to know generally what your friend -- how
5 he's doing in life. But I've resisted to date.
6 I don't know if I'll be able to resist down the
7 road, but at least to date I've resisted.

8 CHAIR KASSEKERT: Very good, Mr.
9 Fogarty. I'm glad you're holding yourself to
10 those high standards.

11 (Laughter.)

12 MR. FOGARTY: Instead, DGE Tracy
13 Richardson was more than obliging to step in
14 and head this thing up, and she authored a
15 letter to you dated February 1, 2012, and
16 recommended that Mr. Auriemma be qualified to
17 serve as a member of the board of Revel. It's
18 actually Revel AC, Inc., Chair of its
19 Compliance Committee, and a member of the Audit
20 Committee.

21 She's reviewed that resolution and has
22 no objection to its entry.

23 Just as an aside, if you'll indulge me
24 for a second.

ITEM NO. 4

1 MR. FOGARTY: Remember way back when, it
2 seems a long time ago, the Division wrote
3 compliance regs. Well, Tom was a director, and
4 I was the guy who was to do it. And as bosses
5 are, it was like, is it done yet? Is it done
6 yet? Is it done yet? So we finally get it
7 done, and for some reason it doesn't get into
8 the regs. And here we are ten, nine whatever
9 the number of years later, there's a reg
10 finally in place and Mr. Auriemma is now the
11 Chair of Revel's compliance system. I guess
12 we've come full circle.

13 CHAIR KASSEKERT: Yes. We have indeed.

14 Mr. Auriemma, it's good to see you.

15 MR. AURIEMMA: It's good to see you.

16 CHAIR KASSEKERT: Any questions.

17 COMMISSIONER FANELLE: Madame Chair,
18 I'll move we adopt the draft resolution and
19 find Thomas N. Auriemma qualified to serve as
20 an Outside Director of Revel AC, Inc., Chair of
21 the Compliance Committee and Member of the
22 Audit Committee in accordance with NJSA
23 5:12-85.1c and d, NJSA 5:12-89b(1) and (2) and
24 NJAC 13:69C-2.7.

VICE CHAIR HARRINGTON: I'll second that

ITEM NO. 4

1 motion.

2 CHAIR KASSEKERT: Motion is made and
3 seconded. This is a roll call vote.

4 MR. NANCE: Commissioner Fanelle?

5 COMMISSIONER FANELLE: Yes.

6 MR. NANCE: Vice Chair Harrington?

7 VICE CHAIR HARRINGTON: Yes.

8 MR. NANCE: Chair Kassekert?

9 CHAIR KASSEKERT: Yes.

10 MR. NANCE: The record will reflect that
11 the motion is unanimous.

12 CHAIR KASSEKERT: I think we need a
13 couple minutes for the video.

14 MR. NANCE: Yes.

15 CHAIR KASSEKERT: The technology
16 equipment.

17 MR. NANCE: Yes.

18 MR. LEVENSON: We're not ready for that,
19 yet.

20 CHAIR KASSEKERT: You're not ready for
21 that yet.

22 MR. LEVENSON: No.

23 CHAIR KASSEKERT: Okay. So we're going
24 to -- we'll start Item 5 -- we'll have Daryl

25

call Item 5 then. Okay. Very good.

ITEM NO. 5

1 You didn't tell me, Lloyd, what your
2 schedule was.

3 MR. NANCE: Item No. 5, amended and
4 restated position of Revel Entertainment Group,
5 LLC, and its holding companies, intermediary
6 companies, and subsidiaries for the casino
7 licensure of Revel Entertainment Group, LLC,
8 and for various rulings in connection therein
9 and petition of Revel Entertainment Group, LLC,
10 regarding required casino floor space and
11 permission to increase the amount of casino
12 floor space pursuant to NJSA 5:12-83c and NJAC
13 13:69c6.4(b).

14 Miss Wozniak?

15 MS. WOZNIAK: Good morning, Chair
16 Kassekert and Commissioners.

17 I would ask that counsel enter their
18 appearances, please.

19 MR. LEVENSON: Yes. Lloyd Levenson,
20 Cooper Levenson, on behalf of Revel
21 Entertainment Group.

22 MS. KAUFMAN: Lynne Kaufman, Cooper
23 Levenson, on behalf of Revel Entertainment
24 Group.

MR. FOGARTY: And James Fogarty, Deputy

ITEM NO. 5

1 Attorney General, for the Division of Gaming
2 Enforcement.

3 CHAIR KASSEKERT: Good morning.

4 MR. FOGARTY: Good morning.

5 CHAIR KASSEKERT: Before us today is the
6 application of Revel Entertainment Group, LLC,
7 for the issuance of a casino license along with
8 various related rulings. The Casino Control
9 Act provides that Revel must establish by a
10 clear and convincing evidence its good character,
11 honesty, and integrity, financial stability,
12 integrity, and responsibility, and business
13 ability and casino experience. Revel must also
14 establish that its casino and related
15 facilities are suitable and located so that
16 casino operations will not be adversely
17 affected.

18 In order to evaluate the licensing
19 criteria, the Commission will hear -- will this
20 morning hear testimony from Revel and the
21 arguments of counsel.

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

MR. NANCE: Chair, Commissioners, the

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1 premarked exhibits are as follows: Casino
2 Control Commission has one exhibit, C-1 for
3 identification only. C-1 is a draft
4 resolution.

5 The Division of Gaming Enforcement has
6 one exhibit, D-1. D-1 is a report dated March
7 19, 2012, on the amended and -- on the amended
8 and restated petition of Revel Entertainment
9 Group, LLC, et al., for casino licensure and
10 various rulings in connection thereof by Deputy
11 Attorney General James C. Fogarty.

12 CHAIR KASSEKERT: Thank you.

13 Mr. Levenson? Or Ms. Kaufman, is there
14 a request to redact any of this information?

15 MS. KAUFMAN: Yes, Madame Chair. There
16 is a request dated March 22nd to redact certain
17 information in the report.

18 CHAIR KASSEKERT: Thank you.

19 Mr. Fogarty, any objection to that the
20 redaction?

21 MR. FOGARTY: No. We've seen -- we were
22 provided a copy of the redaction request, and I
23 believe we signaled to your counsel and Cooper
24 Levenson that we have no objection to the

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1 And I would move our, if this is the
2 appropriate time, I would move a copy of D-1 or
3 move D-1 into evidence before the Commission.

4 CHAIR KASSEKERT: Thank you.

5 I think I have to do that, but that's
6 okay.

7 (Laughter.)

8 MR. FOGARTY: Okay.

9 CHAIR KASSEKERT: Accordingly, I will
10 move it into evidence.

11 MR. FOGARTY: I always forget it, and I
12 wanted to make sure.

13 CHAIR KASSEKERT: That's right.

14 Absolutely.

15 Are there any other procedure matters
16 that need to be brought to our attention at
17 this time?

18 MR. LEVENSON: No.

19 CHAIR KASSEKERT: No? Okay.

20 We will move to opening statements.

21 MR. LEVENSON: Before any opening
22 statement, Madame Chair, Commissioners, you
23 have approved many of these individuals for
24 suitability today, and I thought it would be

appropriate that you put a face to the name of

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1 all of them, even though you know some of them
2 from previous engagements in the casino
3 industry in Atlantic City. So I'm going to
4 stand over here so you can see them.

5 I'll do it in alphabetical order, the
6 same as you called their names. The first is
7 Bob Andersen. Bob is the Executive Vice
8 President of Development.

9 Next is Tom Auriemma, who you obviously
10 know.

11 Israel Del Rio.

12 MR. DEL RIO: Hi.

13 MR. LEVENSON: Who is head of
14 Information and Technology.

15 Debbie DeMars.

16 MS. DE MARS: Good morning.

17 MR. LEVENSON: Senior Vice President of
18 Human Resources.

19 Kevin DeSanctis, CEO and Chairman.

20 Michael Garrity, Chief Investment
21 Officer.

22 Mariann Gray.

23 MS. GRAY: Hello.

24 MR. LEVENSON: Who is a Senior Vice

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1 Alan Greenstein.

2 MR. GREENSTEIN: Good morning,

3 everybody.

4 MR. LEVENSON: Senior Vice President,

5 CFO.

6 Wait until you hear this. John

7 Krasznekewicz.

8 (Laughter.)

9 MR. KRASZNEKEWICZ: Good morning.

10 MR. LEVENSON: Who is a Director,

11 Outside Director.

12 Mary Helen Medina, Senior Vice

13 President, General Counsel.

14 Cyndnee Phoenix, who is Vice President,

15 Equal Employment Opportunity and Community

16 Outreach.

17 Lyndon Stockton, who is the Head of

18 Relationships. Senior Vice President of

19 Relationships Marketing.

20 And there are two other individuals I'd

21 like to introduce to you, even though they were

22 not pointed out so far, and one of those is

23 Chan Suh, who is a Director designate. He's

24 filling out his forms and presume that he'll be

on the record at some point in the near future.

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1 And Maureen Siman, who is our Executive
2 Director of Public Relations.

3 That's the Revel team that is here.

4 CHAIR KASSEKERT: Thank you.

5 Good morning, everyone.

6 MR. LEVENSON: This day has been a long
7 time in coming. Actually, Lynne and I were
8 working on this project even before Kevin
9 DeSanctis came on board when we were
10 representing Morgan Stanley when they located a
11 piece of land in Atlantic City that they
12 thought would be appropriate for a mega casino
13 project.

14 A lot of things have happened since
15 April of '06, which is the date that Morgan
16 Stanley actually purchased the property. So
17 we're here approximately six months [sic]
18 later. And all of this could not have been
19 done without amazing cooperation of so many
20 different people and organizations. And I
21 would like to take just a few minutes to
22 mention some of those people and some of those
23 organizations that got us to where we are
24 today. You know, it didn't matter in this

project whether you were a republican, whether

We had so many state agencies, you know,

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1 it's -- I could do the acronyms, but it
2 wouldn't be fair because they deserve to have
3 their entire names read out. So the Casino
4 Reinvestment Development Authority, the South
5 Jersey Transportation Authority, the Department
6 of Environmental Protection, Department of
7 Transportation, Department of Community
8 Affairs, the Economic Development Authority,
9 Board of Public Utilities. Belief it or not,
10 every one of those agencies participated in
11 getting us to where we are today.

12 Atlantic City: Mayor Langford, the City
13 Council through its president, William Speedy
14 Marsh. The Planning and Development Committee
15 of the City Council, its Chair, Frank Gilliam.
16 And the various City Councilmen: Mancuso,
17 Delgato, Small, Moore, Malik. Actually, Former
18 Councilpersons Ward, Mason, and Schultz, all
19 had a hand in assisting this project to get to
20 where it is today.

21 The various city departments, the Health
22 Department, Neighboring Services, Revenue and
23 Finance, Planning Department, Public Works,
24 Legal Department. The Police Department of

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1 City. The Atlantic City Housing Authority,
2 which if they didn't sell us the portion of the
3 land that they sold us, there wouldn't be a
4 parking garage of the magnitude that there is
5 today at Revel.

6 County Executive Dennis Levinson. Our
7 freeholders under the leadership of Frank
8 Formica. The New Jersey State Police.

9 The various building trades. We have
10 the Masons Local 5. Carpenters Local 623.
11 Cement Masons Local 5 -- excuse me -- 392.
12 Elevator Construction Local 5. Glaziers Local
13 252. IBEW Local 351. Iron Workers Local 350.
14 Painters, District Council 711. Plasterers and
15 Cement Masons Local 2. Plumbers and Fitters
16 Local 332. Roofers and Waterproofers Local 30.
17 Sheetmetal Workers Local 27. Sheetmetal
18 Workers Local 1NS. Sprinkler Fitters Local
19 669. Tapers Local 1976. Laborers Local 172.
20 Laborers Local 415. Operating Engineers Local
21 825. Teamsters Local 331. Tile Marble and
22 Terrazzo Local 7. OP Local 8. And
23 particularly, Will Pauls, the President of the
24 Southern Jersey Building and Construction Trade

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1 And then we get into more locally here,
2 the Division of Gaming Enforcement. For many,
3 many years, some of these people have worked
4 alongside of us. Some are newer to the
5 project, but particularly under the leadership
6 of its relatively new director David Rebeck,
7 who has been accessible nights and weekends in
8 addition to during the week to help this
9 project get to where it is today. Deputy
10 Directors George Rover and Mary Jo Flaherty.
11 My good friend, Jim Fogarty. I hope you
12 still --

13 (Laughter.)

14 MR. LEVENSON: Just trying to soften him
15 up for the rest of the day.

16 CHAIR KASSEKERT: Uh-huh.

17 MR. LEVENSON: We have -- and in no
18 particular order, so I apologize just so all
19 the people that we had worked with, Chris
20 Glaum, Bob Latimer, Lane Stebbins, Rich Handzo,
21 Eric Weiss, Mike Ianacone, Don Errea, Ted
22 Hansen, Mary Beth Butler, Chuck Kimmel, and
23 Michael Clay. If I missed anybody, I
24 apologize. Tracy, also. But thank you all for

being part of getting us to where we are today.

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1 From the Casino Control Commission,
2 obviously, in addition to the three of you up
3 there, Dianna Fauntleroy, Mary Wozniak, Jack
4 Plunket, Vonnie Price. I'd also like to thank
5 our Lieutenant Governor, Kim Guadagno, for her
6 involvement in the project.

7 And I saved the last thank you for the
8 remarkable assistance and help and devotion and
9 loyalty, not only to this project but to
10 Atlantic City, shown by our Governor, Chris
11 Christie. You know, I really don't believe
12 that Atlantic City would be as strong as it is
13 today and it's going to be tomorrow without
14 Chris Christie taking such a genuine and
15 helpful interest in this town. And we at Revel
16 applaud our governor for that and appreciate
17 everything he's done.

18 Whew. Okay.

19 Did I miss anybody? And my wife. No.

20 (Laughter.)

21 MR. LEVENSON: You know what it's like?
22 I'll tell you one little story. You know what
23 it's like -- many of you know that my wife's
24 name is Liane. And Kevin's right-hand woman in

25

the office is Liane. So I spend 12 hours of

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1 the day with his Liane and the other 12 hours
2 of the day with the other Liane. So it's
3 really good because you can't make a mistake.

4 (Laughter.)

5 MR. LEVENSON: Or if you make a mistake,
6 they'll never know.

7 (Laughter.)

8 MR. LEVENSON: Anyway. We got that.
9 Anyway. I don't have any really prepared
10 remarks other than --

11 (Laughter.)

12 CHAIR KASSEKERT: I can't imagine that,
13 Mr. Levenson.

14 MR. LEVENSON: No. I mean seriously.
15 Well, the last time we were up here -- or the
16 last time anybody was up here for a brand-new
17 casino license was almost ten years ago, about
18 nine-plus years ago, and Lynne and I were up
19 for Borgata. So I was dark-haired and the
20 like. In fact, Kevin DeSanctis was dark-haired
21 in 2006.

22 (Laughter.)

23 MR. LEVENSON: But a lot has happened
24 since then. And I'd like to go right now if we

25

could --

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1 MS. KAUFMAN: No. Let's do the few
2 procedural matters before --

3 MR. LEVENSON: The procedural matters.
4 Okay. We'll do the procedural matters, and
5 then we'll have some fun.

6 CHAIR KASSEKERT: And I want to give Mr.
7 Fogarty an opportunity to make an opening
8 statement.

9 MR. LEVENSON: Oh, I'm sorry.

10 CHAIR KASSEKERT: Go ahead.

11 MR. LEVENSON: I didn't know you were
12 still here.

13 (Laughter.)

14 CHAIR KASSEKERT: But you have
15 procedural matters first, Miss Kaufman?

16 MS. KAUFMAN: Well, I just want to add
17 to what Mr. Levenson said. First of all, it is
18 a mistake when he calls me Liane.

19 MR. LEVENSON: Whoa. Wait a minute.

20 (Laughter.)

21 CHAIR KASSEKERT: You have to change
22 your name, Lynne.

23 MS. KAUFMAN: It's okay.

24 Just to talk about some of the more

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1 has submitted numerous applications and
2 petitions in connection with its application
3 for casino licensure. In addition to all the
4 personal applications there have been a
5 numerous applications for either licensure or
6 qualification for various business entities.

7 Also, Revel has filed numerous petitions
8 and has received orders from the Director of
9 the Division of Gaming Enforcement with respect
10 to a broad variety of topics. I'll just name a
11 few: Our compliance plan, our compliance
12 committee our audit charter and our audit
13 committee, including a three-person audit
14 committee with a temporary vacancy, the tie
15 breaker by the Chair. Exemptions for banks, a
16 ruling of no qualification or waiver necessary
17 for an our debt holders as long as certain
18 enumerated conditions are met. Orders
19 regarding our CHAB license. Orders -- an order
20 regarding our equal employment and business
21 opportunity plan. And we currently have, I
22 think it's still pending, a certificate of
23 operation petition.

24 So thank you.

CHAIR KASSEKERT: Thank you.

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1 Mr. Fogarty?

2 MR. FOGARTY: So I go on before the
3 video?

4 CHAIR KASSEKERT: I think so. But I
5 think that's probably --

6 MR. FOGARTY: That's probably a good
7 idea.

8 CHAIR KASSEKERT: -- evidence.

9 MR. FOGARTY: I will be brief. Miss
10 Kaufman just stole some of my thunder. But
11 that's okay. I'll plow forward anyway.

12 Chair, Commissioners, Ms. Kaufman, Mr.
13 Levenson, Mr. DeSanctis, we've submitted -- the
14 Division has submitted an extensive and
15 complete report in this matter which you have.
16 We believe it contains all -- if we can be that
17 presumptuous -- all that you need to consider
18 to decide if the casino license should be
19 granted today to Revel. It provides some
20 background, including the role of Morgan
21 Stanley and the Economic Redevelopment Growth
22 grant. Our report sets forth the financing
23 that Revel obtained last February 2011.

24 Our report identifies the entities that

are required under the Act to be qualified and

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1 also addresses some 21 individuals that are
2 required to be qualified, some of which we've
3 already addressed earlier today in other items
4 on the agenda.

5 Our report identifies some entities and
6 some persons who are not required to be
7 qualified under the Act, including most notably
8 the first lien debt holders, that is to say
9 those holders under that part of the financing
10 that Revel obtained that gives them a nominal
11 or the amount of \$850,000 -- \$850 million in a
12 term loan, and also it addresses those persons,
13 those entities that hold the second lien notes
14 and the accompanying warrants with those notes
15 that at the time of the issuing of that portion
16 of the financing was approximately \$304
17 million.

18 Our report also addresses Revel's
19 compliance system, as Miss Kaufman has
20 indicated, audit committee, the amount of
21 casino square footage, CHAB licensure, and
22 EEBOP licensure. Certificate of operation, our
23 report indicates that we hope to have to you
24 today a -- a certificate of operation. That

25

most likely will occur tomorrow or Wednesday,

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1 but in any event, before the play dates that
2 are scheduled to begin, I believe on the 28th,
3 which is Wednesday. As you can well imagine,
4 there are a zillion items encompassed under the
5 certificate of operation, and we will make that
6 available to you tomorrow or before the play
7 dates start.

8 Our report also addresses, of course, a
9 financial review of the materials submitted to
10 us by which Revel hopes to demonstrate its
11 financial stability. We especially direct your
12 attention to that portion of our report because
13 we believe it provides a realistic review.

14 In short, our report, as mentioned,
15 addresses all we think that is necessary for
16 your consideration.

17 And finally our report, I would suggest,
18 serves as a good backdrop and reference point
19 for the testimony expected to be heard today
20 from Mr. DeSanctis, Mr. Garrity, and Mr.
21 Greenstein.

22 Thank you.

23 CHAIR KASSEKERT: Thank you.

24 MR. LEVENSON: What we thought we'd do

is -- casino license hearings are a little bit

MR. FOGARTY: That was A-1?

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1 MR. NANCE: Yes. A-1.

2 MR. FOGARTY: And we're calling that,
3 what? Disk of the video?

4 MR. NANCE: Mr. Levenson?

5 MR. LEVENSON: Want to leave those
6 lights on?

7 MR. NANCE: Mr. Levenson?

8 MR. LEVENSON: Yes.

9 MR. NANCE: Identify this for me,
10 please.

11 MR. LEVENSON: That is a disk of the two
12 30-second video spots.

13 MR. NANCE: In regards to Revel?

14 MR. LEVENSON: With regard to Revel.
15 Correct.

16 MR. FOGARTY: Thank you. Thank you.

17 CHAIR KASSEKERT: Thank you.

18 UNIDENTIFIED PERSON: Should I start?

19 MR. NANCE: Yes.

20 (Video playing.)

21 MR. LEVENSON: That's one. And then we
22 have one other we'd like to play.

23 (Vide playing.)

24 MR. LEVENSON: I call Kevin DeSanctis to

DeSanctis - direct - Levenson

1 CHAIR KASSEKERT: Thank you.

2 Mr. DeSanctis, would you please come
3 forward?

4 MR. NANCE: Just leave it here. Move
5 that one back.

6
7 KEVIN G. DeSANCTIS, having been first
8 duly sworn, testified as follows:

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

12 THE WITNESS: Kevin DeSanctis

13 MR. NANCE: Thank you. You may be
14 seated.

15 CHAIR KASSEKERT: You may proceed.

16

17 DIRECT EXAMINATION BY MR. LEVENSON:

18 Q. Mr. DeSanctis, would you give us the
19 benefit of your background, particularly in the hotel
20 casino business.

21 A. Well, starting backwards, prior to
22 forming Revel, I was the Chief Operating Officer for
23 Penn National Gaming, which I think I started Penn
24 somewhere around 2001. Prior to being a Chief

25 Operating Officer for Penn National Gaming, I was the

DeSanctis - direct - Levenson

1 Chief Operating Officer for North America and the
2 Caribbean for Sun International, which included
3 Atlantis, Paradise Island in the Bahamas, Mohegan Sun
4 Resorts International for a short period of time and
5 the Desert Inn. Prior to that I was Chief Operating
6 Officer of Herminger Enterprises. Prior to that I was
7 Chief Operating Officer for Trump Plaza. And prior to
8 that, there was a host of other things.

9 Q. That's enough. Okay.

10 Now, obviously we've been discussing
11 Revel for the past 45 minutes, and I mentioned that
12 Morgan Stanley settled on the property in April of
13 '06. Now, that was even before your time at Revel,
14 was it not?

15 A. Correct.

16 Q. Okay. When did you come along to be
17 part of Revel?

18 A. Somewhere in the middle of 2006, I
19 resigned from Penn National which, frankly, was
20 independent of me forming Revel. But towards the
21 later part of 2006, I formed Revel -- well, Revel was
22 formed around -- call it July. And then after that,
23 once my release was complete from Penn National, I
24 joined Revel in the later part of 2006.

Q. Why don't you take us generally through

DeSanctis - direct - Levenson

1 that latter part of 2006 prior to construction to the
2 point we are today with regard to how you were able to
3 get this accomplished.

4 A. From 2006 to today?

5 (Laughter.)

6 Q. Well, you built the building.

7 A. There you go. Well, I'll give you the
8 sort of "Reader's Digest" version. 2006, life was
9 good. Morgan Stanley had offered to partner with
10 Revel to build the property. Basically the deal was
11 that I would form Revel, Morgan Stanley would invest
12 their land into the company, and they would become a
13 significant passive owner of Revel. And then they
14 would finance the entire facility. And our job was to
15 design, to build, and to operate the company. And at
16 the time, it was my understanding that Morgan
17 Stanley -- their interest in this was to find a direct
18 way to invest in the gaming industry. Gaming was in a
19 much different place in 2006 than it is today. But
20 this was a way for them to invest directly into the
21 gaming industry, and Revel was to be that mechanism.

22 Subsequent to that, we started building
23 the facility. A lot of things happened. Right around
24 2008 I guess there was a -- you know, a bit of a

25 financial meltdown. And at that point Morgan

DeSanctis - direct - Levenson

1 Stanley's interests changed. They ultimately decided
2 to divorce their interests, if you will. They wanted
3 to get out of the business. At that point in time I,
4 along with some of my associates, went out to try to
5 figure out how to finance this thing alternatively.
6 We ultimately were successful with JP Morgan. JP
7 Morgan was interested in financing the project or at
8 least helping us get the project financed. And
9 basically after a bit of a long ordeal, we were
10 successful in financing. I believe it was February
11 17th of last year, we completed the financing. And
12 from that point forward, we -- we just started
13 building the facility and hoping for what in --
14 inevitably will be the opening of Revel.

15 Clearly in between there's some twists
16 and turns. A lot of them, actually. And, of course,
17 one of the issues was when Morgan Stanley made a
18 complete withdrawal and basically wrote off
19 approximately \$1.4 billion of their investment. And
20 at that point I had negotiated with them to -- as part
21 of my original contract, I had first right of refusal
22 on purchasing the property. And we were successful in
23 that. Of course, them writing off 1.4 billion was
24 helpful. And then ultimately we worked out a deal

25 with JP Morgan.

DeSanctis - direct - Levenson

1 Q. Tell us what makes up Revel.

2 A. Well, you know, we like to say that
3 there's 6.3 million square feet. In fairness, 3
4 million of that's the garage. So you have to be
5 cognizant of that. The other 3 million square feet,
6 we have approximately 1898 rooms, which we will
7 initially open with 1090. That will go to
8 approximately 1400 by Memorial Day. And then there's
9 a little boutique hotel portion that we're hoping to
10 open next year. But essentially, the rooms are built.
11 It's just a matter of fitting -- fitting out the
12 entire 1898.

13 In addition to that, Revel is really all
14 about entertainment and experience. That's
15 essentially what Revel is all about. We have
16 approximately 14 restaurants with room for about three
17 or four more. We have two theaters, a 5500-seat
18 theater and a -- about a 700-seat theater in the
19 middle of the gaming area. We have two nightclubs.
20 One is much larger than the other, but both are a lot
21 of fun. We have a great spa. We have three pool
22 areas. We tried to be very different in the design,
23 and basically tried to integrate the resort with the
24 ocean.

So I think that the fundamental

DeSanctis - direct - Levenson

1 difference between what Revel is and perhaps what
2 others have done is that this is a resort first and a
3 gaming facility second.

4 Q. You have some retail there, also?

5 A. We do. We have about -- oh, about
6 50,000 feet of retail. Ultimately that will turn into
7 about, call it 20 to 40 retail outlets, depending upon
8 how you count them. We have one whole area that's
9 pop-ups which includes about 20 little pop-up retail
10 facilities. And, of course, we have another 27, I
11 believe, discrete facilities. So there's significant
12 retail.

13 Q. Just give us an idea. You did with
14 regard to the rooms. But give us an idea of what you
15 expect to open when? I mean, as far as the retail and
16 the restaurants and --

17 A. Okay.

18 Q. -- and Ovations and the like.

19 A. Well, I think it's best to say what
20 we're not going to open. On April -- first of all, in
21 terms of the concept that we've put together, the
22 opening sequence, if you will, we'll start with play
23 days, as everyone here knows, which is Wednesday,
24 Thursday, and Friday night of this week. And then

25 we'll have an all-employee concert on Saturday night.

DeSanctis - direct - Levenson

1 We didn't think it was a great idea to open on April
2 1st so.

3 (Laughter.)

4 A. We're not opening April 1st. We took --
5 we're going to take the day off. And then April 2nd,
6 we'll open. We'll open with what we're calling a
7 preview. And the concept of the preview is very
8 simple. Because of the scale of this place and the
9 amount of technology involved, we really don't want to
10 try to open everything at once because we think --
11 listen, anyone who has one computer knows how
12 difficult it is to coordinate technology. And we have
13 55 different systems that have been implemented, and
14 now we are trying to integrate them, and we think that
15 will take a little time. So we want to make sure that
16 our guests understand that it's going to take a little
17 while and we've given ourselves eight weeks in order
18 to do that and with the full facility being opened by
19 Memorial Day.

20 Now, what will open on April 2nd is
21 essentially everything but our nightclub and day club
22 area. We will start with approximately five
23 restaurants on April 2nd, and then from April 2nd
24 through Memorial Day, we will continually open

25 restaurants, having different grand openings along the

DeSanctis - direct - Levenson

1 way to where, I believe, we will have at least 13 --
2 12 to 13 of the 14 restaurants open. Hopefully 14,
3 but I suspect it will be 12 to 13 of the 14
4 restaurants open. All of the retail -- we could open
5 the retail sort of in sections, but we'd really prefer
6 not to do that. We think the critical mass is more
7 important. So we'll open all retail just prior to
8 Memorial Day Weekend.

9 In terms of room product, 1090 are
10 ready. But in terms of integrating the technology and
11 making sure all the technology works, we'll be selling
12 them in increments of 500. So we -- Week 1 we'll sell
13 500, Week 2, we'll sell the remainder, if you will.
14 Assuming all the technology is working the way we
15 would like it to work. But all 1090 are ready. And
16 then by Memorial Day we'll have 1399, 1400 rooms ready
17 for Memorial Day. And then from there, we'll continue
18 to roll out the rest of the rooms.

19 Q. And the grand opening, so to speak, the
20 official opening is when?

21 A. Memorial Day Weekend.

22 Q. And we've -- many of us have read that
23 you have a particular star coming there to the
24 first -- this will not be the first attraction to be

25 in Ovarions, but obviously it is a big -- big event.

DeSanctis - direct - Levenson

1 Will you tell us about that?

2 A. Sure. Well, prior to Beyonce -- Beyonce
3 will be there on Memorial Day Weekend, which we're
4 thrilled that she agreed to -- to play for our grand
5 opening, for our premier.

6 Prior to Beyonce, in Ovations Hall,
7 we'll have more Maroon 5 and Black Keys. And we've
8 scheduled some other events. So it should -- should
9 attract a tremendous amount of interest.

10 Q. Just lastly, I just -- always intrigued
11 by the fact that from the very beginning, your concept
12 was to take advantage of the ocean, beach, boardwalk.
13 Can you give us sort of an overview of what you have
14 done at Revel which you believe is unique as far as
15 taking advantage of those natural resources.

16 A. Well, in fairness, I think what we did
17 is we -- we went to Bernardo Fort-Brescia, who is the
18 principal of Arquitectonica. It's a very well-known
19 architectural firm housed in New York and Miami. And
20 basically explained to Bernardo that we felt that the
21 resource that really was underutilized in Atlantic
22 City was the beach and the ocean. And -- and told him
23 that we were interested in showcasing the beach and
24 the ocean. And I think what Bernardo came back with

25 was really on point. And essentially the goal was to

DeSanctis - direct - Levenson

1 integrate as much as possible with our natural
2 environment, and clearly which is probably the best
3 asset that Atlantic City has.

4 And so just a couple of the features is
5 that we -- we looked at the arrival as something very
6 significant, and so we bring everybody right to the
7 beachfront, fundamentally to the boardwalk, if you
8 will, if they are valet parking. And if you're self
9 parking, the entrance we expect about -- it's about
10 50/50 in terms of how many folks come in from the
11 ocean side and how many folks come in from the city
12 side. But we wanted to make sure that there were no
13 back doors, so they were all front doors. And so on
14 the ocean side, you get the same exact view --
15 probably a little better than you would if you were
16 valet parking because you're up at 61 feet. The
17 boardwalk's at 14, so there's a little delta there.
18 And then on the city side at night, you can probably
19 get as nice a view because, frankly, you're looking
20 back at Borgata and the marina. And so you get a
21 great view from that perspective. So I think there's
22 no back-door entries.

23 We also elevated everything for a couple
24 reasons. Because the site is 20 acres, which is a

25 fairly large site but, frankly, for the stuff that

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1 we're putting it into, it's not that large. And so we
2 almost built the place like an upside down house.
3 Everything is elevated so your views, your better
4 views, would be at your primary levels. And then we
5 went up from there. And we created a proper lobby.
6 One of our pet peeves was that, you know, everybody --
7 every one of us today has one of those little roller
8 bags when we check into a hotel, and I think we felt
9 that it wasn't a great thing, and it wasn't a great
10 sense of arrival when you had to wheel your little
11 roller bag through the casino. And so we said why
12 don't we separate the lobby and give people a true
13 resort experience? So when you come in, you go up to
14 our resort level, which has a two-acre sky garden
15 overlooking the ocean. I really think the views are
16 spectacular. And I don't like to use words like that,
17 but I think they are. I think it gives folks a really
18 nice sense of arrival. And it also allows people to
19 enjoy a resort experience without, sort of, exposing
20 the casino and, sort of, the party area to them. So
21 we thought that that was a nice distinction.

22 And we've been criticized by some who
23 have seen the place that, well, there's no -- you
24 can't get to the casino from the hotel elevators. And

25 we did that intentionally. It wasn't a mistake. We

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1 did it intentionally. We said, you know, it's really
2 a very short walk down to the party level, if you
3 will, where the gaming and the restaurants and a lot
4 of the fun exists. And so we wanted to separate those
5 two areas. So if you really wanted a quiet resort
6 experience, you could have it. And if you wanted to
7 go down and enjoy yourself, you could do that also,
8 but it was your choice. We weren't putting it into
9 your face. So it was a little different design
10 principle.

11 Q. Just a couple other areas that are
12 malleable, and I think would be helpful to describe,
13 one of which is not ready to open yet, but it's been
14 called Revel Beach.

15 A. Uh-huh.

16 Q. And I remember when we first started
17 talking about this, and we would tell the DB we were
18 going to have our own private beach, that raised a
19 little bit of antennae, but tell us about what will be
20 Revel Beach.

21 A. Well, I think one of the -- we've done a
22 lot of things that ultimately or hopefully will prove
23 out to be a good thing. But we, sort of, rejected the
24 notion that people would not want to -- or outside

25 pools would not be utilized in an efficient and

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1 effective manner, so we've created three pool areas.
2 We have an in/out pool. We have cabanas which have
3 three different pools, and then we have an area that
4 is our side of the boardwalk that is about an acre.
5 And that's what we had called Revel Beach. And in
6 that area there's a saline pool. There's eight plunge
7 pools, a big saline pool, a couple bars, and it's
8 really your day life area, if you will. So it's
9 probably seasonally. That will be an area where the
10 public can walk off the boardwalk and into this area
11 where they can have great shots of the beach and, sort
12 of, be out there, either relaxing in the pool area or
13 at one of the bars or listening to entertainment. So
14 we did everything to create an inside-out and an
15 outside-in thought process at the resort, and that's
16 probably one of the nicer examples.

17 Q. The last thing was that I know you
18 believe that there's more to Atlantic City than the
19 summer, that there is an availability, if it's done
20 right, to take advantage of being outside in Atlantic
21 City more than in the summer months. Could you tell
22 us what your concept is with regard to that.

23 A. Well, again, you know, I don't know if
24 it's my concept or this is something that we did

25 collaboratively with the designers and with Bernardo

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1 and everyone else, but the thought proposal was
2 simple. Having lived in Atlantic City for several
3 years, you know, in the past, I thought the winter was
4 one of the nicest times in Atlantic City. Now, it's
5 not for everybody, but I think it's -- the beach is
6 great. It's a terrific environment. And I thought if
7 exposed properly, Revel could showcase that. And so,
8 you know, you have to -- you have to prepare for it no
9 different than if you're skiing in Utah or Colorado or
10 places like that where it's very cold outside, it's
11 snowing, and yet everybody goes there dressed for that
12 environment. And it seems like, why wouldn't people
13 want to come here for the environment we're creating
14 as long as you, sort of, give them all the tools they
15 need to enjoy it? And so we have the sky garden which
16 sits at approximately a hundred feet above the
17 boardwalk. That is terrific. It's got four different
18 areas have that fireplaces and fire pits and things
19 like that. We have indoor/outdoor lobby lounge which
20 has the same, which it's only open from -- the roof is
21 exposed. Everything else is closed-in with glass.
22 Then you have the your cabanas. You have your in/out
23 pool. If you want to, you know, swim out in the
24 outdoor portion before a northeastern comes in

DeSanctis - cross - Fogarty

1 A. I think that would be sort of funny,
2 too. I think that would be cool. So we have a lot of
3 different elements that say to people, listen, we
4 think we can give you a little different experience.
5 We'll make sure you have fun while you're doing it and
6 all the proper tools. And we think Atlantic City can
7 be a great place in the off-summer months. As a
8 matter of fact, I think it probably has more allure if
9 you can create the right environment in the off season
10 than it does in the season. So we'll see. But that's
11 the thought process.

12 Q. I have no further questions. Thank you.

13 A. Okay.

14 CHAIR KASSEKERT: Mr. Fogarty?

15

16 CROSS-EXAMINATION BY MR. FOGARTY:

17 Q. Hello, Mr. DeSanctis.

18 A. Hello.

19 Q. Good to see you.

20 A. Thank you.

21 Q. I'm going to start with probably the
22 most difficult question I'm going to ask you today.

23 A. Yes. Okay.

24 Q. So I want you to take your time and

25 think carefully before you answer it.

DeSanctis - cross - Fogarty

1 A. Yes.

2 Q. How just how terrific does it feel to be
3 a New Jersey resident?

4 (Laughter.)

5 A. Well --

6 MR. LEVENSON: Next question.

7 A. That extra five percent is going to be
8 terrific.

9 (Laughter.)

10 Q. Welcome, sir. Welcome back.

11 A. Thank you.

12 Q. Your Morgan Stanley comments when Mr.
13 Levenson was asking you questions, if I can spend some
14 time there with you for a second. I see in the
15 petition that Revel filed, it essentially says -- and
16 perhaps this is an oversimplification, but you'll
17 address that, I'm sure.

18 A. Right.

19 Q. But when I read it, I see 1.2 billion
20 that Morgan Stanley transfers to Revel?

21 A. Uh-huh.

22 Q. And they get roughly 35.5 million in
23 return.

24 A. Uh-huh.

25

Q. That's a heck of a deal. Huh?

DeSanctis - cross - Fogarty

1 A. It's a very good deal.

2 Q. How did that happen? Do I oversimplify
3 it?

4 A. No. No. Actually, I think -- I think
5 that's the right question.

6 When we were -- I have to go back a
7 little bit --

8 Q. Sure.

9 A. -- to explain the sequence of events.
10 When Wall Street was collapsing, we sat down with
11 Morgan Stanley, the principals of Morgan Stanley, the
12 principals -- leaders of Morgan Stanley, and they
13 basically said to us -- at that point we had not
14 finished the structure and closure, and they said what
15 should we do? We've invested approximately \$800
16 million in this facility. And we -- you know, we have
17 our own issues right now. We're experiencing
18 financial meltdown across the industry. What should
19 we do? And at that time I didn't realize that that
20 was their largest real estate investment, as I came to
21 understand. And I said, well, you have to two
22 options. You can either stop building or you can
23 invest enough to complete the structure enclosure, and
24 that way you won't have as many issues in, sort of,

25 starting up again. Because the whole concept was how

DeSanctis - cross - Fogarty

1 to do we survive that period, because there's no way
2 we're getting this thing financed. And so what the
3 decision was at that point is, they said let's take 18
4 months. We'll invest another, I want to say, \$460
5 million. We'll invest another \$460 million and get
6 the structure enclosure completed. And some life
7 safety systems. And, hopefully, the world will be a
8 different place in 18 months, and we can just go on
9 and finance it. And that's really how you get to the
10 approximately 1.2, 1.4 billion.

11 When it came to -- we finished that
12 part, and we were still -- the financial world was
13 still not where everybody would hope it would be, and,
14 of course -- and this speculation on my part but --
15 you know, like a lot of banks, Morgan Stanley was a
16 TARP recipient. And gaming and TARP recipients don't
17 necessarily go together. I think as a company they
18 had to make some decisions, and I think their decision
19 was to move on from -- from that -- sort of, from this
20 investment.

21 Now, the reality is -- and I never
22 really fully appreciated it until later in our
23 discussions, but we believed the cost of 1.1 billion
24 to finish the facility but nobody necessarily believed

25 us. And so when people went out -- you know, other

DeSanctis - cross - Fogarty

1 folks had an interest in looking at the building
2 because Morgan Stanley wanted to market the building.
3 Now, I also had a first right of refusal in my
4 contract. But I think their thought was that while
5 that was true and while they would be willing to give
6 that opportunity to me, where was I going to come up
7 with the money to finish this thing? I clearly did
8 not have the resources to do that. And so as they
9 discussed this with other folks, I think the basic
10 understanding was that, yes, other folks might be
11 interested, but they wanted it underwritten
12 fundamentally. In other words, Morgan Stanley would
13 have to underwrite it and make sure it would only cost
14 1.1 billion and not a dime more, and in many cases --

15 Q. To finish it.

16 A. To finish it. And in many cases, folks
17 were saying, well, we just don't believe you. And so
18 you're going to have to -- you might even have to loan
19 us the money to do it. At least these were things in
20 I heard. So I think it was faced with -- I think
21 Morgan Stanley wanted to know -- and I'm just
22 speculating just based what I heard. I think they
23 wanted to be in a position where they wanted out of
24 that investment at that point in time because it was

25 a -- becoming a fairly significant distraction for

DeSanctis - cross - Fogarty

1 their company, and they had to move on. And so it was
2 either, sort of, put up more money and stand behind
3 the investment, or if they could find a way to just
4 make the investment go away, that was probably the
5 preferable solution.

6 Now, at the same time, they -- I
7 believe, had a big gain from a Discover credit card
8 transaction at that time, which I think it was
9 approximately \$800 million, and that was I believe
10 their first write-off. They wrote you have \$800
11 million and basically said, okay. Now we're down to
12 400 million or whatever. We can probably write this
13 off over time. But I think their view was that we can
14 cut the cord completely. That's preferable. And the
15 only way to do that was to write off the entire
16 amount.

17 Q. So you got a gift?

18 A. I -- well, some days I believe that.

19 (Laughter.)

20 Q. Well, as a result of that, you have a
21 \$2.4 billion project.

22 A. Yes.

23 Q. And your debt, not to -- not to make it
24 out like it's small, but, I mean, it's only half that.

25

A. Yes.

DeSanctis - cross - Fogarty

1 Q. Certainly if you had to borrow anywhere
2 near that 2.4, maybe that doesn't get done?

3 A. I don't think anything would have gotten
4 done over 1.1 billion. Getting, frankly, the 1.1 was
5 not easy. It was very difficult. We had -- we were
6 fortunate in that we had some believers in the
7 project, and they stood up and really sponsored the
8 project. And there were a couple -- and mez holders
9 were fundamentally the folks -- folks like Kang and
10 Chatham, clearly JP Morgan, and there were others.
11 But they clearly were big supporters of the project.
12 And if they hadn't come to the party, I don't believe
13 we would have raised the 1.1 billion. I think most
14 people at that point had started to write off Atlantic
15 City.

16 Q. I said that Morgan got from you all
17 through the financing roughly \$35.5 million.
18 Actually, the number was -- at least in your
19 petition -- is more precise than that. \$35,000,473.
20 Sounds like a very precise number. Do you have any
21 idea how it got -- how that number came about?

22 A. I don't. Michael -- Michael Garrity can
23 probably give you that answer a whole lot better than
24 I could. It seems a little too precise for me.

25

Q. Somehow --

DeSanctis - cross - Fogarty

1 A. The \$463, I think, is a bit of a
2 stretch.

3 (Laughter.)

4 Q. It's clearly, to me, it's a derived
5 number.

6 A. I suspect that the two numbers combined
7 had something to do with what was on their books at
8 the time.

9 Q. What was on their books at the time?

10 A. That is what I would suspect.

11 Q. And that's all that Morgan Stanley got
12 from them.

13 A. Yes. That's correct.

14 Q. No promises from Revel down the road to
15 do work for you? Stuff like that?

16 A. They did ask to be invited to the
17 opening.

18 (Laughter.)

19 A. Nothing other than that.

20 Q. What's that?

21 A. Nothing other than that.

22 Q. I see that their name was on -- I'm
23 going to call it prospectus. It's actually a
24 confidential information memorandum.

25

A. Yes. Oh, yes.

DeSanctis - cross - Fogarty

1 Q. Their name was on -- this is the thing,
2 just so the Commission knows --

3 A. Right.

4 Q. -- that was used when you all were
5 looking for your finance.

6 A. That's --

7 Q. I call it prospectus or prospectus like.
8 But their name was on it. What are they doing on it?

9 A. You know what? I apologize. They
10 clearly -- they wanted to be a participant in the
11 financing of the -- of the project, and they did
12 receive some, I believe, a fee as part of that
13 financing.

14 Q. And that was for their services rendered
15 in that finance?

16 A. Yes.

17 Q. Can you give me a sense as to what those
18 services were.

19 A. Well, there was --

20 Q. I hate like heck to do that my
21 investment banker, because I never know what they're
22 doing.

23 A. Well, as one banker said to us, they
24 basically did the Power Point. So, but, you know,

25 clearly from an investment banking perspective, a lot

DeSanctis - cross - Fogarty

1 of it is relationships, and can you convince other
2 folks to come into the deal, which is sort of
3 difficult when you're leaving the deal. That's
4 clearly not an easy thing to work through. But,
5 frankly, I think it was -- there was much more that
6 they wanted to make sure the people understood that
7 they were, you know, they were stepping out. They
8 thought that at 1.1 billion, this made a very good
9 investment, and they were going to encourage as many
10 folks as they knew to at least take a look at the
11 deal.

12 Q. Can you tell us approximately how much
13 Morgan made off of their services that they rendered?

14 A. I can't. Michael probably can. But I
15 don't recall.

16 Q. Mr. Garrity used to work with Morgan
17 Stanley?

18 A. Yes.

19 Q. And he now works with Revel?

20 A. Yes.

21 Q. You hired him there?

22 A. I did.

23 Q. A fairly good annual salary?

24 A. Yes.

25

Q. It's not my intention to mention it.

DeSanctis - cross - Fogarty

1 A. Yes.

2 Q. But a fairly good annual salary?

3 A. Yes.

4 Q. He also became an equity holder?

5 A. Yes.

6 Q. Approximately at what percentage?

7 A. Of my -- what happened in terms of the
8 equity is, I would say he's about -- what I worked out
9 with Michael is that of all the -- of the equity that
10 we had in the company, I had 50 percent of the equity.
11 He would have a third. So depending upon how that
12 works out. Because there's other caveats to that.
13 But that's approximately.

14 Q. You would have 50 percent of the equity?

15 A. Fifty percent of --

16 Q. Who has the other 50?

17 A. Well, of the management equity, I would
18 have 50 percent. Michael would have a third. And
19 basically we have right now in the neighborhood of 15
20 percent, depending upon how --

21 Q. Certain key milestones are met?

22 A. Certain key milestones are met. The
23 equity holders have warrants for 85 percent, and so
24 that's the breakdown, 85/15.

25

Q. It does get a little complicated.

DeSanctis - cross - Fogarty

1 A. It's a little confusing.

2 Q. And those warrants that you are talking
3 about, they are exercisable at some time in the
4 future?

5 A. Yes.

6 Q. So Mr. Garrity became a significant
7 equity holder?

8 A. Yes.

9 Q. Why did you make him such a significant
10 equity holder?

11 A. Because this project wouldn't have
12 gotten done without Michael.

13 Q. Please elaborate for me.

14 A. Pretty simple. Michael not only did --
15 Mike was it in the from the beginning. Michael
16 actually had principal investments at Morgan Stanley.
17 MSPI, Morgan Stanley Principal Investments. That was
18 leading the charge for their gaming interests through
19 Principal Investments. When Michael -- when this deal
20 happened, Michael introduced me to Mitch Petrick. And
21 then Mitch Petrick brought me up to --

22 MR. LEVENSON: John Mack.

23 THE WITNESS: John Mack?

24 A. John Mack. That's right. And --

Q. John Mack being the CEO of Morgan

DeSanctis - cross - Fogarty

1 Stanley?

2 A. Correct.

3 Q. Succeeded later by Gorman.

4 A. Yeah. Gorman. That's why I was
5 confusing, those two. And so through the whole
6 process, Michael was the point person for Morgan
7 Stanley. When you look at the modeling and the
8 economic rationale for this investment, Michael did
9 all the modeling. Michael is the one that basically
10 worked through all the numbers and, frankly, was our
11 primary -- in between when he left Morgan Stanley,
12 joined Revel, I also hired him as a financial advisor
13 for a period of time in order to, sort of, quarterback
14 JP Morgan and the other investors through this
15 process. And, frankly, when I mentioned some of those
16 mez holders. Those mez holders were brought into the
17 deal from Michael's efforts. So from my perspective,
18 I don't believe this deal would ever have gotten done
19 if it wasn't for Michael.

20 Q. Does he have any connection with Morgan
21 Stanley today?

22 A. No.

23 Q. Sir, I turn your attention, please, to
24 rooms. The capacity for your structure is 1898 rooms?

25

A. Correct.

DeSanctis - cross - Fogarty

1 Q. Let's call it 1900.

2 A. Okay.

3 Q. And you intend to have, by the end of

4 May this year, 1399.

5 A. Correct.

6 Q. 1400. That difference of 500 rooms, we

7 don't see anything in the forecast that says you're

8 going to -- and those forecasts would go out to the

9 end of -- the end of next year, 2013?

10 A. Uh-huh.

11 Q. We don't see anything in those forecasts

12 that say those 500 rooms are going to be put on-line;

13 is that fair?

14 A. That's correct.

15 Q. So you intend to be pat with 1400 rooms

16 until sometime after 2013?

17 A. Well, let me -- let me, sort of, explain

18 how we look at it, and then I might provide a little

19 clarity.

20 When we went out for financing, in the

21 financing in the 1.1 billion, we told investors that

22 we would complete 1090 rooms. That's really what the

23 money that we were borrowing provided for. We did

24 reasonably well on our budget. We were doing a little

25 better than we thought. And so at that point in time,

DeSanctis - cross - Fogarty

1 we went back to the investors and said, listen, based
2 upon the numbers that we're seeing in our budget, we
3 can add X amount of rooms to get to the 1399 within
4 the budget, which clearly they thought was a good
5 thing, because for the same amount of money they were
6 getting more rooms and, obviously, the more rooms, the
7 better chance we have of achieving profitability
8 numbers that would make sense for this type of
9 enterprise.

10 If you look at the 1400, there's
11 basically 15 -- call it 1595 or another couple hundred
12 rooms that we have that would round out the rest of
13 Revel Tower if you will. But within the tower,
14 there's 303 rooms that provides for a boutique hotel
15 with a separate elevator lobby and, you know,
16 separate -- sort of a separate experience. Think of
17 it as a hotel within a hotel. So if you subtract the
18 303 from the 1898 you get 1595. And what we had
19 always said to the investors is that when you look at
20 this from a purely economic standpoint, we think
21 controlling about 15 to 1600 rooms is the point where
22 there's diminishing returns based upon our facility
23 balance right now. So what we would like to do is
24 bring in another investor who would fundamental invest

25 on a cooperative basis with us because we've already

DeSanctis - cross - Fogarty

1 put in all the infrastructure and basically create a
2 50/50 or whatever JV on those other 300 rooms, whether
3 it's a branded company, you know, depending upon if
4 you were to bring another brand in. And so from our
5 perspective, the real goal from a Revel funding
6 standpoint, would be to take that 1400, 1595, and then
7 the other 303 would be funded through a separate
8 source that we would not take care of. That would be
9 separate money.

10 Now, in terms of the fit-out of the
11 additional 200 rooms, assuming that --

12 Q. 1399 to 1595?

13 A. Correct.

14 Q. Go ahead.

15 A. Assuming that we are reasonably
16 successful -- and, of course, we can't take anything
17 for granted. But assuming that we are, we can fit out
18 those rooms fairly quickly. We can do a four at a
19 time. We could do whatever we wanted to do because
20 it's much cheaper. You know, the constructions all
21 done. This is more of an interior fit out
22 perspective. And so we think that even though none of
23 it's in our projections -- we didn't -- we want to be
24 as conservative as possible. Assuming that we do

25 okay, fitting out the other couple hundred of rooms

DeSanctis - cross - Fogarty

1 should -- should not be that big a deal. It's -- if
2 you think about it conceptionally, it's very much -- a
3 little bit more complicated but not much different
4 than a room renovation.

5 And then the other 300 rooms would be
6 funded for separately. And we've already talked --
7 I'm sorry. We've already talked to several folks who
8 are very interested in doing that.

9 Q. About the boutique --

10 A. Yes.

11 Q. -- 303?

12 I'm sure you're well aware that your
13 room inventory of 1400 is well below that of
14 Borgata's?

15 A. Yes.

16 Q. Is that a problem in terms of achieving
17 your profitability?

18 A. Well, I look at it two ways. If we
19 don't have enough rooms, then we should do exceedingly
20 well on occupancy and rates. And if we do exceedingly
21 well on occupancy and rate, if we're hitting just our
22 base numbers in occupancy and rate, that's good. But
23 if we exceed those numbers, then I think that's a very
24 good thing, and it would give us more profitability

25 than we already had basically projected. I would love

DeSanctis - cross - Fogarty

1 to get to the 1595 but, frankly, from an ownership
2 perspective, I think right now based upon a facility
3 that we have, I wouldn't really want us to -- to go
4 past that because I think you need more
5 differentiation in your product once you get above
6 those numbers.

7 So the short answer to your question is
8 I think it can cut both ways. But if it -- as a test,
9 when we open up -- I mean, if we -- if you and I were
10 investing in this, although you couldn't because of
11 your position.

12 (Laughter.)

13 A. But if you and I were investing in this,
14 I think what we would want to do, knowing that we had
15 the entire tower built and we could add as many rooms
16 as we wanted when we needed them in a very quick
17 manner, because these rooms take about three to four
18 months to fit out essentially, we probably built the
19 fewest number -- we would build the fewest number of
20 rooms that we could, because once we understood that
21 people wanted to buy them, we could add them on very
22 quickly. The difference is that Morgan Stanley
23 prefunded the entire construction of the tower. So
24 now it's just a question of flipping a switch and

25 saying, do you want more rooms? Yeah. I need 200

DeSanctis - cross - Fogarty

1 more rooms. Great. Well, based upon your occupancy
2 and your rate, we think you can build another couple
3 hundred rooms. I think the money could be very easy
4 to get to. Would I prefer to open -- not to open but
5 to have certainty on the 1898? Yes. I would prefer
6 to have certainty. Because this -- I believe the
7 facility will very easily attract more than enough
8 folks who want to stay in our facility, and I would
9 love to have them now. But from a prudent standpoint
10 it's, frankly, more prudent to bring them on when you
11 need them.

12 Q. Thank you, sir. That's all I have.

13 A. You're welcome.

14 CHAIR KASSEKERT: Thank you.

15 Mr. DeSanctis, I want to talk about a
16 little bit about some of the more controversial
17 ideas you've had, and I think the first is a
18 easy one since I'm a nonsmoker. But I want to
19 talk about your policy of having the facility
20 be smoke free and what you think that will do
21 in terms of the traditional gambler who
22 obviously, you know, you always hear about
23 gamblers smoking and the like. And what that
24 philosophy is going to do to attract new

DeSanctis

1 THE WITNESS: Well, it's really hard to
2 tell. All of the analysis that we've done, and
3 we actually -- I almost hate to say this.

4 MR. LEVENSON: Say it. Say it. I know
5 what you're going to say. Say it.

6 THE WITNESS: When we went through the
7 Levenson Institute to do the research --

8 (Laughter.)

9 THE WITNESS: First of all, I suspect
10 there's a conflict in some shape or form. But
11 Izzy Posner, Dr. Posner and Brian Tyrrel led
12 the charge on the analysis, and basically came
13 to the conclusion that 80 percent of the folks
14 in the Northeast and especially the Mid
15 Atlantic states are not smokers. When you get
16 to the folks who are nonsmokers plus the folks
17 who are smokers but really would like to stop
18 smoking, you get to almost 90 percent of the
19 population.

20 From an anecdotal perspective, I don't
21 think anybody who is a smoker or a nonsmoker
22 likes to walk through smoking sections because
23 they're generally unpleasant. And the way the
24 law provides right now and the way the

facilities are built right now, even though we

DeSanctis

1 say it's 25 percent of the casino floor, the
2 reality is, there's no way to contain that 25
3 percent of the floor.

4 CHAIR KASSEKERT: Uh-huh.

5 THE WITNESS: And it creates a very
6 unpleasant situation. So from -- from -- when
7 you look at the number of folks out there who
8 would really prefer to be nonsmoking versus
9 smoking, it far outweighs on the nonsmoking
10 side.

11 Now, having said that, clearly when you
12 get into the quote-unquote avid gambler
13 section, the folks -- and for whatever reason,
14 and I think it's a bit of a stereotype, but
15 people say, well, then you won't be able to do
16 any of the Asian business. And what we've -- I
17 mean, anecdotally what we believe is that --
18 and there's no real numbers on this, but a lot
19 of it has to do with socioeconomic demographic
20 within the Asian community. You know, what's
21 your level of education? And, you know, how
22 long have you, sort of, been in this country?
23 And different things. There's different
24 reasons that people smoke. So coupling that --

and I know I threw out a little bit of stuff

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1 there -- but coupling that with our -- the two
2 segments that we ultimately believe will
3 determine whether we will be successful or not
4 are the group and leisure segment. When you
5 throw that into the mix, that is a much higher
6 probability of being a nonsmoker. And so if we
7 want to be successful in those two segments, we
8 almost had to go nonsmoking or else really try
9 to caveat who we were trying to be. Because
10 most resorts today, basically the smoking thing
11 is sort of out of date.

12 So when you put all of that together,
13 you had a big question mark in your mind and
14 Dr. Posner and Tyrrell basically said, listen,
15 we can't give you a definitive answer. We
16 don't know if it's going to work or not. But
17 we can tell you that the probabilities suggest
18 that if you're the only person in Atlantic City
19 that's taking this plunge with a new facility
20 and you market to this, this probably means
21 that you should -- you should really think
22 strongly about taking a chance to do it. And
23 there was no -- listen, there's no certainty
24 that this won't be problematic for us. There's

no certainty. I always knew that we were never

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1 going to allow smoking in the back of the
2 house.

3 CHAIR KASSEKERT: Uh-huh.

4 THE WITNESS: That was always going to
5 happen. There was no equivocation on our part
6 on that. Basically moving towards the front
7 side of the house, I think just became an
8 exercise where you work the probabilities, try
9 to be as conservative as possible, but no one
10 can give you an answer. So we basically say,
11 no. We're going to go there.

12 Now, after we made the decision -- and I
13 recognize the folks that don't smoke are much
14 more aggressive in this area than folks that do
15 smoke. But I have not had one letter or e-mail
16 from a person who smokes -- I'm sure I'll get a
17 bunch now.

18 (Laughter.)

19 CHAIR KASSEKERT: Sorry.

20 THE WITNESS: But I've had probably a
21 hundred or so from folks who don't smoke and
22 people who have said, I go to Delaware right
23 now or I go to Parx right now, or I go
24 wherever. But now that you're nonsmoking,

we're coming to your place. I think ultimately

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1 there's going to be a little bit of a tradeoff.
2 You know, we might lose some folks who are --
3 think that this is a problem from a smoking
4 perspective. I think we'll also gain some
5 folks from the nonsmoking perspective. At the
6 end of the day, I think this is the future. I
7 don't think -- I don't think smoking is going
8 to come back in any strong way on an indoors
9 perspective for a very long time. So I think
10 we -- we may be a little ahead of the curve.
11 The only thing I worry about is what my ex-boss
12 used to do to say is that pioneers are the
13 people with the arrows in their backs.

14 (Laughter.)

15 THE WITNESS: And that's the only thing
16 we worry about a little bit. But I think,
17 frankly, right now I believe it's the right
18 decision. And I think we're going to have a
19 much better environment and experience because
20 of it.

21 CHAIR KASSEKERT: Okay. Great. I would
22 agree with you.

23 Let's talk a little bit about the jobs
24 issue.

THE WITNESS: Sure.

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1 CHAIR KASSEKERT: Let's talk first of
2 all, can you tell me how many full-time jobs,
3 how many part-time jobs? How many Atlantic
4 City residents? I know that you've had an
5 effort under way. And, you know, your
6 philosophy, obviously -- I'll put it right out
7 there -- a lot of controversy with respect to
8 the, sort of, term agreement idea. Talk to --
9 talk to us a little bit about those issues.

10 THE WITNESS: Sure. In terms of the
11 workforce, we're -- we -- I mean, the right
12 answer or the correct answer is we don't know
13 where this workforce is going to end up six
14 months from now.

15 CHAIR KASSEKERT: Uh-huh.

16 THE WITNESS: But when we're looking at
17 it today, we're at about 4,000 plus/minus of
18 Revel employees, and we're about a thousand
19 plus/minus of partners employees, and that's
20 retail.

21 CHAIR KASSEKERT: Uh-huh.

22 THE WITNESS: Food and beverage.
23 Because all of our food and beverage is joint
24 venture. Chefs and retailers already came in

and put in their money. They helped build it.

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1 It's their establishment, and we have a joint
2 venture with them.

3 CHAIR KASSEKERT: Uh-huh.

4 THE WITNESS: So it's about 4,000 and
5 1,000. Of the Revel employees, we have made
6 offers to Atlantic City residents of
7 approximately 800 positions.

8 CHAIR KASSEKERT: Uh-huh.

9 THE WITNESS: Not all of them have been
10 accepted. And in certain cases, once we made
11 the offer, we also have a tattoo policy that
12 tattoos can only be so large when they're
13 visible to the public. And I believe that's
14 approximately two inches when they're visible
15 to the public. And after folks came in and
16 they tried on their uniform, or we knew what
17 the uniform was going to be and they had, you
18 know, big tattoo on them, and some of them
19 were, frankly, a little aggressive, we had to
20 rescind the offer. But it's approximately 800.
21 So it's about 20 percent of the Revel
22 employees. We don't know at this time how many
23 of our partners' employees will be offered
24 work. That's something we're looking at. So

25

it's about 800 plus/minus.

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1 CHAIR KASSEKERT: Does that tattoo
2 policy? Does that apply to the retail
3 establishments as well?

4 THE WITNESS: No.

5 CHAIR KASSEKERT: No?

6 THE WITNESS: And, frankly, it's only if
7 you can see it.

8 CHAIR KASSEKERT: Right.

9 THE WITNESS: And, you know, most of the
10 retailers are -- unless you have it on your
11 hands or your face, it's really hard generally
12 to see it. Some of our uniforms are short
13 sleeve.

14 CHAIR KASSEKERT: Uh-huh.

15 THE WITNESS: And that's where a lot of
16 problems came up on our arms. Or if it was a
17 low back, it would come up across the back area
18 in the neck. That was problematic. Some folks
19 had their whole necks tattooed, and tattoos are
20 big today. But from a guest experience
21 standpoint, we felt it was important to set
22 some type of standard. So that's the Atlantic
23 City presence.

24 Is there any -- before we go on to the

other, is there anything else on that?

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1 CHAIR KASSEKERT: Of the 4,000 jobs, how
2 many of those are part time versus full time?

3 THE WITNESS: Again, I go to my earlier
4 comment. We ultimately don't know where that
5 will lay out.

6 CHAIR KASSEKERT: Okay.

7 THE WITNESS: And I suspect -- I can
8 tell you what we're going to start with.

9 CHAIR KASSEKERT: Uh-huh.

10 THE WITNESS: I suspect where that will
11 lay out is it's probably very close to where
12 the rest of the industry is, where we're
13 starting out approximately right now 75/25.
14 Seventy-five percent full time, approximately
15 25 percent part time. The reason that there
16 was a discrepancy is that was taken out of a
17 report for a Department of Labor application
18 that we made that excluded certain positions
19 from that calculation. And in that calculation
20 I believe it was 38 percent. It was 38 percent
21 part time and the remainder full time. But
22 that was for a very specific calculation for
23 job training.

24 Now, the instructions that I gave -- I

take full responsibility for where we are -- is

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1 that I do not want people leaving good
2 full-time jobs right now to come in and take a
3 full-time job at our place and four months from
4 now or five months from now, if business levels
5 aren't where we think they are and we have to
6 give them -- take them from a five-day workweek
7 down to a four-day workweek or three-day
8 workweek. So I said, I only want to be in a
9 position, hopefully, where business improves,
10 it doesn't decline. And then we will promote
11 from that part-time pool into the full-time,
12 and then we'll get a little bit different
13 balance. But let's be conservative on the
14 front end, and let's make sure. Frankly, folks
15 are coming in part time generally wouldn't
16 leave a full-time job in order to take a
17 part-time job. And so that's why that laid out
18 that. I expect -- I don't see any reason,
19 ultimately, why our numbers would be any
20 different than anyone else's.

21 CHAIR KASSEKERT: Uh-huh.

22 THE WITNESS: Once we get to a much more
23 stabilized work environment.

24 CHAIR KASSEKERT: Uh-huh. And talk to

us a little bit about the so-called term

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1 employments, having people reapply after a
2 certain period of time. And --

3 THE WITNESS: Defined service cycle?

4 CHAIR KASSEKERT: Yeah.

5 THE WITNESS: I believe it's eight of
6 the -- it's not 237, but I forget how much
7 discrete positions there are in the company.
8 But I believe it's above 300. But eight of
9 those positions are what we call defined
10 service cycle.

11 CHAIR KASSEKERT: Uh-huh.

12 THE WITNESS: And the defined service
13 cycle really is related to folks who are in
14 positions that are high touch and high guest
15 facing areas like dealing, like cocktail
16 servers. Like promotions booth clerks.
17 Certain bartender positions. And there's a few
18 more.

19 And basically what we're looking at is,
20 we believe that the industry in general has an
21 issue in terms of indifference. And what the
22 concern is there is, it's very difficult if
23 you're a dealer to be sitting across the table
24 from someone for an extended period of time

every day for many years without becoming

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1 indifferent to the customer. And what we found
2 is that in other industries, this is used in
3 different ways, but the thought was how do we
4 bring people in to those positions and promote
5 them either to -- out of that defined service
6 cycle or have them change to another job over a
7 period of time so they are always looking at it
8 from a new perspective. Because, generally,
9 these were created from the manufacturing
10 industry, not from hospitality industry. And
11 we felt that the hospitality industry really
12 hasn't attacked this problem head-on, except
13 like in the skiing industry. They won't hire a
14 lift operator generally on the third year.
15 They believe a lift operator after two years is
16 totally indifferent to the customers, and they
17 can no longer do the job properly. On cruise
18 ships, they basically hire them for the tour.
19 And so people get very energized, but as the
20 tour is over, they get a new contract. And so
21 basically we look to some of those industries
22 and we said, we don't know if this is right or
23 not. We clearly don't have this completely
24 figured out. But we think this is something we

ought to try to institute because the one thing

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1 that I hear consistently is people are not
2 friendly in Atlantic City, and we have to
3 figure a way to fix that.

4 CHAIR KASSEKERT: And I'm assuming
5 through your training you're also stressing
6 those kinds of, you know, attributes that
7 people -- I mean, you're here for the customer.
8 They're your clients.

9 THE WITNESS: It is. But in fairness to
10 the folks that have to do these jobs, if you're
11 a floor -- like a floor supervisor in the
12 gaming areas is not a defined service cycle but
13 the dealer is.

14 CHAIR KASSEKERT: Uh-huh.

15 THE WITNESS: And the reason is the
16 floor supervisor can walk away. The dealer
17 can't walk away. They have to be there with
18 those customers regardless of if their being
19 polite or whether they are not being -- not so
20 polite. And so they're, sort of, on the
21 frontlines, and they have to deal with the
22 positives and the negatives of guest
23 interaction basically throughout their shift
24 for many, many years. And I -- I don't really

question the intent of the folks that are doing

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1 those jobs. I just question whether the
2 environment we're putting them in is really
3 conducive over an extended period of time for
4 them to being constantly focused on, you know,
5 guest service. I think it's a very difficult
6 thing to ask of someone for a long period of
7 time. And that's why we -- listen, there's no
8 magic to five years, but that's the average.

9 CHAIR KASSEKERT: Uh-huh.

10 THE WITNESS: There's no magic to it.
11 It's just we just said, the five-year point, we
12 ought to take a hard look at this and see what
13 this -- this looks like. That's the logic.
14 It's no more complicated than that. Some folks
15 have basically, you know, suggested this is
16 about age discrimination and things like that.
17 Frankly, this has nothing to do with age. It
18 has to do with indifference.

19 CHAIR KASSEKERT: Okay.

20 THE WITNESS: So that's our thought
21 process.

22 CHAIR KASSEKERT: Okay. Let me ask the
23 commissioners.

24 Commissioner Harrington?

VICE CHAIR HARRINGTON: Sure. You

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1 talked a little bit about the exciting opening
2 of the entertainment venue with Beyonce.

3 THE WITNESS: Uh-huh.

4 VICE CHAIR HARRINGTON: Are those
5 tickets going to be available generally or will
6 that be something that's restricted to a
7 category of your patrons?

8 THE WITNESS: They will be available
9 generally, and we're pleased to sell anybody
10 here who would like to buy.

11 (Laughter.)

12 THE WITNESS: We spent an awful lot of
13 money on this.

14 VICE CHAIR HARRINGTON: Okay.

15 THE WITNESS: No. As part of our
16 model -- as part of our model, it's really
17 important not only from things like concerts,
18 but also from a room perspective, one of the
19 things that we didn't touch on is our model is
20 very different. We're looking at 50 percent of
21 our occupancy coming from what one would
22 consider to be cash or retail customers, not
23 quote-unquote nongamblers.

24 VICE CHAIR HARRINGTON: Uh-huh.

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1 gaming side. And ultimately we want that to be
2 skewed more towards nongaming, and we want it
3 to be 60 percent nongaming and 40 percent
4 gaming. And the only way we're going to get
5 there is if we start conditioning people to
6 know that -- listen, the tickets may get sold
7 out, but it's not because you're a gambler.
8 It's because Beyonce is popular. And so, yeah.
9 We're actually partnering with different folks
10 to try to distribute these as wisely as
11 possible.

12 You know, one of the issues, I think for
13 Atlantic City has been, we've convinced people
14 for almost 30 years that if you're not a
15 gambler, you can't come here. You know, and
16 our goal is to try to convince people with a
17 new product that you can. You can come here.
18 Listen, we may be sold out, which would be
19 terrific. But if we're not and, you know, and
20 you're willing to make a reservation just like
21 anyone would at any normal -- typical resort,
22 then we'd love to have you.

23 VICE CHAIR HARRINGTON: Yes. Sort of a
24 corollary to that --

THE WITNESS: Uh-huh.

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1 VICE CHAIR HARRINGTON: -- is you talked
2 about Revel Beach.

3 THE WITNESS: Yes.

4 VICE CHAIR HARRINGTON: Now, again, that
5 will -- everyone will be -- will be have access
6 to Revel Beach. So if I'm walking up the
7 boardwalk, I can just come in and -- does that
8 mean I can take advantage of the amenities
9 there? Or how will --

10 THE WITNESS: On the day club, which we
11 refer to as Revel -- sorry -- Revel Beach. All
12 of that is open -- open to the public. And,
13 you know, there will be an admission probably
14 and/or it will be based on the drinks and stuff
15 like that, but anybody can come in. Not unlike
16 beach bars throughout the city when you think
17 about it. Fundamentally a similar concept.
18 When you go up on the decks, the indoor/outdoor
19 pool, the cabanas, that's only available to
20 hotel guests. So the public area off the
21 boardwalk is fine for the public but enjoy
22 the -- the other pools that you'd have to be a
23 hotel guest.

24 VICE CHAIR HARRINGTON: Okay. Well,

that's -- and then one of the other things and

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1 obviously it's way too early to talk about
2 this, but do you have a perspective on the
3 sports wagering and whether or not that will be
4 a good addition to the portfolio in Atlantic
5 City or New Jersey?

6 THE WITNESS: Well, yeah. I -- you
7 know, this is enlightened self-interest here,
8 but yeah. No. We're for it. I mean, we
9 clearly think sports betting would be good for
10 Atlantic City. We don't think of it as an
11 economic panacea.

12 VICE CHAIR HARRINGTON: Uh-huh.

13 THE WITNESS: I think that there's
14 reasonable economics to it, but I think we have
15 to be cautious about being overly enthusiastic
16 about how much money you can actually make.
17 But I think it provides a great amenity, and
18 we, for one, would be very, very supportive of
19 moving forward with that. Because when you go
20 to Las Vegas, as an example, it's really more
21 about, sort of, all the other stuff that's
22 taking place. Like, perfect time of year,
23 March Madness. You know, people are flying out
24 to Las Vegas. Yeah, to watch the games and,

25

you know, a lot of guys go out. It's a guys'

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1 weekend or girls' weekend, and they go out and,
2 yeah, they watch the games. And maybe they
3 make a bet or maybe they don't make a bet. But
4 it's just another reason for them to go out
5 and, sort of, create a party out of it. And so
6 I see its an amenity more than anything else.
7 I don't think it's an economic driver, but it's
8 a terrific amenity, and we would be very
9 supportive of it.

10 VICE CHAIR HARRINGTON: Okay. Thank
11 you.

12 Actually, that just triggered another
13 thought, and I would just like you to talk a
14 little bit about, when you said a girls'
15 weekend.

16 THE WITNESS: Uh-huh.

17 VICE CHAIR HARRINGTON: One of the
18 things that Revel is going to offer that will
19 make it appealing to a distinct market niche
20 like women or like --

21 THE WITNESS: Uh-huh.

22 VICE CHAIR HARRINGTON: -- bachelorette
23 parties.

24 THE WITNESS: Well, I think, you know,

we've -- we just see the girls' night out as

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1 one of the strongest up-and-coming segments of
2 this market, believe it or not. You also see
3 groups of women, you know, through the weekend
4 or different times, whether it's a bachelorette
5 party or whether it's just a girls' night out.
6 And we've just done several things in the hotel
7 to really encourage women who are interested in
8 doing that to come to our place. And so, you
9 know, even from a salon perspective, from a
10 salon perspective, we're not going to have a
11 salon, we're going to have a blow-out bar,
12 which is just a fun thing. We have a female
13 friendly steakhouse. That's just -- I think
14 generally it means smaller portions, but it's
15 really --

16 (Laughter.)

17 THE WITNESS: I could be wrong.

18 So and I think just the way our lobby is
19 set up. I think our lobby is set up to make
20 women feel much more comfortable and safe when
21 going to they're rooms and things like that.
22 So I think -- I think it's a combination of
23 things. Clearly the clubs are going to be
24 attractive to women who are there for

bachelorette parties. Not that they're any

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1 different than men at bachelor parties. So I
2 think there's a lot of fun stuff for them.

3 VICE CHAIR HARRINGTON: Thank you.

4 Thank you.

5 THE WITNESS: You're welcome.

6 CHAIR KASSEKERT: Commissioner Fanelle?

7 COMMISSIONER FANELLE: On a lighter
8 note, would just -- any of your former jobs
9 have an influence on your uniform code?

10 THE WITNESS: Yeah. I think probably
11 the two places that had the most influence were
12 when I was at Mirage and when I was at
13 Atlantis. Much more resort oriented. And,
14 actually, some of our -- I think what we may be
15 criticized for is, when you look at our
16 cocktail server outfits and when you look at
17 our digital pit outfits, they're actually more
18 conservative, believe it or not, than most
19 people would think. And we've actually had
20 some reaction from our staff that they thought
21 they were a little too conservative. But our
22 thought has always been to be a little more
23 sensual and sexual. And to really -- this is
24 all about personality and guest service. And I

think most people were expecting something a

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1 little bit along the lines of lingerie, and
2 that was not part of our thought process. It's
3 very resort oriented.

4 In terms of security, officers, our men
5 are in fundamentally suits and our women are in
6 jackets that they don't necessarily look like
7 security. Even though I was a state trooper at
8 one point in my life, I believe that really the
9 primary purpose of security is guest service,
10 and that's probably the one person who
11 almost -- the highest majority of customers
12 come in contact with. And so I wanted them to
13 be very, very approachable. And so that's what
14 we've done with our uniforms. But it's really
15 much more of a resort orientation.

16 COMMISSIONER FANELLE: I was just
17 referring to the trooper in the back of the
18 room, having been on the uniform committee, I
19 understand the --

20 THE WITNESS: Yeah.

21 COMMISSIONER FANELLE: -- the different
22 changes that go about from an HR perspective,
23 which is really what my background is.

24 THE WITNESS: Sure.

VICE CHAIR FANELLE: You're doing a lot

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1 of different things for your employees. Can
2 you expound on, like, the general purpose of
3 having an employee-only concert? What's your
4 methodology and your thought process for that?

5 THE WITNESS: Well, our thought process
6 on the employee concert was we -- we aspire to
7 being an experience company. And the only way
8 our professionals can relate to that is by,
9 sort of, being immersed in that. So instead of
10 having a pep rally or something like that, we
11 thought the best way to do it was to go out,
12 spend an appropriate amount of money on a great
13 act that one would generally have to pay for.
14 It's actually one of the headliners that can be
15 seen at any one of the properties, typically
16 something like Borgata. And let them
17 experience a concert on us, if you will, so
18 they understand what the guest is going to be
19 experiencing. And I think if you don't know
20 what that experience is all about, it's very
21 hard to deliver that experience. And so that's
22 the primary thought process.

23 In addition to that, when you walk into
24 our operations center what most people think of

as the back of the house, there really is no

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1 back of the house at our place. And I think
2 that the operations center is as nice, frankly,
3 as some front of the houses. And whether it's
4 our dining facility, whether it's our training
5 facility, whether it's our uniform thought
6 process, that's all about making sure that our
7 staff understands the experience we're trying
8 to deliver. If we deliver to them, we're
9 hoping that they will deliver to the guest.

10 COMMISSIONER FANELLE: Okay. Now, one
11 final comment. Looking at the employment
12 cycle --

13 THE WITNESS: Uh-huh.

14 COMMISSIONER FANELLE: And I'll use
15 Lloyd as an example here. Now, he could still
16 be clerking if he didn't have any aspirations,
17 you know, to become more engaged in his career.
18 And I think it's prudent that you want your
19 people to achieve, and if you look at -- if you
20 picked the five-year term. If you -- anybody
21 in normal business usually gets moved up five
22 times in their career. So it's just away of
23 creating a mechanism within your organization
24 for people to achieve. I think that's

admirable on your part.

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1 THE WITNESS: Thank you.

2 CHAIR KASSEKERT: I just have one other
3 question.

4 You know, when you were doing your --
5 when the Lloyd Levenson Institute was doing its
6 research, did you also look about -- look upon
7 where the customer base is going to come from?
8 Do you think your customer base is going to be
9 new customers? People that might be going to
10 the Pennsylvania casinos now? What do you
11 think the impact is going to be on the other
12 casinos here in Atlantic City? Because I know
13 there's been a lot of concern expressed about,
14 you know, the smaller casinos might not have
15 the ability to survive once you open. Give us
16 your thoughts on that.

17 THE WITNESS: Well, I think we look at
18 it from the macro perspective, and we say
19 there's 47 million adults within a six-hour
20 drive of this place. The visitation to
21 Atlantic City really centers on about 7 million
22 of those folks. So there's about 40 million
23 adults that don't consider Atlantic City an
24 option right now.

CHAIR KASSEKERT: Uh-huh.

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1 THE WITNESS: And our target is those 40
2 million adults. When you think about our
3 business model, our business model has four
4 silos. It has the group segment, the leisure
5 segment, the overnight comp customer, and the
6 walk-in visitor. The two segments that are
7 going to be critical for us being successful
8 are the group segment and leisure segment. And
9 we see that as uncontested market space.
10 Clearly, in the early days, some of the groups
11 that are coming to Atlantic City today will opt
12 for a new place. I mean, I know that's human
13 nature.

14 CHAIR KASSEKERT: Uh-huh.

15 THE WITNESS: But over time, our goal is
16 to expand both of those -- both of those
17 segments. I think where there will be
18 compression is in the overnight comp customer
19 segment. But on a long-time basis, I think we
20 all have to realize that's not -- we can't, as
21 an industry, just focus on that customer or we
22 are not going to be successful --

23 CHAIR KASSEKERT: Uh-huh.

24 THE WITNESS: -- as an industry. We

can't. And no one else can. So will there be

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1 competition there? But, frankly, there's more
2 than enough competition there now.

3 On the day visitor, whether we like it
4 or not, whether we do anything or not, 22
5 million people a year right now are going to
6 come to Atlantic City and visit this ocean.
7 And our goal is to expand that as much -- give
8 them more reasons to do that. Especially,
9 people during the season that are staying in
10 Ocean City and different points along the
11 Jersey Shore. So do I think there will be some
12 cannibalization? I suspect there will be.

13 CHAIR KASSEKERT: Uh-huh.

14 THE WITNESS: Until we broaden this
15 market to the point where we have a lot of new
16 consumers. But what I would encourage
17 everybody is to just keep evolving as a
18 destination. And our goal, frankly, is not to
19 compete against the folks in Atlantic City.
20 We, sort of, look at ourselves, we are
21 competing for business in the Northeast. We
22 don't see ourselves as an Atlantic City
23 competitor. We want to focus on the Northeast.

24 The folks who have those convenience

places, which is a great business model, that's

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1 a different customer than we are targeting. We
2 are not targeting a customer that can only be
3 there for an hour. If you look at the
4 statistics on convenience gambling, which is,
5 you know the Parx of the world and all those
6 sort of --

7 CHAIR KASSEKERT: Uh-huh.

8 THE WITNESS: -- places. Their average
9 general stay is generally about 60 to 90
10 minutes.

11 CHAIR KASSEKERT: Uh-huh.

12 THE WITNESS: And their spend is about
13 60 bucks plus/minus, and that's not a customer
14 that we can survive on. It's just not going to
15 happen. We need an overnight customer that is
16 going to be here for a extended -- we're
17 looking for a two-night ultimately.

18 CHAIR KASSEKERT: Any other questions?

19 VICE CHAIR HARRINGTON: No.

20 CHAIR KASSEKERT: Commissioners?

21 Anything on redirect?

22 MR. LEVENSON: No, ma'am.

23 CHAIR KASSEKERT: Mr. Fogarty, anything?

24 MR. FOGARTY: No, ma'am.

CHAIR KASSEKERT: Thank you.

1 You can step down.

2 It is 12:00. Let me make a suggestion
3 that we break for lunch and come back,
4 reconvene at 1:30?

5 Thank you.

6 (The luncheon recess was taken from
7 12:00 to 1:34 p.m.)

8 CHAIR KASSEKERT: Thank you. We'll go
9 back on the record.

10 Mr. Levenson, do you have -- your next
11 witness.

12 MR. LEVENSON: Miss Kaufman man will.

13 CHAIR KASSEKERT: Miss Kaufman?

14 MS. KAUFMAN: Yes. We call Michael
15 Garrity.

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

18
19 MICHAEL C. GARRITY, was duly sworn to
20 testify in this matter.

21

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

24 THE WITNESS: Michael Garrity.

MR. NANCE: Thank you. You may be

Garrity - direct - Kaufman

1 seated.

2 CHAIR KASSEKERT: You may proceed, Miss
3 Kaufman.

4

5 DIRECT EXAMINATION BY MS. KAUFMAN:

6 Q. Mr. Garrity, could you state your
7 position with Revel.

8 A. I am Revel's Chief Investment Officer
9 and a member of the board of directors.

10 Q. And could you tell us a little about
11 your private -- your prior job experience.

12 A. Sure. Prior to joining Revel, I spent
13 approximately a year at Rothschild where I was
14 managing director in their M & A group responsible for
15 the gaming leisure -- game, lodging, and leisure
16 practice in North America. Prior to that I spent
17 eight years at Morgan Stanley where I was Executive
18 Director and principal at MSPI, which was Morgan
19 Stanley Principal Investments. And prior to that I
20 spent time in both fundamental and quantitative
21 research at Putnam Investors out of Boston.

22 MR. KAUFMAN: Mr. Garrity is here today
23 to discuss our -- Revel's capital structure as
24 well as financial stability.

25

Q. I'd like to start off by asking you

Garrity - direct - Kaufman

1 about the capital structure. Revel is wholly owned by
2 Revel AC, Inc., and its debt is held by Revel AC, Inc.
3 Could you explain the two different tranches of the
4 Revel AC, Inc., debt?

5 A. Sure. The -- as Lynne said, our capital
6 structure is composed of two tranches of debt.
7 There's an \$850 million first lien and a 304.4 million
8 second lien, which is mezzanine notes that accrete at
9 12 percent.

10 Q. Okay. And are there any covenants,
11 financial covenants in the debt documents?

12 A. There are -- we have four financial
13 covenants. There's a maximum leverage ratio. There's
14 a minimum interest coverage, as well as there's a
15 maximum capex in addition -- in addition to a minimum
16 EBITDA covenant.

17 Q. Okay. And you mentioned that the mez
18 debt had been \$304 million. Is that what it is today?

19 A. Today, as we sit here, back-of-the-
20 envelope math, it's probably somewhere in the
21 neighborhood of 355 million or so.

22 Q. And could you --

23 A. At 12 percent. So I'll just talk walk
24 through the genesis of that. When we originally --

25 when the debt was originally issued, it was issued at

Garrity - direct - Kaufman

1 a face amount of 304.4. It does not pay cash
2 interest. It is paid in kind. The accreted value of
3 the mez, as we sit here, I think is approximately 359
4 million -- somebody can check me on that math. The
5 mez is comprised of two components. There are notes
6 which are second lien notes, and then there are
7 warrants. So it was actually sold as a unit. In
8 terms of the units, there are 152,000 units that were
9 sold. Those units provide the owner with two things.
10 One, for every unit, you have the ability to acquire a
11 thousand shares of stock. In addition, you will
12 receive 2,000 face amount in the form of notes.

13 Q. And could you explain who owns Revel AC
14 now before those warrants are exercised.

15 A. Revel AC today is -- is owned by
16 management.

17 Q. Okay. And what will happen to
18 management's interest once those warrants are
19 exercised? Or Kevin discussed that a little bit, but
20 could you go into a little more detail.

21 A. Sure. The warrants are exercisable in
22 three years post opening. So today, again, management
23 owns a hundred percent of Revel AC. That interest
24 will be diluted down subject to performance. And

25 management will ultimately will own somewhere in the

Garrity - direct - Kaufman

1 neighborhood of 10 to 15 percent of the equity.

2 Q. Okay. Now that we've talked about our
3 debt structure, if we could get into revenue. Revel
4 has not yet operated, so in order to prove financial
5 stability, we need to rely on forecasts. The
6 forecasts that Revel presented showed that Revel
7 believes it will have both strong revenue and EBITDA.
8 Who is responsible for the modeling behind these
9 forecasts?

10 A. The modeling -- the economic rationale
11 that was developed was developed by myself, Kevin, and
12 other members of the management team.

13 Q. Okay. Let's first discuss your revenue
14 projections. They are strong. And Mr. Fogarty and
15 Mr. DeSanctis talked about the fact that you do have a
16 few hotel rooms. There is also less casino floor
17 space. How do you expect -- than other properties --
18 some of the other properties in town. How do you
19 expect to achieve this revenue projections? Maybe you
20 could talk about the assumptions behind them.

21 A. Sure. Let me just -- before I do that,
22 probably makes a little bit of sense to take a step
23 back for a second to provide some context.

24 If you go back to 2006 when we were --

25 it was just a piece of dirt. I remember sitting on

Garrity - direct - Kaufman

1 that piece of dirt, and the first thing out of Kevin's
2 mouth was, the last thing Atlantic City needs is
3 another casino. And as I sit here today, the business
4 model, yes, it's about Atlantic City today, but it's
5 also about what Atlantic City could be and should be.
6 And so from our perspective, it's not -- you mentioned
7 capacity. At the end of the day, it's not whether you
8 have -- how much capacity you have, it's do you have
9 the right capacity? And what I mean by that is if you
10 look at -- for example, if you look at Atlantic City,
11 sort of, history and you use -- let's use the first
12 quarter of 2008 as sort of a proxy for when the
13 economic debacle started. And you look at it on a
14 slot-revenue basis through 2011. Exclude Borgata for
15 the analysis, and you just look at nonBorgata
16 properties. On a slot-revenue basis, you are down
17 over 30 percent. Borgata is almost flat over that
18 same time period. It wasn't about rooms. It wasn't
19 about capacity, it was about product. And ultimately
20 that is, from our perspective, the most critical
21 thing. As you look at it, as we looked at it, capital
22 will dictate the product. Product will dictate the
23 experience. And the experience will ultimately decide
24 your fate. And if we can create a compelling enough

25 product and a compelling enough experience, our

Garrity - direct - Kaufman

1 premise is we will do quite well.

2 In terms of the economic model, we sort
3 of look at it -- and again, to take a step back, we
4 are fundamentally betting on the demographic
5 underpinning of the Northeast. It's not just about
6 Atlantic City. As Kevin said, you've got a third of
7 the adult population that lives within a tank of gas
8 of this place. And, frankly, look at my background.
9 I've spent a lot of years on Wall Street. And what's
10 always amazed me, the thousands of traders, analysts,
11 private equity guys, bankers that will jump on a
12 plane, fly four to five hours to Vegas, lose the day
13 on the way back. Because they're gamblers? No.
14 Because they want to have fun. And that was really
15 the premise behind Revel. And when Kevin and I sat
16 down, it was, how can we create a business model that
17 is sustainable, that isn't just solely focused on one
18 dimension, and that's your overnight comp customer?
19 How can this model evolve?

20 And so to get to the heart of your
21 question, we created a business model that allows us
22 to not have to rely on the most competitive part of
23 the market; that is, where all the competition exists
24 in Pennsylvania, where all the competition in New

25 York, and where all the competition exists here in

Garrity - direct - Kaufman

1 Atlantic City. But to do that, we had to -- we looked
2 at it in terms of business segments. As Kevin
3 mentioned, we've got four customers. We've got a
4 group customer. We've got a leisure customer, all of
5 us sitting in this room. We've got an overnight comp
6 customer, and your walk-in, drive-in customer. The
7 whole premise for our economic rationale is this: If
8 we can drive sustainable group business and
9 sustainable cash business, that is incredibly
10 profitable, we have now created a business model that
11 is as a result less reliant on the most competitive
12 part of this market.

13 And so from our standpoint, if you just
14 take it in pieces, your group -- your group business.
15 There are 3 million group nights that happen in the
16 Northeast out of the Northeast year in, year out.
17 Atlantic City today does not get its fair share, and
18 it should. From a leisure perspective, again, it's
19 all about product. And I think you've got a third of
20 the adult population as Kevin said, 47 million people.
21 Forty million of them don't view Atlantic City as an
22 option today. And we need to change that. And we
23 think we've created a product that, hopefully, will
24 put ourselves in a position to do that. And if we get

25 those two pieces right, again, we don't have to dive

Garrity - direct - Kaufman

1 as deep into the finite pool of comp customers at much
2 lower theoretical levels.

3 And then, lastly, is your walk-in,
4 drive-in customer. And that, to us, as Kevin said,
5 you've got, of the 28 million visits on an annual
6 basis, 22 million of them are walk-in, drive-in
7 customers. They are coming in for a reason. And we
8 think we're giving people a lot of reasons to come to
9 visit Revel.

10 Q. Thank you.

11 I guess in -- is a short way of saying
12 that that because you're not as reliant on the
13 traditional comp customer that you don't believe you
14 will be engaged in price wars and increased
15 promotional costs as some have speculated?

16 A. I think the -- I think that is true. I
17 mean, clearly, the more reliant you are on that comp
18 segment, the more susceptible you are to competitive
19 pressures. And I think what we've tried to do is
20 create a business model that is sustainable. And,
21 again, the example there is this. If we get the group
22 business right and we get the cash business right,
23 then, all of a sudden, we can be much more selective
24 with respect to the type of people we're putting in

25 our rooms for free, the type of people we're feeding

Garrity - direct - Kaufman

1 for free. The example there is, if I'm -- if I have a
2 \$500 theoretical and Jim has a thousand dollar
3 theoretical, we're both staying in the room for free.
4 We're both eating for free. Our entertainment is for
5 free. The only difference is -- is he is much more
6 profitable than I am. And that's something we are
7 very cognizant of, and I think this business model
8 allows us not to be as susceptible in that sense.

9 Q. You've also forecasted a strong EBITDA.
10 Could you just -- as you talked about revenue, could
11 you explain the basis important that forecast.

12 A. Sure. There's -- I guess where you may
13 be going with it is, where if you look at our EBITDA
14 and, ultimately, our margins, and you look at that
15 across -- you got to be careful about the comparisons,
16 because, again, we built a very different asset
17 premised on a very different economic model. And as a
18 result, it's not -- it's not as easy to compare, like
19 from one facility to the next. But to do so, you'd
20 have to make a couple adjustments. There's a
21 structural difference between our EBITDA margin than
22 others, and there's an operating difference between
23 our EBITDA margin and others. What I mean by that is,
24 if you were doing comparison of our margin versus

25 another in the market, you'd have to account for, A,

Garrity - direct - Kaufman

1 we own our land. There is no land leases that we
2 incur from an expense standpoint. Our real estate
3 taxes are meaningfully less than others in the market,
4 and depending on who you are comparing it to, that
5 could be 8 to \$10 million. In our numbers there is no
6 assumption around making purse donations as those
7 rolled off in 2011. And those are, sort of, the
8 structural differences between our EBITDA margin and
9 others. And if you were to look at that, that's over
10 400 basis points.

11 The last piece I would view is more
12 operational. And that is, we will operate with less
13 slot machines and less table games. But in terms of
14 table games, which are incredibly labor intensive, and
15 if you look at the number of FTEs to support each
16 table game, there's tremendous savings there. And our
17 premise is, look, let's not build a church for Easter
18 Sunday. Let's try to be efficient. And in reality,
19 when you step back, the only reason you have -- you
20 add games is one of two reasons. Either because you
21 don't have enough capacity or you don't have enough
22 variety. It's never the former. There's plenty of
23 capacity. It's really a function of do you have
24 enough variety? And when you look at the evolution of

25 the games -- and, actually, you know, Kevin and I were

Garrity - direct - Kaufman

1 talking. When we went out to G2E, the conference out
2 in Las Vegas, the manufacturers actually recommended
3 we open up with 2200 slot machines. And the reason
4 they did that is because their view is because of
5 these multi-game platforms, you don't need the raw
6 number of units that you used to. So I think the
7 market is evolving, and we're attempting to evolve
8 with it.

9 Q. You've given pretty detailed
10 explanations as to why you believe in your forecasts.
11 What kind of flexibility or cushion do you have in the
12 unlikely event your forecasts are off?

13 A. We have today -- as a result of the
14 financing, we prefunded six months of interest post
15 closing. Post opening, rather. As a result of the
16 project running ahead of schedule, we had originally
17 anticipated opening up on May 15th. Obviously, we
18 will be opening up on April the 2nd. We will carry 50
19 million -- 49.9 million in an interest reserve post
20 opening to fund interest. So that will represent
21 roughly a little over seven -- seven months' worth of
22 interest. In addition, we expect to have a \$50
23 million revolver in place by the middle of April.

24 In addition, based on our expectations,

25 we anticipate on a normalized basis generating roughly

Garrity - cross - Fogarty

1 50 to 60 million of free cash flow a year which,
2 obviously, if we didn't hit our projections, you would
3 see that number come down.

4 Q. I probably should correct myself and say
5 that oftentimes projections can be off. So it might
6 not be that unlikely. However, do you feel that
7 covers any unforeseen circumstances?

8 A. Yes.

9 Q. Okay.

10 MS. KAUFMAN: No further questions.

11

12 CROSS-EXAMINATION BY MR. FOGARTY:

13 Q. Hello, Mr. Garrity.

14 A. How are you, Mr. Fogarty?

15 Q. The EBITDA that you and Miss Kaufman
16 were talking about, that is projected to be \$189-plus
17 million for 2013?

18 A. That is correct, sir.

19 Q. You are aware that's about 19 percent
20 higher than Borgata's last year or last measurable
21 year?

22 A. I am, sir.

23 Q. All right. That's a significant
24 difference. Wouldn't you agree?

A. When we developed Revel, we didn't do

Garrity - cross - Fogarty

1 so. The model was not built based on what other
2 people did. It was based on what we felt we could do
3 in terms of building the model bottoms up. To give
4 you some context, as you know, Borgata did, you know,
5 roughly \$164 million in their first 12 months. And
6 there's -- in their second full year, they did over
7 250 million. Again, Borgata has done a phenomenal
8 job. And, frankly, I suspect that when Borgata went
9 for their licensing when we were opening, I don't know
10 that anyone probably would have thought they would
11 have been as successful as they've been. But they
12 have been. And to their credit they have been. So I
13 think, look. We're mindful of it. As I said, there
14 are structural differences between our EBITDA and
15 theirs. I think if you were to account for those
16 differences, you would find a lot more commonality in
17 the numbers.

18 Q. The numbers that you quoted about
19 Borgata and their EBITDA when they opened and the year
20 after, that was a whole different market than what we
21 have now in Atlantic City, isn't it?

22 A. Yes.

23 Q. That was a much larger market then,
24 wasn't it?

A. The premises for our business model, if

Garrity - cross - Fogarty

1 you think about it, there are two keys. It's group
2 business, which is new to the market. That is an
3 enormous opportunity. If you build the right product,
4 the cash segment is equally large. The reality is, if
5 you think about Atlantic City -- look, we're not
6 building rockets, by any stretch. But what we have --
7 what we do believe we're benefitting from is hindsight
8 being 20/20. Atlantic City as has never been in a
9 place where it's ever had the opportunity to evolve.
10 In 2006 Atlantic City was doing 5.2 billion of gaming
11 revenue. There was no reason to evolve. If we were
12 all sitting there at one of these casinos, you'd say
13 nobody touch a thing. If you look at Las Vegas by way
14 of example, Las Vegas has evolved. Las Vegas realized
15 that if you look at -- if you exclude baccarat from
16 gaming revenues, gaming revenues have barely grown.
17 What has grown is everything else. And so what
18 Sheldon Adelson said, and everybody thought he was
19 crazy at the time, was game -- the participation rate
20 of gaming in the United States is about 30 percent.
21 It's not going to change any time soon. And in order
22 to -- in order to broaden and grow revenues, you have
23 to broaden your demographic reach, and you have to
24 have other levers you can pull to do it. And that's

25 why I think today as we sit here today it is a very

Garrity - cross - Fogarty

1 different opportunity for us where we have an ability
2 to drive significant group business and significant
3 cash business which hopefully will help change the
4 paradigm here in Atlantic City for not only for us but
5 for everybody.

6 Q. And it's on that basis that you think
7 you'll do that significantly much better than
8 Borgata's EBITDA?

9 A. If you didn't normalize for the
10 adjustments that I suggest you make, that's an
11 accurate statement.

12 MR. FOGARTY: May have to repeat all
13 that because they couldn't hear me.

14 (Laughter.)

15 THE WITNESS: That's okay.

16 Q. Would you call your forecast optimistic,
17 aggressive or realistic?

18 A. Realistic.

19 Q. Despite, again, the fact that you're
20 predicting well above what Borgata did last year?

21 A. If you account for the structural
22 differences in our business model versus theirs, there
23 actually is a significant difference.

24 (Conferring.)

25

Q. Address for us, if you would, sir, that

Garrity - cross - Fogarty

1 EBITDA and the fact that you are only going to have
2 about half the amount of rooms that Borgata has.

3 A. Again, it's -- it's not about the number
4 of rooms you have. It's about the profitability you
5 put in the rooms. That matters most. And if you went
6 back to -- I think it was June 26th of 2010 when
7 Borgata was here for their relicensing hearing. I
8 think one of the things that you heard management say
9 is that what's critical to driving rooms is group
10 business. I think the Chair asked the question
11 regarding the Water Club. And the answer was, if we
12 had convention business, we would get convention
13 business and ultimately open up the Water Club. We
14 view group business as being critical to putting the
15 right people in the rooms as opposed to putting
16 customers in a room that on a economic basis it may
17 not make sense. Again, I think Borgata has done a
18 phenomenal job. They've clearly been an industry
19 leader and certainly been a huge catalyst for this
20 market.

21 Q. Can you explain for us the precise
22 figure of 35,000,473?

23 (Laughter.)

24 Q. I'm sure you can?

25

A. How could I guess you were going to ask

Garrity - cross - Fogarty

1 that question?

2 Q. Because you paid attention.

3 A. The --

4 Q. Seemed like a derive figure. Somebody
5 subtracted something?

6 A. No. No. Sure. When had the deal was
7 being closed, there were some interim expenses that
8 Morgan Stanley paid for. That they wanted back in
9 return. So the difference between when the deal was
10 struck and the deal closed, there was some funding
11 that Morgan Stanley made that ultimately upon closing
12 they wanted back. So they got their purchase price
13 plus those dollars back in return, which is why that
14 number is a little odd.

15 Q. But that's separate from how much Morgan
16 Stanley earned on the financing, the work that they
17 did on the financing?

18 A. That's correct.

19 Q. How much did they earn on that?

20 A. This is -- this is an educated guess. I
21 think it's somewhere in the neighbor of about \$6
22 million.

23 Q. And I think Mr. DeSanctis explained what
24 it was that Morgan did for you all then. Perhaps you

25 could, also. It doesn't mean he didn't do a good job.

Garrity - cross - Fogarty

1 Just means you might know better.

2 A. Kevin, what is he trying to say?

3 (Laughter.)

4 A. Morgan Stanley, frankly, I think was
5 critical in that process for one primary reason. I
6 think investors clearly wanted to understand why they
7 wanted out. And it was the only way that -- and you,
8 I know, appreciate, the amount of brain damage, if you
9 will, to raise a billion-one in that environment was
10 incredible. And having Morgan Stanley support that,
11 they were actually in for the right reasons as opposed
12 to tainting the project, you know, was I think
13 incredibly important to us. So I think it was partly
14 that. And I think it was partly they, obviously, did
15 some work in terms of putting the deal together. And
16 they also were supportive in reaching out to other
17 investors that may have an interest who went into them
18 to express an interest when they made a decision that
19 they wanted to sell.

20 Q. You left Morgan at about the time Morgan
21 decided that they would get out of the Revel project?

22 A. That's correct.

23 Q. Amicable or no?

24 A. It's an interesting choice of words. I

25 think generally it was amicable. I think I clearly

Garrity - cross - Fogarty

1 wanted to -- wanted to accomplish something very
2 different than what they wanted to accomplish.

3 Q. And that was the Revel project?

4 A. It was -- it was time to move on. I
5 think that Wall Street has changed in a lot of ways.
6 And it was, you know, certainly not necessarily a
7 place that I wanted to be anymore.

8 Q. One last area, if you please, Mr.
9 Garrity. The revolver. Did I hear you say on direct
10 that it will be in place by April 20?

11 A. I expect it to be in place by the middle
12 of April.

13 Q. Okay. It seems to be a long time
14 coming. It seems to me I've read minutes from January
15 with Revel that you were saying that your effort in
16 getting a \$50 million revolver. It strikes me that
17 it's taken a while. Yes or no?

18 A. To put the revolver in place?

19 Q. Yeah.

20 A. No. I think it's normal course. This
21 is a very large project with a lot of different things
22 to do and get done. And I think, as we indicated to
23 our investors, our expectation was to have the
24 revolver in place on or about the opening. And that's

25 something we will do.

Garrity - cross - Fogarty

1 Q. Do you expect it to be senior to the
2 first term?

3 A. Senior in class? Or senior in priority?

4 Q. Senior in priority.

5 A. Yes. It will be first money out.

6 Q. I'm sorry?

7 A. It will be first money out.

8 Q. And why is it that Revel is seeking a
9 revolver?

10 A. I think it's prudent to have a liquidity
11 resources available to you.

12 Q. That's all I have, Chair. Thank you,
13 sir.

14 CHAIR KASSEKERT: Thank you.

15 Mr. Garrity, you know, I think it's
16 laudable that Revel is thinking outside the box
17 in terms of looking for -- for marketing to
18 these groups to cash customers. What if it
19 doesn't pan out? And I understand you have the
20 revolver. You have the interest payments paid
21 up. How long can you continue if all these
22 things go really bad and the economy doesn't
23 bounce back? What are your contingency plans
24 after that?

THE WITNESS: Look, I think if you look

Garrity

1 at our projections, if you wanted to just do a
2 quick sanity check, you take our total revenues
3 and you divide it by our total expected
4 visitation, our implied visitation numbers in
5 terms of those four segments, on a revenue
6 per-visit basis, you're going to get about
7 \$171. Today, as we sit here, if you look at
8 LTM revenues in Atlantic City and you divide it
9 by 28 and a half million visits a year, you're
10 going to get about \$164. And that is an
11 average.

12 CHAIR KASSEKERT: Uh-huh.

13 THE WITNESS: Our expectation is we
14 should be able to do a little bit better than
15 average. Our business model is not premised on
16 that we can drive that much more visitation
17 than anyone else. Or drive that much higher
18 spend than anyone else. Our business model was
19 engineered to be much more efficient because
20 hindsight being 20/20, trying to create levers
21 and drivers that allow us to be more profitable
22 by participating in businesses in areas that
23 are truly uncontested from a competition
24 standpoint. So I think, to answer your

question, I think we feel very comfortable with

Garrity

1 the numbers that we have. I think if you look
2 at the liquidity we have, the fact that we've
3 prefunded, and as a result of running under
4 schedule have over seven months of interest,
5 you know, in the bank, I think that that
6 creates a very compelling liquidity profile for
7 us.

8 CHAIR KASSEKERT: Certainly gets you
9 through the first couple months. And then,
10 hopefully, by then your -- you become a name,
11 and I think you will become a name, obviously.

12 Questions from the commissioners?

13 Commissioner Harrington?

14 VICE CHAIR HARRINGTON: Yes. And I'm
15 smiling because become a name. I mean, every
16 place you look, whether it's yesterday's "Star
17 Ledger" or any of the press over the last
18 couple of weeks, I mean, it's, you know, Revel,
19 Revel, Revel. So, and be hard to not have
20 taken notice and pay attention to that. So.

21 To pick up on a question that Mr.
22 Fogarty asked, did Morgan Stanley at that time
23 as part of their business decision, did they
24 just get out of the Revel project and Atlantic

City, or did they sort of transition out of

Garrity

1 gaming completely?

2 THE WITNESS: At the time if I were to
3 answer Mr. Fogarty's question, they exited for
4 three reasons. But the short answer to your
5 question is, they were actually multiple
6 businesses. It was just about Revel. It was
7 across the board. But I'd say the economic
8 environment was incredibly difficult.

9 VICE CHAIR HARRINGTON: Uh-huh.

10 THE WITNESS: They were a TARP
11 recipient. Wall Street was clearly being
12 villainized, and I think they wanted to get
13 back to their knitting. That's number one.
14 Number two was, I think they realized that, as
15 I said, gaming was not their core competency.
16 Probably something that they wouldn't be good
17 at. And then, third, I think you combine it
18 with the fact that a billion-two is not going
19 to be an easy problem to solve. And in light
20 of all the other problems they probably had on
21 their plate and, again, I'm speculating, I
22 suspect that the combination of all three of
23 those things forced them to be in a different
24 direction and, again, I don't think it was just

about Revel. I think was broadly gaming. And,

Garrity

1 frankly, you can probably add a dozen other
2 industries to that collection, if you will.

3 VICE CHAIR HARRINGTON: Okay. I was
4 going to ask, and as a result of that answer
5 this might not even be a relevant question, but
6 if -- and this is strictly conjecture, but if
7 at the time we had a standard where the --
8 whereas today, no qualifiers are needed for the
9 financial support, do you have a sense of
10 whether or not that would have helped Morgan
11 Stanley and moved this project along sooner?

12 THE WITNESS: I think -- look, I think
13 it's a fair question. Clearly, the environment
14 at that time was incredibly challenging. With
15 what happened with Bear Stearns and Lehman, I
16 think there were problems -- just enough
17 problems on their plate that they weren't going
18 to take what would have been a Herculean effort
19 to try to figure out and raise a billion-one,
20 billion-two capital in that environment, I
21 think that was just too much for them.

22 VICE CHAIR HARRINGTON: Okay. All
23 right. Thanks.

24 And then my last question is, with

regard to, you know, the confidence and the

Garrity

1 alliance that you have on this new model, this
2 evolving model is -- is very encouraging. And,
3 you know, I think there's a lot of optimism.
4 But do you have indications of interest in
5 group business as we look to next year and with
6 all the excitement that's surrounding this?

7 THE WITNESS: Sure. It's a fair
8 question.

9 In terms of groups, we have already
10 started to book groups.

11 VICE CHAIR HARRINGTON: Right.

12 THE WITNESS: We have a significant
13 number of groups already in contract, signed
14 deals. We have -- give you a sense. We have
15 close to 25,000 group nights between either in
16 contract or actually executed today as we sit
17 here. And, frankly, we really haven't done
18 anything yet.

19 VICE CHAIR HARRINGTON: Yeah.

20 THE WITNESS: So I think the opportunity
21 is enormous not just for us but I think for
22 everybody in the market and Atlantic City as a
23 whole.

24 VICE CHAIR HARRINGTON: Okay. Thank

25

you.

Garrity

1 CHAIR KASSEKERT: Commissioner Fanelle?

2 Let me just ask one question. As part
3 of your approval process today, we waived the
4 residency. Under the belief -- and the
5 Division reports that you'll be working in New
6 York. What will you be doing in New York that
7 you couldn't be doing in Atlantic City?

8 THE WITNESS: Sure. My role at Revel is
9 really three-fold. One is strategic
10 development. One is capital markets. And the
11 other is really, you know, general corporate
12 finance related matters. Being in New York
13 allows me obviously very close relationship
14 with a lot of our investors, a lot of the
15 banks. Rating agencies. Clearly our capital
16 structure is incredibly important to us. It's
17 something that we are going to continue to
18 hopefully enhance both here in Atlantic City
19 and as we, you know, look at other things. So
20 I think from a proximity standpoint, it makes a
21 lot of sense for me to be there. Where all
22 those institutions are.

23 CHAIR KASSEKERT: Thank you.

24 Anything on redirect?

MR. LEVENSON: No, ma'am.

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1 CHAIR KASSEKERT: Anything on recross?

2 MR. FOGARTY: No. Thank you.

3 CHAIR KASSEKERT: You may step down, Mr.
4 Garrity.

5 THE WITNESS: Thank you.

6 CHAIR KASSEKERT: Mr. Levenson?

7 MR. LEVENSON: That's all the witnesses
8 we have to call.

9 CHAIR KASSEKERT: Okay. All right. We
10 then will move to closing statements.

11 Mr. Fogarty?

12 MR. FOGARTY: Yes. Before we do, I had
13 indicated to Mr. Levenson that we -- that the
14 Division may call Mr. Greenstein to the CFO,
15 but in light of what Mr. Garrity testified to,
16 I think it would be plowing the same kind of
17 ground. So we will not, not do that.

18 Closings. Yes. There isn't much more
19 for the Division to really say. I think
20 without being presumptuous, I think the matter
21 is a bit of a foregone conclusion, but I would
22 like to take the opportunity with your
23 indulgence to say that the Director would like
24 to assure the Commission and through you,

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1 today isn't really the end of anything. The
2 meeting I sat in lately with Director Rebeck,
3 he essentially deployed a small army of
4 Division personnel to be on site at Revel
5 during these play dates coming up this week and
6 through the following week, I'm sure. The
7 preview week, as Mr. DeSanctis is calling it.

8 So we have in mind, he has in mind
9 clearly the public safety issue, security,
10 surveillance, the fairness of the games, the
11 internal controls. Those key things that the
12 public may not see but that are critically
13 important to the proper operation of an
14 establishment such as Revel is about to open.
15 They will be monitored. They'll be checked.
16 They'll be tested. They'll be retested, et
17 cetera, et cetera. If Revel thinks the
18 Division personnel have been suffocating the
19 last three, six, nine months, they ain't seen
20 nothing yet, because we intend to make sure
21 things go off as best as they can so go off.

22 Finally, we've reviewed the draft
23 resolution that's been marked for
24 identification as C-1, and we have no objection

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1 Thank you.

2 CHAIR KASSEKERT: Thank you.

3 Mr. Levenson?

4 MR. LEVENSON: Yes. Thank you, Madame
5 Chair, Members of the Commission.

6 We welcome the Division to the property.
7 It's, quite frankly, important for us to have
8 as many eyes and hands there to ensure that
9 we're doing everything correctly. We believe
10 we will be doing everything correctly.

11 I guess there's only one thing left to
12 make sure that the public correctly calls us
13 REVel instead of ReVEL. And so with that, we'd
14 ask for your indulgence to grant us the
15 approvals that we need to commence operation.

16 CHAIR KASSEKERT: Thank you.

17 MR. LEVENSON: Thank you very much.

18 CHAIR KASSEKERT: Thank you.

19 Let me just ask if there are any other
20 matters that need to be brought to our
21 attention at this time?

22 MR. FOGARTY: Not from the Division.

23 MR. LEVENSON: No.

24 CHAIR KASSEKERT: All right. Seeing

none, we'll take a brief recess.

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1 (A recess was taken from 2:15 to 2:26
2 p.m.)

3 CHAIR KASSEKERT: Thank you. We'll go
4 back on the record.

5 Let me ask at this point if the
6 Commissioners have any additional questions?

7 VICE CHAIR FANELLE: I do.

8 CHAIR KASSEKERT: Commissioner Fanelle?

9 COMMISSIONER FANELLE: Mr. Fogarty, just
10 for means of good housekeeping with regards to
11 Block 73, there is still some pending issues
12 there. I just ask the Division keep us
13 informed as to how that investigation goes and,
14 you know, we have all the information relevant
15 to that inquiry?

16 MR. FOGARTY: Yes. I believe that's in
17 the draft resolution. We'll provide a report,
18 too.

19 VICE CHAIR FANELLE: Just making sure,
20 sir.

21 CHAIR KASSEKERT: Getting it on the
22 record.

23 MR. FOGARTY: Correct.

24 COMMISSIONER FANELLE: But this

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1 structure of the Act, and it's still a very
2 important part to us, and we don't get another
3 bite of the apple because the Applicant doesn't
4 come back anymore.

5 MR. FOGARTY: I understand, sir.

6 COMMISSIONER FANELLE: So, we just like
7 to be fully engaged in this process with your
8 collective group, with your group.

9 MR. FOGARTY: Will do.

10 CHAIR KASSEKERT: And we'll get another
11 bite of the apple.

12 (Laughter.)

13 CHAIR KASSEKERT: At the ICA. Thank
14 you.

15 Let me ask again, are there any other
16 matters that need to be brought to our
17 attention at this time?

18 MR. FOGARTY: Not from the Division.

19 CHAIR KASSEKERT: Very good.

20 In 2007, nearly five years ago,
21 construction on the Revel project site began.
22 Threats of the project's viability in light of
23 the unprecedented economic downturn, the
24 ambitious cost of the project, and the

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1 Atlantic City casino properties loomed almost
2 from day one. In fact, in 2010 Morgan Stanley,
3 the project's initial financial backer,
4 withdrew from the project and announced that it
5 was pursuing a sale, and eventually wrote down
6 its investment in the project by approximately
7 \$1.2 billion.

8 Through sheer dogged determination on
9 the part of Mr. DeSanctis and other
10 stakeholders, substitute financing totally
11 approximately \$1.15 billion was secured and
12 finalized in February of last year.

13 In addition, Revel received an Economic
14 Redevelopment Growth grant from the New Jersey
15 Economic Development Authority which will
16 provide it with an estimated \$261.3 million
17 over a 20-year period from rebates of certain
18 incremental taxes. These funds are required,
19 in part, to be used for specified projects,
20 including improvement to the Garden Pier and
21 Gardners Basin, boardwalk reconstruction, open
22 space, demolition of private properties, and
23 small business development projects which will
24 benefit all of Atlantic City.

At this hearing today it is for us to

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1 determine whether Revel has established by
2 clear and convincing evidence that it meets the
3 statutory standards set forth in the Casino
4 Control Act for casino licensure. Under
5 today's economic conditions, one of the most
6 important licensing criteria to be reviewed is
7 an applicant's financial stability, integrity,
8 and responsibility. The Act requires that an
9 applicant for a casino license establish its
10 ability to comply with five financial stability
11 standards set forth in NJSA 5:12-84a: The
12 ability to maintain an adequate casino
13 bankroll; to meet ongoing operating expenses;
14 to pay all taxes and fees; to fund capital and
15 maintenance expenditures; and to satisfy debt
16 service obligations.

17 The Division report notes and the
18 testimony of Mr. DeSanctis and Garrity
19 elaborate that given the unique physical
20 characteristics of Revel and the excitement
21 surrounding its opening, Revel's initial
22 revenue results are expected to be strong.
23 However, given the challenging economic
24 environment, the intensity of regional

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1 inventory, and its need to establish a customer
2 database, Revel's ongoing revenue forecasts are
3 extremely ambitious. Additionally, Revel's
4 debt services requirements are higher and will
5 increase significantly in 2012 when interest on
6 the second lien notes become due in cash.

7 It should be noted, however, that the
8 Division reports, which the testimony today
9 supports, that Revel's financing vehicles do
10 provide some flexibility that would enable it
11 to withstand potential shortfalls from its
12 aggressive forecasts. Further, the Division
13 indicates that it will closely monitor Revel's
14 financial situation going forward, and indeed
15 the financial reporting requirements contained
16 in the Division's regulations will facilitate
17 that monitoring process.

18 With these necessary safeguards I, as
19 one commissioner, am satisfied that Revel has
20 demonstrated its financial stability under the
21 Act as necessary for it to obtain a casino
22 license.

23 When I joined the Commission in 2002,
24 work on the Borgata was nearly complete, and I

had the privilege of presiding at its licensing

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1 hearing in this very room. That facility
2 clearly broke the mold for casino hotels in
3 Atlantic City, reinvigorated the market, and
4 raised the bar for casino projects here.

5 Now, nine and a half years later, I have
6 the privilege of presiding in today's licensing
7 hearing for Revel. Like Borgata was Revel is a
8 game changer. Its casino is not the biggest.
9 It doesn't have the most tables, slot machines,
10 or hotel rooms. But its designed features, the
11 soaring atrium, the elevated porte cochere, and
12 the undulating boardwalk facade topped with its
13 pools and gardens all combine to create an
14 exciting resort experience, while its
15 restaurants, theaters, and spa will be strong
16 lures to attract new visitors who are
17 interested in enjoying much more than a casino.

18 Unlike other existing casino hotels,
19 Revel embraces its beachfront location, and it
20 incorporates it as an integral element of the
21 facility. With the attention to detail and its
22 understated elegance, it is easy to see why
23 many believe Revel is setting a new standard
24 against which future properties will be

25

measured.

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1 We have heard Mr. DeSanctis describe
2 many of the amenities throughout the property
3 as well as his marketing plan and his vision
4 for Revel in Atlantic City. We are placing a
5 great deal of confidence in you, Mr. DeSanctis,
6 and your team at Revel. Your ability to market
7 this property and draw new people to come and
8 experience what Atlantic City has to offer will
9 play an enormous role in the future success of
10 the gaming industry here.

11 The Division has issued a report on its
12 investigation of Revel and its qualifying
13 entities and individuals. Earlier this morning
14 we approved the qualification and licensure of
15 a number of Revel officers, directors, and key
16 employees. From today's presentation and the
17 report of the Division of Gaming Enforcement,
18 in my view, Revel has carried its burden and
19 satisfied the criteria for the issuance of a
20 casino license. Accordingly, I now move that
21 the Commission adopt the draft resolution and
22 to issue a casino license to Revel
23 Entertainment Group, LLC, in accordance with
24 the findings and rulings and subject to the

conditions stated in the resolution. And I so

1 move.

2 Is there a second?

3 VICE CHAIR HARRINGTON: I'll second that

4 motion.

5 CHAIR KASSEKERT: Motion has been made

6 and seconded. This is a roll call vote.

7 MR. NANCE: Commissioner Fanelle?

8 COMMISSIONER FANELLE: Yes.

9 MR. NANCE: Vice Chair Harrington?

10 VICE CHAIR HARRINGTON: Yes.

11 MR. NANCE: Chair Kassekert?

12 CHAIR KASSEKERT: Yes.

13 MR. NANCE: The record will reflect that

14 the motion is unanimous.

15 CHAIR KASSEKERT: Thank you.

16 Congratulations.

17 MR. LEVENSON: Thank you. Thank you

18 very much.

19 Thank you, Mr. Fogarty, Director Rebuck.

20 I don't have to go through all those names

21 again, do I?

22 CHAIR KASSEKERT: Thank you.

23 We need to do a public participation

24 portion.

MR. NANCE: It is now time for the

1 public participation portion of the meeting.

2 CHAIR KASSEKERT: Is there anyone from
3 the public that wishes to be heard?

4 (No response.)

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

8 VICE CHAIR HARRINGTON: So moved.

9 COMMISSIONER FANELLE: Second.

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

12 (Ayes.)

13 CHAIR KASSEKERT: Opposed?

14 (No response.)

15 CHAIR KASSEKERT: The motion carries.

16 (Special Meeting 12-03-26 was adjourned
17 at 2:38 p.m.)

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C E R T I F I C A T E

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

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

DARLENE SILLITOE, CCR

License No 30XI0102300

Dated: March 29, 2012
My Notary Commission Expires
July 22, 2014
ID No 2062871

