

Jeff Hooke, Focus Securities, LLC, Gambling Expertise

Jeff Hooke is a managing director of Focus Securities, LLC, an investment banking firm headquartered in Washington, DC. Previously, Hooke was a director of Emerging Markets Partnership (a \$5 billion private equity partnership), a principal investment officer of the World Bank Group, and an investment banker with Lehman Brothers and Schroder Wertheim, respectively, two prominent securities firms based in New York. Hooke is the author of four books: *The Dinosaur Among Us: The World Bank and Its Path to Extinction* (2007), *The Emerging Markets* (2001), *Security Analysis on Wall Street* (1998), and *M&A: A Practical Guide to Doing the Deal* (1996).

His studies on casino-style gaming have led to testimony on the value of gaming licenses and the prospective revenues from state-sanctioned gaming expansion before the legislatures of Indiana, Kentucky, Maryland, Massachusetts, Pennsylvania and Texas. His views on gaming expansion have been referenced in numerous publications, including the *New York Times*, *Forbes*, *Washington Post*, *Chicago Sun Times*, *Columbus Dispatch*, *Philadelphia Inquirer*, *Houston Chronicle*, *Baltimore Sun*, *Dallas Morning Post*, *Cleveland Plain Dealer*, *Boston Globe*, *Miami Herald*, *Fort Lauderdale Sun Sentinel*, *New York Post*, *Louisville Courier Journal*, *Indianapolis Star*, *Pittsburgh Post-Gazette*, *Kansas City Star*, *San Diego Tribune*, *Singapore Straits Times*, *Texas Observer*, *Gaming Observer*, *Bloodhorse* and *Thoroughbred Times*.

Hooke co-authored the August 2003 report "Legalizing Video Slot Gaming in Maryland: A Business Analysis" (published jointly by the Maryland Tax Education Foundation (MTEF) and the Maryland Public Policy Institute), the October 2004 report, "Expanding Slot Gaming in California: A Business Analysis" (published by the Reason Foundation), the April 2005 report, "The State Legislature May Leave \$4.5 Billion on the Table by Not Setting a Fair State Gaming Tax" (published by Florida Tax Watch), the February 2006 report "New York State's \$2 Billion Trifecta: NYRA, VLTs & OTB" (published by MTEF) and the October 2008 report "Ohio Casino Giveaway: Ohio Taxpayers Could Lose \$1 Billion by Approving Issue 6" (published by Buckeye Institute for Public Policy Solutions).

Hooke was the financial advisor to the Florida Breeders and Horsemen, with respect to their negotiations with Magna Entertainment Corp. He also advised the Thoroughbred Horse Owners of California in their discussions with racetracks regarding electronic gaming. In April 2007, he advised Pinnacle Entertainment, Inc., a major casino firm, on the \$500 million value of two gaming licenses for the Indianapolis area. In 2009, he advised the State Senate President of Kentucky on gaming expansion alternatives. In 2010, he was retained to evaluate the proposals for slot machines at Aqueduct racetrack in New York City.

Pennsylvania Legislature
Testimony by Jeff Hooke – Managing Director – Focus Securities
Relocate and Rebid of Philadelphia Casino License

- Only a metro Philadelphia location yields a high value. The casino’s location should be 10 miles away from Philadelphia Park, Sugarhouse, and Chester. This suggests a location in the western part of the Philadelphia metro area.
- The rebid license value should be \$200-\$300 million, given a proper auction structure, and no extra taxes on top of the existing 55%. If the proposed Valley Forge casino is cancelled, the value increases perhaps by \$100 million.
- This requirement may conflict with the bill’s language or intent, and it poses a problem for the proposed Valley Forge resort casino (600 slots).
- The existing metro Philadelphia casinos will complain about another competitor. However, other metro areas, some less populated than Philadelphia, support more than three casino locations – e.g., Kansas City, Detroit, St. Louis, and Miami.
- Locations outside of metro Philadelphia provide smaller values. Most of the populated areas already have casinos.
- Most of the bill’s process is appropriate. Certain bidding procedures in the proposed bill need adjustment in order for the State to obtain the best value.
- My suggested changes to bidding procedures include:
 - Before contacting bidders, the State should select, with local jurisdictions’ cooperation, one or two metro Philadelphia sites that meet zoning, local revenue sharing and other requirements.
 - Prospective bidders thus bid on a “standardized product.”
 - As a result, the bidders are not running around, meeting with local politicians, and fishing for special deals that subvert the State’s price maximizing objectives and other goals.
 - The State should hire the investment bank upfront, and wait for the bank’s “bidder feedback” before the bidders’ license applications begin.
 - In this way, the bank will canvas prospective bidders and narrow the field to perhaps five serious bidders, which can (i) meet a minimum price; like \$250 million; (ii) finance the license purchase and casino construction; (iii) likely pass the Gaming Commission’s license application process.
 - The Gaming Commission’s work is thus reduced, since it only reviews a few firms that have a true shot at winning the bid.
 - Once the five “pre bids” are in, the state should try and limit the license review process and the other review processes to a total of 60 days.