

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: CLOSING ARGUMENTS FOR CATEGORY 2 LICENSE  
APPLICATIONS, PA GAMING VENTURES, LLC

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PUBLIC HEARING

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BEFORE: WILLIAM H. RYAN, JR., CHAIRMAN  
Gregory C. Fajt; Annamarie Kaiser; Keith R.  
McCall; John J. McNally, III; Anthony  
Moscato; David W. Woods; Members  
Jennifer Langan, representing Robert  
McCord, State Treasurer  
Robert Coyne, representing Daniel Meuser,  
Secretary of Revenue

HEARING: Tuesday, February, 26, 2014  
11:30 a.m.

LOCATION: Pennsylvania Gaming Control Board  
Office of Hearings and Appeals  
Strawberry Square Complex  
2nd Floor  
Harrisburg, Pennsylvania 17101

Reporter: Jennifer D. Crawford

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WITNESSES: None

## A P P E A R A N C E S

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CLOSING ARGUMENT

By Attorney Bizar

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CLOSING REMARKS

By Chairman

18 - 19

E X H I B I T S

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NONE OFFERED



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CHAIRMAN:

Finally, we have PA Gaming Ventures.

Mr. Bizar?

ATTORNEY BIZAR:

That's right. Thank you, Mr. Chairman.

Good morning, Members of the Board. Steve Bizar, B-I-Z-A-R, from Buchanan, Ingersoll and Rooney for PA Gaming Ventures and Penn National Gaming. We appreciate very much the opportunity to be heard one last time, with respect to our application. We know it's been a long process.

We've complied with the requirements of the Gaming Act and its related regulations. We've also done our very best to answer the questions of this Board and its staff. And, on that point, I just wanted to call the Board's attention to a letter --- or, to a statement by Ms. Lloyd in her January 23, 2014 pre-hearing report, that during the application investigation process, PA Gaming Ventures was very proactive in responding to requests and very cooperative with BIE and OEC.

We've tried to be transparent here and cooperative. And, as a result of that process,

1 there's a very substantial record before you as part  
2 of our application. I'm not going to summarize that  
3 record today, but I would like to offer three  
4 observations to you, which I think demonstrate why PA  
5 Gaming Ventures is the most qualified, suitable and  
6 appropriate Applicant for the remaining license. And  
7 which I believe answer two of the paramount --- two of  
8 the critical questions that have surfaced during the  
9 questioning by the Board, during the licensing period.

10                   Number one, the ability of an Applicant  
11 to deliver on its financial promises, the credibility  
12 of the Applicant. And number two, the impact of  
13 another casino on the Philadelphia market. Those are  
14 two of my three observations. We'll address those  
15 points.

16                   The first observation. PA Gaming  
17 Ventures is the most credible Applicant, whether you  
18 look at its proposal from a financial prospective or  
19 whether you look at the management team. A specter  
20 of Foxwoods hangs over so much of this process. Every  
21 single Applicant has touched on it and every single  
22 time the Board has asked questions it's been  
23 implicated in the questioning.

24                   And, of course, the reason for that is  
25 that if Foxwoods had delivered on its promises, there

1 would already be a second casino up in Philadelphia.  
2 And the primary objection by Mr. Donnelly's client  
3 would be moot. So, from the very beginning of this  
4 process, PA Gaming Ventures has sought --- it's been  
5 important to us to present a proposal to the Board  
6 that was credible, that was built on realistic  
7 assumptions and promises that we could meet.

8           And with that in mind, we proposed a  
9 Hollywood Casino, our brand, that's not the biggest  
10 casino, it's not the flashiest casino among the  
11 proposals. And we knowingly avoided exaggerated  
12 claims of projected capital expenditures and  
13 unrealistic predictions of annual gross gaming revenue  
14 that we think will never be met, and which we think  
15 are characteristic of the Center City proposals.

16           We propose instead, a realistic  
17 investment on a realistic scale with realistic earning  
18 expectations, which require proper management, which  
19 we think we have in the Penn team, the operators team.  
20 Our proposal envisioned an appropriately sized casino  
21 with additional entertainment options, well-designed  
22 to take advantage of the surrounding Stadium District.  
23 And there is also the possibility in our proposal of a  
24 second phase, phase two expansion that would be  
25 developed if the economics and financial conditions

1 --- if the market warranted it.

2           Crucially, from our prospective, the PA  
3 Gaming Ventures made a proposal that it could fund  
4 right now from its existing and available resources.  
5 Resources that are available and which exist, even if  
6 Penn National is successful in all of its other  
7 pending applications, which we all know, it will not  
8 be.

9           The resources include Penn National's  
10 positive balance sheet and funding availability and  
11 the funding availability of its partner, GLPI. It's  
12 demonstrated in our sources and use documentation.  
13 And we've been very transparent about that and willing  
14 to update and revise those documents and that  
15 information, as requested by the OEC.

16           In addition to our ability to deliver on  
17 our financial promises and our financial commitments,  
18 our proposal is the most credible because of the Penn  
19 National management team, the operator. Building a  
20 second casino in the City is going to be a challenging  
21 project. Every single Applicant who has appeared  
22 before you today has recognized that expressly. And  
23 the Board, I think, has recognized that in its  
24 questioning.

25           But we have an established operator here

1 in Penn. We have a company that's located in  
2 Pennsylvania, that's active in other markets around  
3 the country, but also active here, that's known to  
4 this Board, that's known to the regulators, that is a  
5 licensed entity that's appeared before this Board  
6 before. And there's no real question about our  
7 ability as compared to a newbie, as compared to  
8 somebody with no casinos that they're operating.

9           There's no real question about Penn's  
10 ability to manage this project to realize its  
11 expectations. We have 26 facilities in 17  
12 jurisdictions around the company. We've opened more  
13 projects in the last five years than anybody else and  
14 we have experience in doing that in competitive  
15 markets.

16           Second observation. PAGV, the Penn  
17 Gaming Ventures proposed casino, has the least harmful  
18 impact on the existing gaming resources and the  
19 greatest, most-realistic prospect of enhancing revenue  
20 by attracting new patrons. We purposefully chose the  
21 Stadium District, because we think it's the best  
22 location to attract both existing and new patrons to  
23 Philadelphia. We have experience doing this in other  
24 jurisdictions, as you know.

25           We believe patrons to casinos want to

1 travel by car. And our location was selected with the  
2 knowledge that they would rather get there by car than  
3 by public transportation. They need ready and  
4 convenient access. And the congestion that one  
5 typically finds in Center City, which I encounter  
6 every day on my commute to work, is not the kind of  
7 congestion that's going to attract the typical gaming  
8 customer, the typical patron.

9           Public transportation helps, it's not an  
10 answer. We need to have car access. And our  
11 location, with easy access to I-76, with easy access  
12 to I-95, with our unequivocal commitment to  
13 infrastructure improvement, to build a west-bound ramp  
14 on 76, no matter what the cost. And you all heard Mr.  
15 Wilmott convey that unequivocal commitment at the  
16 hearing. Our commitment will provide that easy  
17 access. It will attract patrons to the area.

18           The access will foster development of  
19 the new Philadelphia gaming submarket. It will allow  
20 us to attract South Jersey residents, who can easily  
21 cross the Walt Whitman Bridge. It will expand the  
22 market by pulling in patrons who find our facility  
23 more convenient than Atlantic City. And those patrons  
24 will join Penn's database of 4.3 million customers ---  
25 4.3 million gamers, 2.7 million of whom live within

1 easy access by plane or by car, or other means, to  
2 Philadelphia.

3                   And we think that ease of access, we  
4 think that attraction of Philadelphia, the opportunity  
5 to cross market with the exiting events in  
6 Philadelphia in the Stadium District, whether they're  
7 sports events or entertainment events. And we've done  
8 this in Kansas City --- the Speedway. We've done this  
9 kind of work. We think that will attract and develop  
10 a new group of gamers. It will increase visitation.  
11 It will spur market growth. And it will give an  
12 opportunity for new revenue to be brought to the  
13 gaming industry and to Philadelphia.

14                   Obviously, building another casino is  
15 going to increase concentration. Obviously, it's  
16 going to --- there is going to be an issue with  
17 saturation in this marketplace. We know that.  
18 Everybody knows that. And I think it would just not  
19 make any sense to pretend that that isn't the case.  
20 But we think competition is a good thing. I agree  
21 with my friends and my old friend, Mr. O'Riordan.  
22 Competition is a good thing. It puts everybody on  
23 their game. And it's good for the consumers. And we  
24 think that with our management team involved, our  
25 experience in bringing competitive --- bringing

1 casinos to market in competitive environments we can  
2 provide a competitive product that increases revenue  
3 and doesn't detract from revenue.

4                   And finally, my last observation. This  
5 project that we've proposed gives this Board the  
6 opportunity to do something that is truly unique.  
7 Something that's never been done before. We've  
8 proposed a unique ownership structure. People have  
9 taken potshots at it. It's gotten a lot of attention,  
10 as it should. It was inspired by our need to comply  
11 with the one and one-third ownership requirement set  
12 forth in the statute.

13                   We're mindful of that and I've pointed  
14 out at the licensing hearing that Penn had divested  
15 itself of Pocono Downs in 2006, specifically to be  
16 compliant with the statute. We recognize that those  
17 limitations on ownership exist, and so, we sought to  
18 do something special here. And we're offering this  
19 Board the opportunity to do something special,  
20 something that's never been done. Over and above  
21 generating the tax revenue or the economic benefits  
22 that gaming typically provides.

23                   In our proposal, PCBC, the two-thirds  
24 owner, will serve as a conduit to provide two-thirds  
25 of the net-free cash flow to two needy beneficiaries,



1 the Philadelphia School District and the Philadelphia  
2 City Pension Fund, both of which are chronically  
3 underfunded. At the start, PCBC will provide no less  
4 than \$2 million, no less than \$2 million per year.

5 But the amount of that contribution, the two-  
6 thirds of free cash flow to the City's Education and  
7 Pension Funds will increase as the operations  
8 stabilize. So, by the year 14, it could be between  
9 \$17 and \$23 million, given even our conservative  
10 projections. \$17 to \$23 million to the City's Pension  
11 and School Districts --- Pension Fund and School  
12 Districts.

13 Even if the law were to change at some  
14 point in the future and that would require an act of  
15 legislature, even if that were to happen and Penn  
16 National were to be in a position to buy out PCBC,  
17 there would be a fair market valuation at that time,  
18 under the agreement that would yield a tremendous  
19 windfall to these two beneficiaries. All of these  
20 payments, all of these contributions are over and  
21 above the anticipated tax revenue, over and above the  
22 employment contributions, over and above the  
23 investment in construction costs that will occur  
24 during construction and operation of this casino.

25 Obviously, this kind of event, this kind

1 of contribution, is not going to be a complete answer.  
2 We recognize that. The Pension Fund and the School  
3 District are woefully underfunded. And we don't have  
4 the means to answer it completely. But they will ---  
5 tens of millions of dollars could provide the real  
6 assistance. They could stand as an example and maybe  
7 inspire others to engage in these kinds of  
8 partnerships.

9                   With Penn Gaming Ventures' proposal,  
10 this Board has the opportunity to do something that  
11 has never been done before, to approve a unique  
12 ownership structure that establishes an ongoing  
13 beneficial charitable relationship between the casino  
14 and its host community in a way that complies with the  
15 law. We hope that you'll consider it. We hope that  
16 you'll do something that's unique, rather than  
17 something that's routine.

18                   We really appreciate very much the  
19 professionalism that everybody has shown during this  
20 process. We appreciate very much the work of the BIE  
21 and the OEC, and we appreciate the Board's attention.  
22 Thank you very much.

23                   CHAIRMAN:

24                   Thank you, Mr. Bizar. This concludes  
25 the closing arguments, and really, the proceedings in

1 this process of considering the awarding of the second  
2 Category 2 License from the City of Philadelphia. It  
3 will now be this Board's duty to make a decision,  
4 which we certainly hope to do in the not-too-distant  
5 future. On behalf of the entire Board, I would like  
6 to thank all of the parties to these proceedings for  
7 the professionalism all have shown throughout what has  
8 been a long process.

9                   Now, ladies and gentleman, so that  
10 everybody can take a few minutes to stretch your legs,  
11 the Board will take a ten-minute recess. And, after  
12 that, we will begin our regularly scheduled public  
13 meeting. Thank you.

14                                   \* \* \* \* \*

15                                   HEARING CONCLUDED AT 11:44 A.M.

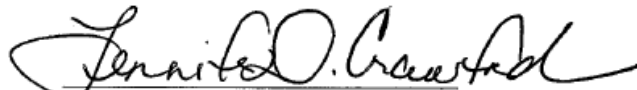
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I hereby certify that the foregoing proceedings,  
hearing held before Chairman Ryan was reported by me  
on 2/26/2014 and that I Jennifer Crawford read this  
transcript and that I attest that this transcript is a  
true and accurate record of the proceeding.

  
Court Reporter