

PENNSYLVANIA GAMING CONTROL BOARD

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IN RE: PUBLIC MEETING

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NORTH OFFICE BUILDING

HEARING ROOM 1

COMMONWEALTH AND NORTH STREETS

May 17, 2007, 11:00 A.M.

* * * * *

BEFORE:

THOMAS DECKER, CHAIRMAN

RAY ANGELI

MARY DiGIACOMO COLINS

JEFFREY W. COY

KENNETH McCABE

SANFORD RIVERS

GARY A. SOJKA

REPORTER: KENNETH D. O'HEARN

REPORTER - NOTARY PUBLIC

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1 MR. DECKER:

2 I'm Tad Decker, Chairman of the
3 Pennsylvania Gaming Control Board, and I'd like to
4 welcome the Board and all of you to this meeting
5 today. A quorum of the Board is present, and
6 therefore the meeting is called to order.

7 We also have Keith Welks here, who's
8 attending on behalf of State Treasurer, Robin
9 Wiessmann. And we have, let's see, in the audience,
10 Stacey Amsler, Andrea Mead, who are here representing
11 Secretary --- Revenue Secretary, Tom Wolf. Thank you
12 all for joining us.

13 Moving along to one of our regular
14 housekeeping items, let me, again, remind everyone,
15 including myself, to shut off cell phones,
16 Blackberries, et cetera.

17 As we usually do, please join us in the
18 Pledge of Allegiance.

19 PLEDGE OF ALLEGIANCE RECITED

20 MR. DECKER:

21 By way of announcements, the Board held
22 an Executive Session --- excuse me, sessions
23 yesterday, May 16th, and this morning to discuss
24 various personnel matters. No business was conducted
25 at these sessions.

1 As a reminder, the Board is accepting
2 applications for the two available Category III resort
3 licenses. The application period is open through June
4 29th. Interested parties can visit our website for
5 the applications and the other required forms.
6 Questions about Category III application process
7 should be directed to our Bureau of Licensing.

8 The Board also has opened another
9 application period, this one is for the local Law
10 Enforcement Grant Program. As you know, the Race
11 Horse Development and Gaming Act allows the Board to
12 annually award \$5 million in grants to local law
13 enforcement agencies. And I want to emphasize this,
14 to enforce and prevent the unlawful operation of slot
15 machines. Not for general things, but for that
16 specific topic.

17 This application period began on Tuesday
18 and will close on June 29th as well. Applications and
19 grant program guidelines are also available on the
20 Board's website. Questions about these grants should
21 be directed to the Board secretary, Paul Resch.

22 Okay. Transcript and minutes. May I
23 have a motion for the Board to approve the transcript
24 and minutes of the April 9th meeting?

25 MS. COLINS:

1 So moved.

2 MR. ANGELI:

3 Second.

4 MR. DECKER:

5 Thank you. And questions or comments?

6 All those in favor.

7 AYES RESPOND

8 MR. DECKER:

9 Any opposed?

10 NO RESPONSE

11 MR. DECKER:

12 The motion carries. Thank you very much.

13 Let's see. New business. Well, before we get into
14 new business, I just wanted to recognize that we have
15 some of our fellow brethren here from the Harness
16 Racing Commission. Roy Wilt, Art Manuel and Anton
17 Leppler, Executive Secretary. Guys, just wave your
18 hands, we'll see you back there. Thank you very much
19 for coming today. We greatly, greatly appreciate it.

20 Let's see. Again, moving on to new
21 business. First up is our Executive Director Anne
22 Neeb, who has already beat us to the punch by being at
23 the table. Anne?

24 MS. NEEB:

25 Good morning, Chairman Decker, members of

1 the board. I'm going to forego my usual update this
2 morning to allow additional time for you all to hear
3 from our Category I operators, who will address you
4 next on the agenda.

5 First, I do have one item for your
6 consideration. As the Board has done for the opening
7 for the other casinos, you all have designated two
8 board members to oversee the test period and to
9 authorize the commencement of slot operations. And we
10 would ask that Commissioner Rivers and Commissioner
11 McCabe, who has agreed to take on this responsibility
12 on behalf of the Board, to be the designated board
13 members at The Meadows Racetrack and Casino, which
14 will be the next facility to open. So at this time we
15 would ask --- request a motion to authorize them to
16 act in that capacity.

17 MR. ANGELI:

18 Mr. Chairman, I move that the Board,
19 having consulted with the Executive Director, delegate
20 the authority to Board Members McCabe and Rivers to
21 authorize, either collectively or in their individual
22 capacity, the effective date and time which slot
23 operations may commence at The Meadows in North
24 Strabane Township, Washington County, pursuant to the
25 Board's Order dated November 2nd, 2006.

1 MR. MCCABE:

2 Second.

3 MR. DECKER:

4 Thank you. Any questions or comments for
5 Anne on this subject? Hearing none, all those in
6 favor.

7 AYES RESPOND

8 MR. DECKER:

9 Any opposed?

10 NO RESPONSE

11 MR. DECKER:

12 Motion carries. Thank you.

13 MS. NEEB:

14 Thank you. Then that's all I have this
15 morning, Commissioner Decker. I'd like to go ahead
16 and turn it over to ---.

17 MR. DECKER:

18 Next up is Melinda Tucker, our Director
19 of Racetrack Gaming. Melinda is going to discuss with
20 us the reporting requirements established by the Board
21 for Category I facilities. Melinda?

22 MS. TUCKER:

23 Good morning, Mr. Chairman, members of
24 the board. Last fall when the Gaming Control Board
25 awarded the gaming license, each applicant signed a

1 statement of conditions, which in the instance of
2 Category I applicants, requires, among other things,
3 the filing of a quarterly report with the Board, which
4 details the amount of gaming revenue distributed to
5 the horsemen and the status of improvements that have
6 been made to the back stretch of each facility.

7 The formula for the distribution of
8 gaming funds to the horsemen is set out in Section
9 1406 of Act 71 and requires that 80 percent of funds
10 received by the facility from the Pennsylvania Race
11 Horse Development Fund shall go to a purse account set
12 up by and for the benefit of horsemen, and four
13 percent shall go to a health and pension benefit
14 account for the horsemen. The remaining 16 percent of
15 the funds in the Pennsylvania Race Horse Development
16 Fund goes to breeders programs, which are administered
17 by the Commonwealth.

18 In addition, Section 1404 of the Act
19 requires the expenditure by each Category I facility
20 in existence at the time of the passage of the Act of
21 \$5 million over the initial five-year period following
22 the issuance of their license and no less than \$1.25
23 million for five years thereafter for improvements to
24 the backstretch.

25 New facilities, such as Chester, and

1 Presque Isle Downs must prove to the satisfaction of
2 the Board that they have spent no less than \$5 million
3 in the construction of the new racetrack backside
4 area, and the maintenance requirements of this section
5 of the Act do not begin until the tenth year of the
6 new track existence.

7 As all of us are aware, one of the major
8 purposes behind the passage of Act 71 was to benefit
9 the horseracing industry.

10 Today we have with us the general
11 managers of each Category I facility, as well as the
12 head of racing operations to present their quarterly
13 report for the first quarter of 2007 and to answer any
14 questions that board members might have relative to
15 this report and the impact that gaming has had on
16 horse and harness racing in the Commonwealth.

17 Now, I'd like to take this opportunity to
18 introduce our first presenter, and that is Mr. Robert
19 Soper from Pocono Downs, who I think many of you have
20 heard from before, and I believe Dale Rapson, who is
21 the Director of Racing for that facility as well.

22 MR. DECKER:

23 Great. Thank you. Thanks, gentlemen.
24 Let me come back and make sure I understand.

25 MS. TUCKER:

1 Okay.

2 MR. DECKER:

3 The point of our obligations, the Board's
4 obligations, as opposed to the various racing
5 commissions and the Harness Commission, is to make
6 sure that the money that is coming out of the Act is
7 spent on certain items, for example, the backside of
8 the tracks?

9 MS. TUCKER:

10 That's right. We are ---.

11 MR. DECKER:

12 Specifically to improve living and
13 working conditions of people who reside and work
14 there; correct?

15 MS. TUCKER:

16 That's correct.

17 MR. DECKER:

18 Okay. We appreciate all the
19 representatives coming, and it's good to see you
20 again, Mr. Soper. I appreciate it. So we'll turn it
21 over.

22 MR. SOPER:

23 Thank you, Melinda, Mr. Chairman, members
24 of the board. On behalf of Mohegan Sun at Pocono
25 Downs and Mohegan Trouble Gaming Authority, we

1 appreciate this opportunity to report, as Melinda
2 stated, physically today our quarterly report that
3 we're obligated to provide pursuant to Section 1406 of
4 the Act as well as to discuss a little bit about our
5 plans for backside improvement pursuant to Section
6 1404 of the Act.

7 What I'd like to do is just quickly touch
8 upon, you know, the actual dollar amounts we've paid
9 for the quarter, which requires part of the report,
10 and then I'm going to turn it over to Dale Rapson,
11 who's our vice president of racing operations, who,
12 you know, can give you a little more information on
13 year to date and year-over-year comparisons once we've
14 had the slot facility up and running and how our slot
15 revenue has helped, I think, our racing operations.

16 I will say upfront, we have a great
17 working relationship, and we're very fortunate to have
18 a wonderful horseman's group led by Ron Battoni, the
19 Executive Director. And I would also say, and believe
20 they would reciprocate in saying that we have a great
21 working relationship with the Racing Commission. And
22 we're very proud that both of those organizations have
23 truly been partners, and not only regulators but
24 partners and understand that we're all in this to help
25 the racing industry.

1 For the quarter, as I mentioned, we have
2 distributed purses of a little over \$4 million --- to
3 be exact \$4,008,082 that went specifically for purses,
4 and most of that money which came from slot revenues
5 --- or actually, all of that money came from the slot
6 revenues.

7 In addition, for the health and pension
8 benefit fund for the horsemen, we also distributed an
9 additional \$200,404 for the quarter. I'll let Dale
10 talk a little bit about what these numbers mean and
11 how we've done the year-to-year comparisons.

12 MR. RAPSON:

13 Good morning. Our handle here at Pocono
14 Downs has taken a dramatic increase due to the purses,
15 and the main reason is now that we have offered purses
16 that attract better horses, better trainers and better
17 drivers. And as I give you the numbers, I think you
18 can see.

19 In total export handle on Pocono Downs
20 races, that is when people bet on our races across the
21 country, not on the facility, but when we send our
22 signal out and people wagering on our races. In 2006
23 it was \$3,066,224. In 2007, it's \$5,542,124, an
24 increase of \$2,475,900, which is an 80 percent
25 increase over 2006.

1 Our total live handle we've had --- we
2 don't have the greatest weather in the northeast, so
3 in the spring --- so our weather has hurt our live
4 handle a little bit. It's still up over last year.
5 Last year's handle was \$758,997 compared to \$772,465.
6 That's an increase of \$13,468 for the 2007 meet,
7 which is a two percent increase, and that's, like I
8 said before, with a lot more inclement weather this
9 year compared to last year.

10 If you add the two factors together, the
11 total handle wagered on Pocono Downs races, the signal
12 we send out plus the live handle on the facility, in
13 2006 was \$3,825,221, and then in 2007 was \$6,314,589,
14 an increase of \$2,489,368. That's a total increase of
15 64 percent after 26 days of racing. It was 26 days in
16 2006 compared to 26 days in 2007.

17 As Bobby explained, with the purses going
18 up because of slot revenues, last year we used to
19 average \$69,112 per day per for purses. This year we
20 average \$117,466 per day racing. And that's the
21 domino effect, as I said before. We have better
22 trainers, better horses, better drivers, more races,
23 and when the people across the country see our races
24 now, we're in a lot of competition with other tracks.
25 They favor our races quite a bit more than they did

1 last year.

2 So again, it's been a very positive
3 influence with the slot handle going towards purses.
4 I'll give it back to Bobby, and he will explain what
5 we're planning to do as far as the backside
6 improvements.

7 MR. SOPER:

8 Thank you, Dale. I would point out one
9 other thing. You know, the increases, I think, are
10 pretty impressive year over year, in regards to the
11 handle and the volumes. But I think it's even that
12 much more telling and impressive when you look at what
13 the trend has been previously. It's been a declining
14 trend, and so not only are we stopping the decline,
15 but we're actually increasing the volume. So I think
16 that puts in perspective the total impact of the
17 operation and the purses.

18 I will quickly touch upon what we've done
19 thus far pursuant to our obligations under Section
20 1404 of the Act in regards to backside improvements.

21 As you're aware, we've been open since
22 November 14th of last year, so a little over six
23 months. Now we've had --- operate a slots facility.
24 When we purchased the track two years ago, we did make
25 some initial improvements, which, you know, at this

1 point we haven't reported it as a constituting part of
2 these improvements, and I'm not sure if we will or
3 not. But I did want to point out that we made some
4 environmental improvements to the backside, we've made
5 significant improvements to the racing operations
6 itself.

7 We built a brand new state of the art
8 simulcast facility, and that's been well received. We
9 have made significant improvements to the grandstand
10 area. We completely removed the grandstand, which was
11 40 years old and had little or no improvement made to
12 it during those four decades. And we've created, I
13 think, a very positive environment. We built the
14 patio system outside where people can enjoy racing and
15 also food and beverage at the same time, which allows
16 us to utilize it during non-racing time. But I think
17 more importantly, it's an opportunity to bring younger
18 generation fans to understand and appreciate racing,
19 exposing them to the racing environment. And we've
20 had a lot of positive feedback about that, and you
21 know, look forward to making more improvements to the
22 front house, not only the backhouse.

23 In regards to the backside improvement,
24 the plan was submitted, which we continue to pursue is
25 to initially, completely demolish our current paddock

1 and build a brand new paddock. I'm certainly not
2 going to speak on behalf of other Category I
3 operators, but a couple of them have already either
4 built or are building new racetrack facilities.
5 Chester is a great example, where they have, truly a
6 state of the art and first class paddock area. And we
7 want to look at that model and see what we can do as
8 well. Again, our paddock area is about 40 years old,
9 and we believe it's appropriate to --- consistent with
10 the rest of our facility, build a first class paddock
11 area.

12 We have engaged an architect, and we're
13 in the design process now. We've also worked
14 hand-in-hand with the horsemen, as well as the Racing
15 Commission, to make sure that all interests are
16 considered and to make sure we do it right upfront.
17 And it is our goal --- this year we have money
18 budgeted to complete the design process, and next year
19 actually begin the construction of the paddock
20 facility.

21 We did have to wait a little while,
22 because as we had to develop our plans, not only to
23 our current existing phase I facility, but obviously
24 our permanent facility that we broke ground on a week
25 ago. And we needed to make sure that it was

1 consistent with the layout and to ensure that we
2 didn't have to go back and re-draw the plans once the
3 permanent facility was up. So we are proceeding now.
4 We have all our phase II plans in the works for the
5 casino, and that allows us now to proceed with the
6 design process, which we've begun, and hopefully, next
7 year the actual construction of the paddock will
8 begin.

9 MR. DECKER:

10 What questions does the Board have? One
11 of the things we've noted is the reaction of the ---
12 of your customers has been unbelievably favorable.

13 MR. SOPER:

14 Right. Thank you.

15 MR. DECKER:

16 So I mean, the stuff we've gotten, as
17 opposed to being negative, has been positive. And
18 we've seen --- we've observed it. I know Commissioner
19 Angeli's been up there. I've been up there.
20 Commissioner Colins and others, and it's very
21 impressive the kind of things you're doing, and your
22 plans are very impressive. The only thing we can tell
23 you is keep it up. And you know the requirements of
24 the rules, the backside, but we're also --- and I
25 think the gentlemen in the back are probably even more

1 impressed, or more interested in what you've done on
2 the front side, where you weren't obligated
3 necessarily to do it under the statute. So we're ---
4 we've taken note of that and we're very impressed, Mr.
5 Soper.

6 MR. SOPER:

7 We appreciate that.

8 MR. DECKER:

9 Any other comments from ---?

10 MS. COLINS:

11 I have a few questions. I have some
12 questions. I don't quite understand this portion of
13 the Act very clearly, but I'm inclined to think that
14 in segregated accounts, \$250,000 has to be deposited
15 into an account per year, for purposes of developing
16 the --- for improvement and maintenance of the
17 backside; correct, no less than \$250,000?

18 MR. DECKER:

19 It's more, I thought.

20 MS. TUCKER:

21 No. In the initial five-year period ---

22 MS. COLINS:

23 Right.

24 MS. TUCKER:

25 --- they have to spend \$5 million from

1 the date of the initial issuance of their license.

2 MS. COLINS:

3 Okay.

4 MS. TUCKER:

5 And then in the next five-year period,
6 they have to spend no less than \$250,000, nor more
7 than \$1 million a year. So the total they have to
8 spend is --- over a ten-year period is \$6.25 million
9 by my calculations.

10 MS. COLINS:

11 Okay. I guess my question is, since that
12 sum --- total sum of money has to be expended over
13 about a seven-year period; is it?

14 MS. TUCKER:

15 Ten.

16 MS. COLINS:

17 Ten-year period. Do you have in place a
18 plan, a long-term plan, a five-year plan as to how
19 you're going to go forward, how it's budgeted, et
20 cetera? I mean, you've told us today that you've
21 retained an architect, and that you're going to start
22 construction next year on the paddock. What about
23 maintenance of the backside, what about long-term
24 planning? Where are you with that at this stage of
25 your first quarter?

1 MR. SOPER:

2 Sure. We have submitted a five-year
3 plan, and that five-year plan contemplates the initial
4 phase of the new paddock, as described today, and then
5 subsequent to that, we'll begin the process of
6 improving our barn area. We have close to 700 stalls,
7 and --- you know, we're just going to start renovating
8 those barn areas. Probably, it'll ultimately be a
9 complete demolition and rebuild.

10 You know, obviously, as time goes on
11 things change, you know, I wouldn't say it's
12 necessarily written in stone, but that is the plan
13 we're working off of now. And you know, the first
14 phase being the paddock and the second phase being the
15 refurbishment of all the barns on the backside.

16 MS. COLINS:

17 But is one not contingent on the other?
18 I mean, obviously, the money's going to be there.

19 MR. SOPER:

20 That is correct. We're, obviously,
21 committed to fulfilling our obligations under the
22 statute. And the one is not contingent upon the
23 other, that is correct.

24 MS. COLINS:

25 Because the money is going to be in a

1 segregated account, so you'll continue to update us
2 each quarter as to how you're progressing?

3 MR. SOPER:

4 Correct. Yes.

5 MS. COLINS:

6 Thank you.

7 MR. DECKER:

8 Any other questions? Thank you. Thanks
9 a lot for coming in today from Wilkes-Barre.

10 MR. SOPER:

11 We appreciate the opportunity.

12 MS. TUCKER:

13 Next up we have Vince Donlevie, senior
14 vice president ---.

15 MR. DECKER:

16 We're probably going to make you come
17 back in our next quarter. We'll probably still have
18 the meetings here, unfortunately.

19 MS. TUCKER:

20 Next up we have Harrah's Chester with
21 Vince Donlevie, senior Vice President and General
22 Manager and Mike Tanner, Director of Racing
23 Operations.

24 MR. DECKER:

25 Thank you for coming in today from

1 Harrah's. You came all the way from Philadelphia, and
2 we appreciate it.

3 MS. TUCKER:

4 Represented by Lynn Hughes.

5 MR. DONLEVIE:

6 We're pleased to be here and report on
7 the progress of our overall facility and our harness
8 racing facility in particular. During the first
9 quarter of the year, we have distributed \$4.141
10 million in purses, four purses, allocated for our live
11 season. We've also distributed \$232,758 for health
12 and pension benefits pursuant to the statute as well.

13 We've had a very good start to the
14 overall harness facility at Harrah's and Chester.
15 We've enjoyed a tremendous relationship with the
16 Harness Horsemen's Association under Ron Battoni's
17 direction, as well as, I think worked a very effective
18 relationship with the Harness Commission under the
19 direction of Chairman Wilt.

20 As we have opened our facility on
21 September 10th of last year for live racing and
22 simulcast activity, we've received tremendous feedback
23 from all the interested parties for the quality of the
24 facility that we've built. We've put in excess of ---
25 in the neighborhood of \$420 million into the overall

1 facility. It's our estimate without completely
2 breaking it out, line item by line item, that in
3 excess of \$100 million went into the racing facility
4 itself. We've got state of the art paddock. We've
5 got a track that has gotten really great reviews and
6 feedback from the horsemen and the drivers.

7 We've also got a beautiful state of the
8 art simulcast facility with over 300 betting carols
9 and have enjoyed a lot of very positive customer
10 contact in the short time that we have been open.

11 We in the --- to date in the first
12 quarter of 2007, we have done 6.603 in handle on our
13 simulcast facilities and on a year to date basis,
14 we're in excess of \$10 million in simulcast handle so
15 far.

16 Our live schedule for 2007 is scheduled
17 to begin on July 9th, and we are scheduled to raise 95
18 live dates between July 9th and December 20th. At
19 this point in time the purses will be \$160,000 per
20 day, which --- how is that compared to last year,
21 Mike?

22 MR. TANNER:

23 Last year was \$70,000 per day.

24 MR. DONLEVIE:

25 Compared to \$70,000 per day last year.

1 So we're anxious to see the positive implications of
2 that increased purse in the activity that we bring
3 into the facility.

4 One of the interesting phenomenons that
5 has occurred, we opened our slot facility, as you well
6 know, in January 22nd of this year. And since we've
7 opened that facility, we've seen a tremendous up surge
8 in the simulcast business, somewhere in the
9 neighborhood of 28 percent. And so there's been good
10 synergy, I think, as you've seen our facility. We
11 have our racing operations on a separate floor from
12 our gaming operations. But the synergy between those
13 two areas has been very positive and we've enjoyed
14 good cross-over business, if not directly on an
15 individual basis, certainly within families, between
16 spouses and that sort of thing.

17 So in general, we're feeling very good
18 about the performance of the simulcast and the racing
19 side of things. We look forward to the start-up of
20 the live season in another month or two --- in how
21 many days?

22 MR. TANNER:

23 Fifty-four (54).

24 MR. DONLEVIE:

25 Fifty-four (54) days. Mike's got a close

1 tab on that, and are anxious to see this full live
2 season with the entire facility operating together,
3 and the synergies that that's going to create, and
4 what I think is a very unique setting and a very
5 attractive setting, sitting on the Delaware River with
6 a view that I think is spectacular, and will be quite
7 nice for the summer season.

8 MR. DECKER:

9 Thank you.

10 MR. COY:

11 Fifty-four (54) days, counting holidays.

12 MR. TANNER:

13 That's straight on through, by the 1st.

14 MR. DONLEVIE:

15 We're gearing up for that as we speak.

16 And we have --- this year we will have our clubhouse
17 area right on the finish line that we were --- it's
18 called the Riverview Terrace that wasn't ready for
19 last season. So we'll be opening that as well, and
20 that will be in addition to the experience.

21 We've also, just this past week saw our
22 peak simulcast day to date when we had the Kentucky
23 Derby running and saw tremendous volume in our
24 facility. Really it was the first big event where
25 we've had all the construction walls down and

1 customers were able to experience the final product
2 that we have to offer. And as I said, the feedback
3 that we've gotten for customers, as well as other
4 folks that had a stake in this game have been very,
5 very positive.

6 MS. COLINS:

7 I have a couple questions. Your
8 facility, you said that the facility --- the amount
9 spent on this new facility is \$420 million, and then
10 for the racing facility, it's \$100 million. Is that
11 in addition to the \$420 million or of the ---?

12 MR. DONLEVIE:

13 No, that would be part of that \$420
14 million, and that's a rough estimate, to be honest
15 with you. It's probably significantly higher than
16 that, but I'm intentionally being conservative on that
17 number.

18 MS. COLINS:

19 I've been to your facility. It's
20 beautiful, it's spanking new, the track is lovely, but
21 my question is with these segregated funds that will
22 have segregated accounts that will have mandated funds
23 placed in them, what are your plans to do with that
24 money?

25 MR. DECKER:

1 Mary, can I ask a question --- I mean, of
2 Melinda and maybe you as well, because I don't know
3 the answer to this. If you just spent X number of
4 dollars for a brand new track, what is your
5 obligation, or what is the obligation with respect to
6 --- what do you have to fix up in the backside?

7 MR. DONLEVIE:

8 We really --- the legislation, as we
9 understand it, is that because of that initial
10 investment, that there is a five-year period of time
11 where we are not required to invest incrementally,
12 and ---.

13 MR. DECKER:

14 Okay. That's what I assumed.

15 MR. DONLEVIE:

16 You know, we do not have a backside
17 technically, because we are a daytrip facility, where
18 we trailer in and trailer out. So we certainly have a
19 paddock facility that handles the horses as well as
20 the horsemen and drivers.

21 MR. DECKER:

22 There's no horse and they don't stay
23 overnight, they stay somewhere else?

24 MR. DONLEVIE:

25 There's no overnight stays, no.

1 MR. DECKER:

2 Okay.

3 MS. COLINS:

4 But what happens to that money?

5 MS. TUCKER:

6 Well, the statutory requirement is that
7 the new facilities prove to the Board's satisfaction,
8 that \$5 million has been spent on the racetrack
9 facility or the backside facility. And I think if
10 anyone's been there, that that's pretty evident. And
11 then after the initial five-year period, that is when
12 --- is it five-year period or a ten-year period?

13 MR. DONLEVIE:

14 My understanding is five-year.

15 MS. TUCKER:

16 Five-year period.

17 MR. DONLEVIE:

18 We certainly could take a closer look to
19 make sure of that.

20 MS. TUCKER:

21 Closer to the statute. That's when they
22 have some obligation to --- some maintenance
23 obligation begins.

24 MS. COLINS:

25 Okay. Thank you. It's just not clear,

1 but I can see where the first five-years is obviously
2 mooted out by the expenses of the new facility. Thank
3 you.

4 MR. DONLEVIE:

5 Right.

6 MR. DECKER:

7 Okay. Any other questions? I presume
8 we're going to drag you up here every quarter as well.
9 I don't know what the point is if you don't have to
10 make reports on this. I don't know. If you want to
11 come up and talk about a racing --- you know, a few
12 times a year, we'll talk to you about how often you
13 have to come, maybe you just want to send the head of
14 your racing operations up to talk about the successes
15 or the challenges, et cetera.

16 MR. DONLEVIE:

17 Great. We're available for whatever you
18 would need.

19 MS. COLINS:

20 Could you just tell me what comprises the
21 handle, is it the amount of money wagered?

22 MR. DONLEVIE:

23 Yes, it is.

24 MS. COLINS:

25 Okay. Thank you.

1 MR. DECKER:

2 Thanks very much for coming. I
3 appreciate it. We'll see you soon.

4 MR. DONLEVIE:

5 Thank you.

6 MR. DECKER:

7 And again, we've heard nothing but good
8 things from, you know, the comments we've gotten back
9 from people that are --- your customers are very good,
10 just like they are from Mohegan Suns. Very good.

11 MR. DONLEVIE:

12 We work very hard at it, and we've got a
13 team of folks that have worked diligently to make the
14 experience on the racing side as well as the gaming
15 side outstanding. We feel very confident that we've
16 had a tremendous startup and we have gotten a lot of
17 really positive feedback from all sides of the
18 equation, and we look at it as a holistic environment
19 where we want everybody to really enjoy themselves,
20 and I think we're well on our way to achieving that.
21 So I appreciate those comments very much.

22 MR. DECKER:

23 Good. Thank you.

24 MR. DONLEVIE:

25 Thanks, Chairman.

1 MS. TUCKER:

2 We now have The Meadows, Mike Graninger,
3 Vice President and General Manager, and John Marshall,
4 who is the general manager for the racing operations.

5 MR. DECKER:

6 Thank you.

7 MS. TUCKER:

8 As you all are aware, The Meadows has not
9 begun their gaming operations. That's on the agenda,
10 I think, in June.

11 MR. DECKER:

12 The floor is yours. Thank you for coming
13 all the way today.

14 MR. GRANINGER:

15 Gentlemen, Commissioners. We have not
16 commenced slot machines yet. We do have some backside
17 improvements. We're building a new paddock. The
18 plans are out for bid. We're also refurbishing a
19 building for the Racing Commission.

20 Our plan for the backside money, the \$5
21 million, we will get together with the horsemen and
22 put a master plan together in the future, the near
23 future. And we subsidized the purses for three months
24 by way of loan to the horsemen, \$750,000. That's all
25 I have to report.

1 MR. DECKER:

2 Will you submit a plan to us? And I'm
3 sure you'll do it with the Racing Commission as well.

4 MR. GRANINGER:

5 Yes, I will.

6 MR. DECKER:

7 Because we'll be interested in seeing
8 that.

9 MS. COLINS:

10 Is there live racing going on now?

11 MR. GRANINGER:

12 Yes, we do.

13 MS. COLINS:

14 When did it start?

15 MR. GRANINGER:

16 It's year-round.

17 MS. COLINS:

18 It's year-round?

19 MR. GRANINGER:

20 Yeah.

21 MR. DECKER:

22 And how is it doing now compared to last
23 year, for example, if you can report those numbers?
24 If you know them.

25 MR. GRANINGER:

1 I will give the microphone to John.

2 MR. DECKER:

3 No, that would be fine. That will be
4 fine, because that's something we would be interested
5 in hearing. I know that they're more interested than
6 we are, but part of the reason for this Act --- I
7 mean, one of the main reasons for this Act is to see
8 if it helps the racing industry in Pennsylvania. So
9 that would be an indication of how it's doing when you
10 guys come --- let us know. So we're interested in the
11 --- in fulfilling the motives behind it. So go ahead.

12 MR. MARSHALL:

13 Sure. As Mike stated, we're not open for
14 gaming yet, and we have not yet had the benefit that
15 Bob and Dale have had at Pocono. Right now, compared
16 to prior year, our handle is four percent down
17 compared to the prior year, but already we see light
18 where there are more drivers and trainers interested
19 in coming to The Meadows of a much higher caliber from
20 other jurisdictions, and the future looks good as
21 though it's coming together for the same result.

22 MR. MCCABE:

23 Mr. Chairman. You say you're four
24 percent down, do you believe that all the construction
25 that's going on has affected the attendance and

1 affected your bottom line there?

2 MR. MARSHALL:

3 Most definitely it has, particularly over
4 the last two months, our parking opportunities are
5 limited as compared to prior year. The natural dust
6 and equipment that's on the grounds is there, and Mike
7 and his people are working 110 percent to try to get
8 the construction complete as soon as possible. Now,
9 on the racing side, we realize that we're going to
10 need to contract before we expand, and there's even a
11 further contraction period on the horizon, but we're
12 going to be operating out of a temporary facility for
13 racing while the permanent casino and racetrack is
14 under construction.

15 MR. DECKER:

16 Go ahead.

17 MR. RIVERS:

18 Yes, Mr. Chairman. When you make
19 reference to the four percent being down, is that just
20 at the track or are simulcast included?

21 MR. MARSHALL:

22 Well, that's all sources from system
23 handle in general, including the OTBs, the export and
24 the live handle at the racetrack.

25 MR. RIVERS:

1 And percentage speaking, what percent of
2 your gross dollars come from the people sitting
3 actually in the grandstands?

4 MR. MARSHALL:

5 In total, the system handle-wise,
6 approximately 20 percent.

7 MR. RIVERS:

8 Okay.

9 MS. COLINS:

10 Can I ask some questions? Right now
11 you're in the process of building, you're getting
12 ready to get --- to prepare for opening the rasino
13 part of the facility; correct? That's correct; right?

14 MR. MARSHALL:

15 Correct. Yes.

16 MS. COLINS:

17 And you have live racing going on as well
18 now; correct?

19 MR. MARSHALL:

20 Correct.

21 MS. COLINS:

22 So you have a paddock area, you have a
23 backside, you have all of those facilities; correct?

24 MR. MARSHALL:

25 Correct.

1 MS. COLINS:

2 You have barns, et cetera. Have you any
3 plan or developed any plan for what, if any, type of
4 new construction or improvements you're going to do to
5 the backside area?

6 MR. GRANINGER:

7 The backside right now ---.

8 MS. COLINS:

9 Pursuant to 1404 of the Act.

10 MR. GRANINGER:

11 The backside of the right now we have ---
12 we've handed drawings out and we're getting bids on a
13 new paddock.

14 MS. COLINS:

15 I'm sorry, sir. Could you speak up for
16 me?

17 MR. GRANINGER:

18 We're getting bids on a new paddock right
19 now on the backside and refurbishing the building for
20 the racing services --- for the racing office, Racing
21 Commission offices. And we will have a master plan
22 that --- we'll meet with the horsemen and will deliver
23 to you.

24 MS. COLINS:

25 And when do you anticipate doing that,

1 delivering that to us?

2 MR. GRANINGER:

3 As soon as we can. We're looking
4 probably about 30 days after we open.

5 MS. COLINS:

6 Okay. All right. All I'm looking for is
7 a little bit of specificity, some foresight and some
8 planning from you regarding how these funds are going
9 to be spent.

10 MR. MARSHALL:

11 And Ms. Colins, if I may, The Meadows'
12 Standardbred Owners Association is our Horsemen's
13 Group, and they have compiled a priority list of
14 improvements that the Executive Director, Kim Hankins,
15 is working with our board on approving this list of
16 priorities for that section of the Act. We've done
17 the same, but we're in the process of coming together
18 and re-prioritizing that. And as Mike has said, that
19 money is for the horsemen, and they have a very loud
20 voice in the priority in the spend of that money.

21 MS. COLINS:

22 Great.

23 MR. DECKER:

24 You anticipate you'd be working with the
25 Harness Racing Commission as well; right? I mean,

1 they're the --- the group itself is going to be very
2 interested in your plans, I would suspect for the
3 track.

4 MR. MARSHALL:

5 Most definitely, Mr. Chairman. The
6 Pennsylvania Harness Racing Commission, Anton Leppler,
7 Commissioner Wilt, Commissioner Manuel, have been
8 strong supporters of our project, and they've been
9 guiding us along the way. And with Melinda's
10 involvement, that's only been a great plus.

11 MR. DECKER:

12 Okay. Any other questions? I have one.
13 When's your permanent facility going to be built on
14 the --- I mean, this isn't the purpose of the meeting,
15 but just out of curiosity when would the tent be
16 replaced?

17 MR. MARSHALL:

18 The structure.

19 MR. DECKER:

20 The structure, yes. I'm sorry, I'm
21 confused. A lot of times I confuse words, so ---.

22 MR. MARSHALL:

23 We're looking at opening January '09, our
24 permanent. We're going to put our ---.

25 MR. DECKER:

1 January 9th, that's great. That's great.
2 Very good. Thank you. Any other questions or
3 comments? We look forward to having you back. It's a
4 little premature, but when you have some plans we
5 would like to hear about them. We'll see you for
6 another quarter, that will be helpful, and I presume
7 we'll get some comments from our friends in the back,
8 the Commission. And we'll be interested in the
9 numbers, and we hope that we --- we hope, as does
10 everybody I assume, that the racing track numbers will
11 come up as the dust settles so to speak; right?

12 MR. MARSHALL:

13 Yes.

14 MR. DECKER:

15 We wish you a lot of luck. A lot of
16 luck on that.

17 MR. MARSHALL:

18 Thank you.

19 MR. DECKER:

20 Thank you.

21 MS. TUCKER:

22 That concludes the presentations by the
23 harness racing facilities. We now have the
24 thoroughbred racing facilities, and we're starting
25 with Presque Isle Downs. We have Richard Knight,

1 President and CEO, General Manager, and Rosemary
2 Williams, Director of Racing for MTR Gaming, and
3 Debbie Howells, who is the Director of Racing for
4 Presque Isle Downs.

5 MR. DECKER:

6 Welcome. We're glad to have you come all
7 the way down here. We appreciate it very much.

8 MR. KNIGHT:

9 Good morning, Chairman Decker, members of
10 the board, Executive Director Mead and members of the
11 staff. I'm Richard Knight. I've met Board Member
12 Rivers and McCabe. I haven't met the rest of you.
13 It's nice to meet you finally. And we're here today
14 obviously to report on our progress. As you know,
15 we're not open at this point. Our opening date for
16 the racetrack is September 1, which we are going to do
17 25 days of racing.

18 The projected purse at this point in
19 time, based on our estimates is approximately --- will
20 be \$250,000 a day, which obviously is extremely good.
21 That number can change, depending, but that's our
22 estimate at this point in time.

23 MR. DECKER:

24 One second. How does that compare with
25 the numbering --- I mean, of other tracks like in West

1 Virginia or Delaware or something like that?

2 MR. KNIGHT:

3 I think I know about it.

4 MR. DECKER:

5 I'm just curious. I mean, where does
6 Pennsylvania stand today, you know, compared to
7 Delaware and Maryland? I should have asked somebody
8 else for that. If you don't have the numbers, come
9 back and tell us some ---.

10 MS. WILLIAMS:

11 I can tell you from firsthand experience
12 at Mountaineer, our purse distribution right now is
13 about \$165,000 a day in West Virginia. And that's
14 comparable to Charles Town in West Virginia. So your
15 purse distribution at Presque Isle will almost be
16 double.

17 MR. DECKER:

18 That's great. Very interesting.

19 MR. KNIGHT:

20 Our construction, we are on --- in
21 construction, we are on time and on a revised budget.
22 The current budget is estimated at around \$19 million.
23 That is exclusive of all track preparation that has
24 gone to date, meaning site preparation and any
25 facility that goes to the actual casino portion of the

1 building, as well as the racing portion of that
2 building. So it's strictly a racing number, meaning
3 the barns, the track, the new surface, which is
4 something we should talk about.

5 It's a Tapeta track. It's Tapeta
6 surfaced. I think that's something that everybody in
7 the State of Pennsylvania in racing is very excited
8 about. It's state of the art. It's a combination of
9 sand, rubber and fiber with a wax coating that really
10 gives you a surface that is quite helpful and healthy
11 for that horse. So it's something that we're looking
12 forward to experiencing. Rosemary has a lot more
13 information on that. She's seen it. She knows a lot
14 more about it than I do, but it's something that just
15 from a layman's point of view, it's going to be quite
16 a step forward for the State of Pennsylvania in
17 horseracing.

18 The Downs of Erie, which is currently run
19 by Mohegan Sun will come to us in approximately --- in
20 August 1, sometime in the first part of August. We
21 are looking at beginning simulcasting to the middle to
22 the --- somewhere between the middle to the third week
23 of the month of August, just prior to our September 1
24 date for live racing. As I said, we'll do 25 days,
25 and with the purses I've already talked about.

1 The current --- at the end of the first
2 quarter, the amount of money that we have in escrow
3 for our purses is approximately \$1.923 million.
4 Obviously that's the first quarter. That's gone up by
5 now, that's why I keep saying that the number of
6 \$250,000 will be an estimate, and we'll revise that
7 each quarter as we go forward to let you have a better
8 idea of where we stand.

9 With that, that's basically our
10 presentation. If you have any questions of any of us,
11 I'll be glad to answer.

12 MS. COLINS:

13 I have a question. Obviously, you're
14 going to start live racing. It hasn't started. Is
15 there an existing Horsemen's Association at Presque
16 Isle now?

17 MS. WILLIAMS:

18 Yes, there is. The president of that
19 organization is Joe Santana.

20 MS. COLINS:

21 Okay. And are you in a working
22 relationship with them regarding the requirements of
23 1404 and the building of the backside and that area?

24 MS. WILLIAMS:

25 Yes, we are. We actually have a

1 horsemen's agreement in place.

2 MS. COLINS:

3 All right. Thank you.

4 MR. DECKER:

5 How many days will --- I'm sorry, Gary,
6 please.

7 MR. SOJKA:

8 I just wanted to follow on Commissioner
9 Colins' question, and that is --- I do appreciate, by
10 the way, the specificity of the dates and the
11 materials, and I'm as excited as everyone about seeing
12 that new surface. And I understand that you've
13 segregated the funds for the purses, but pursuant to
14 her comment about your relationship with a Horsemen's
15 Group, is the money also sequestered for the
16 construction of these facilities, specifically for
17 horse racing?

18 MR. KNIGHT:

19 Yes. I mean, the money has been
20 designated, if that's what you mean, and is set aside,
21 and it's ready to be spent. In fact, we've spent, to
22 date, approximately \$3 million. Probably within the
23 next 30 days we'll spend double that amount and so on.

24 MR. SOJKA:

25 So that would be then similar to the

1 situation we heard earlier in which the requirement
2 for spending a million dollars on the backside would
3 simply be subsumed into that?

4 MR. KNIGHT:

5 Exactly. And I think we're well above
6 that requirement.

7 MR. SOJKA:

8 Thank you.

9 MR. KNIGHT:

10 As I did, the booklet is there for you to
11 peruse when you get a chance. I know that Melinda has
12 given you an update prior to this. This is just a
13 slight update over that, a little information on the
14 track surface, which I think is somewhat interesting.

15 MR. DECKER:

16 Twenty-five (25) days will be the total
17 you'll race this year, or --- what happens the
18 following year? In a way, does it increase?

19 MR. KNIGHT:

20 Yes. It goes to approximately ---.

21 MS. WILLIAMS:

22 Approximately a hundred.

23 MR. KNIGHT:

24 Approximately a hundred days.

25 MR. DECKER:

1 Very good.

2 MR. KNIGHT:

3 For the entire summer season.

4 MS. WILLIAMS:

5 It will be May through September.

6 MR. DECKER:

7 Any other questions or comments? We look
8 forward to hearing about it.

9 MR. KNIGHT:

10 We're glad to present it.

11 MR. DECKER:

12 I know the Racing Commission is very
13 excited about it, so ---.

14 MR. KNIGHT:

15 So are we.

16 MR. DECKER:

17 We look forward to seeing it up and
18 running. Thank you, again, for coming, and we'll see
19 you in a few months.

20 MR. KNIGHT:

21 Thank you.

22 MR. DECKER:

23 Maybe we'll see you after you're up and
24 running.

25 MR. KNIGHT:

1 Come see us.

2 MR. DECKER:

3 That'll be great. Thank you. We are
4 going to be there in June. I forgot. We're going to
5 visit you in June. I forgot.

6 MS. TUCKER:

7 Next we have Penn National Gaming, Gary
8 Luderitz, Vice President and General Manager, and Rob
9 Marella, I believe, is here, Director of Racing.

10 MR. LUDERITZ:

11 Good morning.

12 MR. DECKER:

13 Welcome. Thank you.

14 MR. LUDERITZ:

15 I should start out by saying that we ---
16 as I'm sure you're aware, we are not open for our full
17 gaming operation, although we are running live
18 thoroughbred racing on a year-round basis right now
19 four days a week.

20 Our facility, we've actually broke ground
21 back in September. And as you know, we raised the
22 grandstand, the old grandstand from 1972, and we are
23 in the middle of building a new \$365,000 square foot
24 facility there that, quite honestly, we are --- as
25 each day goes by, we're becoming more and more proud

1 of as we watch it go up.

2 And I guess the first thing I'd like to
3 do is invite the new Chairman and members of the board
4 and members of the staff to come out and visit us. We
5 would be thrilled to give you a tour, as this is
6 progressing along. We think we've got some
7 interesting features that would be fun and exciting to
8 see at this point.

9 MR. DECKER:

10 We'll take you up on that.

11 MR. LUDERITZ:

12 Okay.

13 MR. DECKER:

14 Thank you.

15 MR. LUDERITZ:

16 The following developments have occurred,
17 regarding improvements to the backside and other
18 racing related areas. Our casino at Penn National
19 continues to move forward on planning, regarding site
20 work with our engineers, McCarthy Engineering.

21 Once underway, that site work will
22 involve grading around the barn areas, concrete or
23 macadam pads to stage manure bins and improve drainage
24 and improve landscaping and road systems.

25 We have also presented plans to the local

1 zoning board for approval of a manure storage facility
2 on the property, and we've submitted our nutrient
3 management program to handle the manure waste through
4 the Pennsylvania Department of Environmental
5 Protection, as well as the Dauphin County Conservation
6 District.

7 Hollywood Casino at Penn National Race
8 Course has had multiple conversations with Joe
9 Santana, the President of the HBPA. Joe joined as the
10 newly elected chairman at the end of this past year.
11 And we have been discussing with Joe how to expend the
12 statutory amounts relating to backside improvements,
13 as it's set forth in the Gaming Act.

14 Discussion has covered the full ten-year
15 period referenced in the Act. In these discussions
16 thus far, we seem to be in agreement regarding plans
17 that would designate a majority of the allocation to
18 go toward barn improvements with additional farms for
19 site work and an amount to be specified for projects
20 yet to be determined.

21 We believe through these discussions
22 we've laid a pretty good foundation for an agreement,
23 and we will continue these discussions until that
24 agreement is complete. We last met as early as the
25 10th of May last week.

1 The barn improvements could take the form
2 of upgrading existing barns and infrastructure or
3 building new barns with improved infrastructure.
4 Various cost estimates had been done, and with the
5 help of the HBPA leadership, we've identified what
6 appears to be a good model for new barns that are to
7 be built.

8 Additionally, Hollywood Casino has
9 established the required bank account for the
10 distribution of funds for backside improvements. At
11 this time no funds have been deposited into or
12 distributed from the account.

13 The engineering work and site work and
14 other matters that have occurred so far have occurred
15 outside the designated funding pursuant to the Gaming
16 Act.

17 And that concludes my remarks for today.
18 I'd be happy to answer any questions.

19 MR. DECKER:

20 Any questions? The same thing goes for
21 you. I presume you're building a new --- basically a
22 new track, what happens to the backside?

23 MR. LUDERITZ:

24 Well, the --- although we are building a
25 full new front side, including a new paddock area, and

1 we've already constructed a new detention barn, the
2 backside is not new. That is an existing operation
3 that has been there since 1972. So we will be making
4 expenditures pursuant to the ---.

5 MR. DECKER:

6 Statute.

7 MR. LUDERITZ:

8 To the statute, yes.

9 MR. DECKER:

10 Okay. Jeff?

11 MR. COY:

12 Mr. Chairman, maybe I missed it, but just
13 for clarification. Do you have an ETA on when things
14 are going to be open and up and running, or when you
15 hope to be?

16 MR. LUDERITZ:

17 Well, if I can pin my construction crew
18 down, I'd have a better answer, but I think it's safe
19 to say we will be open by or in the first quarter of
20 '08.

21 MR. COY:

22 Sometime after January?

23 MR. LUDERITZ:

24 Yes.

25 MR. COY:

1 I'm glad to hear you --- just
2 parenthetically, I'm glad to hear you reference the
3 Nutrient Management Act. It is an important Act for
4 the Commonwealth, and more especially for those
5 facilities that are in the Chesapeake Bay watershed.
6 So I appreciate you mentioning it and your attention
7 to it.

8 MR. LUDERITZ:

9 Thank you.

10 MR. DECKER:

11 Please. Mary Colins? Yeah, please.

12 MS. COLINS:

13 Since you have ongoing live racing four
14 days a week; correct?

15 MR. LUDERITZ:

16 Yes.

17 MS. COLINS:

18 And you have an existing backside with
19 sheds and pads and bins for manure or whatever, but my
20 question to you is, what are your priorities for
21 maintenance or renovations for the backside? What's
22 your biggest issue that you have to address with the
23 monies in the segregated account now?

24 MR. LUDERITZ:

25 Yeah. I think the answer to that

1 question came out loud and clear as we began our
2 discussions with Joe Santana and the representatives
3 from the horsemen, and that is barns are going to take
4 first priority, and a great majority of our agreement
5 will center around that barn work.

6 MS. COLINS:

7 And when will you be beginning that farm
8 work? Did you tell us that already?

9 MR. LUDERITZ:

10 No. And I don't know that I can give you
11 that answer. We have some site work planning to get
12 approved locally first. I would expect that sometime
13 by the end of this year we would begin that work on
14 the backside. I don't have a date as to when that
15 would begin as of yet.

16 MS. COLINS:

17 The reason I ask that, the money is
18 there; correct?

19 MR. DECKER:

20 Well, that's the same question I was
21 going to ask.

22 MS. COLINS:

23 That money's there to do the work; is it
24 not?

25 MR. DECKER:

1 No, not yet, because they're not ---.

2 MR. LUDERITZ:

3 Right.

4 MR. DECKER:

5 You're not getting --- you don't have the
6 casino operations yet.

7 MS. COLINS:

8 Right. Right. Okay. Thank you. I'm
9 sorry.

10 MR. DECKER:

11 Anything else? Well, thank you for
12 coming today. We'll take you up on your visit at one
13 of our next meetings.

14 MR. LUDERITZ:

15 Thank you. Please do.

16 MR. DECKER:

17 Good. Melinda?

18 MS. TUCKER:

19 Last on the agenda today is ---.

20 MR. DECKER:

21 Certainly not least, however.

22 MS. TUCKER:

23 Not least. Philadelphia Park. We have
24 Dave Jonas, President and COO and Hal Handel, who's
25 the CEO for Philadelphia Park Racetrack. And also, I

1 believe with them is Tom Bonner, their lead counsel.

2 MR. DECKER:

3 Great. Thank you. Thank you all for
4 coming today.

5 MR. HANDEL:

6 Mr. Chairman, members of the Commission,
7 it's a pleasure to be here and to appear before you
8 today. I submitted a letter to Chairman Decker's
9 attention with a copy to Melinda two days ago, and
10 with your permission I'll run through the highlights
11 of that.

12 MR. DECKER:

13 Please.

14 MR. HANDEL:

15 Switch glasses so I can see. Basically
16 we've made an awful lot of progress since gaming began
17 in the first part of the year, and the immediate
18 impact has been on the purse schedule. Overnight
19 purses at Philadelphia Park were averaging \$124,000 a
20 day in 2006, with an additional distribution of
21 approximately \$1.2 million in stakes races.

22 The overnight purses, including an
23 advance per day reached an accumulative total of \$6.9
24 by the end of '06. So in January 1, we have a 33
25 percent increase in overnight purses, which are the

1 purses paid to their routine raises, run everyday
2 exclusive of stakes to \$165,000 a day.

3 That sum represents 50 percent of the
4 gaming funds available submitted in our report with
5 the remaining being recaptured or recouped under
6 contract with the horsemen to deal with the overpay of
7 \$6.9 million or the advance of \$6.9 million, which was
8 designed to get the program jump started and
9 anticipated gaming, and we think has helped the
10 horsemen at the track reposition themselves and
11 reposition their stock so they weren't swamped with
12 overnights going from \$100,000 a day to \$250,000 in
13 one fell swoop.

14 At such time as the recapture is
15 completed, and we expect that to happen this summer,
16 overnight purses will increase again by an additional
17 \$55,000 a day to an average of \$210,000 in overnights.
18 When you add the stakes program of \$3.5 million a year
19 to that, you wind up with a distribution of
20 approximately \$270,000 a day in total purse
21 distribution going forward, by hopefully sometime this
22 summer.

23 Now, that doesn't put us on a par to
24 compete with Saratoga or Delmar, certainly, or
25 Churchill Downs, but it certainly gets us into a

1 league where we're competitive and perhaps ahead of
2 racing in Maryland, competitive with Delaware Park and
3 very close to Monmouth Park, which is about \$330,000
4 in New Jersey.

5 The enriched and revived stakes program
6 will be featured by two very, very significant events
7 that we're very proud of. Pennsylvania's first
8 million dollar race will be the Pennsylvania Derby to
9 be run on Labor Day, and the Fitz Dixon Cotillion
10 stakes, named in memory of the former chairman and
11 longtime supporter of the racing industry in
12 Pennsylvania, is run in the fall at \$750,000.

13 Now, each of those races are what are
14 called grade II races, which puts them one step below
15 the real elite of American racing, races like the
16 Kentucky Derby, Preakness, The Breeder's Cup, the
17 Belmont Stakes, are grade I races. There's a finite
18 number of those.

19 We think that within the next two to
20 three years one or both of those races will reach
21 grade I status, which will be a first for the State of
22 Pennsylvania, and something we're very proud of.

23 With respect to the backstretch, we have
24 a seven-year contract with the thoroughbred Horsemen's
25 Group that represents the membership and the horsemen

1 who race at Philadelphia Park. The agreement
2 contemplates the expense of \$12 million over that
3 seven-year period. The first phase of it will be this
4 summer and fall. We expect to do some paving work,
5 which I detailed in the letter to you, which is going
6 to start within the next two weeks.

7 We were at the permit stage process with
8 the town for both the barns and the dormitories, and
9 expect the permitting to be done in May and early
10 June, and expect to be able to do the stable work on
11 renovating at least two new barns, as I indicated to
12 you is steel framed exterior to replace the current
13 wood structures which are not in great condition. And
14 to do the first group of the dormitories to benefit
15 the backstretch people, who live in sometimes less
16 than appealing working conditions.

17 So it's our representation to this board
18 that by the fall we'll have completed that work and
19 will have spent the first \$2 million of that \$12
20 million.

21 Recently we had a very, very successful
22 Kentucky Derby Day. Kentucky Derby Day for the six
23 turf clubs affirmed that operation and the racetrack
24 approximated \$6.8 million as opposed to just over \$7
25 million last year. And we were able to accommodate in

1 what I consider at least a reasonable degree of
2 comfort, approximately 9,000 people, probably 6,000 to
3 7,000 of whom were out in the picnic area, and the
4 exterior grounds. That gave us a lot more heart for
5 our ability to do a first-class job on Pennsylvania
6 Derby Day on Labor Day, and we'll be working over the
7 summer on the front side to expand that picnic area
8 capacity further to deal with what we expect to be
9 10,000 to 12,000 people that would show up on that
10 day.

11 And I'm available for any questions any
12 of you might have.

13 MR. DECKER:

14 Questions for anyone? Maybe I can start.
15 We're getting letters complaining about the --- not
16 the backside, but the front side. Now, we're not
17 there, it's not our issue. It is and it isn't. But I
18 presume the Racing Commission is going to be asking
19 you questions about that. I mean, they have --- what
20 can you guys do to get that to a point where --- I
21 mean, some of it's like, well, Derby Day was so
22 successful that we couldn't get in line to bet. Well,
23 fine. I mean, we understand people do whine,
24 especially in Philadelphia. We understand that very
25 well.

1 However, on the other hand ---.

2 MR. COY:

3 Part of Chamber of Commerce a promotion.

4 MR. DECKER:

5 Correct. It's part of it. My wife says
6 I do it, too, since I'm from Philadelphia as well.
7 But we do see some letters, and there seems to be some
8 meat on those kind of things, and what are you doing
9 to address that? Because we don't --- I mean, we
10 don't want them, and I'm sure the Racing Commission
11 doesn't either, and I would assume you don't want them
12 to come to the harness racing fans.

13 MR. HANDEL:

14 I don't like them either, sir.
15 Basically, what we've done over the course of the
16 first four months of this year, if you recall we did a
17 very, very quick step construction the latter part of
18 last year to get the race track converted in a large
19 part into a rasino to deal with the 2,000 slot
20 machines running.

21 We made the judgment as a company, that
22 we could accommodate approximately 2,000 racing
23 customers in reasonable comfort on the fifth floor of
24 the grandstand. We've added space up there to
25 accommodate about 250 more seats since that opened.

1 And over the past three months, what we've done is, in
2 anticipation of the big events, which are the triple
3 crown days, Pennsylvania Derby Day, the Pennsylvania
4 Breeder's Day during the summer and Breeder's Cup Day
5 in the fall. We've added mutuels in the paddock area
6 for the first time in the track's history, to, again,
7 try to reduce the concentration and the crowding
8 inside the building on a big day.

9 We added mutuels to the front corner of
10 the building, literally the southeast. I'm bad with
11 southeast and southwest. The front corner of the
12 building we added more mutuels and more TVs. On Derby
13 Day we added a full pavilion of mutuels outside. And
14 with Mr. Jonas' cooperation and help we were able to
15 fit the lobby of the building, which serves as an
16 entrance to both the racetrack and the casino with
17 paramutual machines for the first time in the track's
18 history on Derby day as an express bet kind of thing,
19 where if all you wanted to do, which a lot of people
20 prefer, is just to make your derby bets and go home
21 and watch it, or go cut the grass or do whatever else
22 you're doing that day, you didn't have to fight the
23 crowd and get inside the building.

24 So I think we've tried to do what's
25 reasonable. We also added a tent which showed the

1 medal of the Philadelphian on Derby Day. We had a
2 tent that could accommodate 2,000 with benches under
3 it. When it was sunny, every bench was taken out and
4 put out in the sunshine, so nobody set under the tent,
5 but it was there for 90-degree weather or rain. And
6 we're doing that again this Saturday for the
7 Preakness.

8 MR. DECKER:

9 So part of your temporary facility?

10 MR. HANDEL:

11 No, not at all. So we're trying to adapt
12 a building that is jammed packed with both paramutual
13 and with then --- it's less than a perfect solution,
14 but it's --- I believe it's working.

15 MR. DECKER:

16 The kind of complaints we were talking
17 about were physical things on the front side of --- on
18 the track side, and I think that's the area that you
19 may want to take a look. And we'll make sure you get
20 copies of all those things.

21 How are you doing on the cash-in, shall
22 we say, compared to last year?

23 MR. HANDEL:

24 Business is off. Business is off
25 throughout our system, with the exception of phone

1 betting, which is running a little bit ahead of last
2 year. The racetrack is running off. Of the turf
3 clubs, only Valley Forge, which is the one furthest
4 away from the racetrack and the furthest away from
5 Chester Downs seems to be holding its own business and
6 actually showing an increase. And where we seem to be
7 getting hit the hardest are the turf clubs, three of
8 which that lay within easy driving distant of Chester
9 Downs. So we'll have to take a view on what we do
10 with those going forward.

11 I would say, overall business is off
12 about six percent. Our export business is off as
13 well. Now, we lost, I think, six racing days in the
14 first quarter of the year due to snow, ice, high
15 winds. We'll make some of those up. But in the
16 market that Philadelphia Park is in, and from a
17 customer point of view, it's very similar to Freehold,
18 Monmouth Park, some of the New Jersey tracks. There's
19 sort of a malaise in that whole area right now where
20 things are running off.

21 And if you think about it, the gambling
22 culture in southeastern Pennsylvania between the
23 opening of Chester Downs and the opening of
24 Philadelphia Park, both for gaming, and Chester Downs
25 for paramutuals as well, all happening within a month

1 of each other is probably the biggest shock that that
2 culture has taken. And I think it's going to take
3 some time for that to sort out.

4 MR. DECKER:

5 Does that give you some concerns for the
6 long-term, or do you think this is just --- I mean,
7 we're not looking at Atlantic City racetrack kind of
8 issue; are we?

9 MR. HANDEL:

10 I certainly hope not. I think the
11 racetrack, at some point, will re-invent itself to a
12 degree. With the purses that we anticipate at
13 Philadelphia Park and racing 200 days a year, which is
14 our obligation legally, we think there is going to be
15 tremendous demand going forward for our export
16 business, perhaps rivaling the New York Racing
17 Association as a significant year-round content
18 provider, and there's an awful lot of money to be made
19 here.

20 MR. DECKER:

21 Any questions for the Board? Well, thank
22 you for coming in today. We look forward to hearing
23 your next report on some of this stuff and not getting
24 any more complaints in, if we can.

25 MS. TUCKER:

1 That concludes the presentation from the
2 racetrack, so I'm through.

3 MR. DECKER:

4 Okay. Thanks, Melinda. Melinda, can you
5 arrange for those letters to be sent to Philadelphia
6 Park, if you don't mind?

7 MS. TUCKER:

8 Yes. Oh, absolutely.

9 MR. DECKER:

10 I presume you have copies of them all.
11 They're on my Blackberry.

12 MS. TUCKER:

13 Yes.

14 MR. DECKER:

15 Okay. Melinda, I'll see you afterwards
16 for a minute. Okay. That was a very good summary
17 from all of the racetracks. We appreciate them all
18 coming in today. Let's see. Up next is Eileen
19 McNulty, our Chief Financial Officer, with a report on
20 our --- I guess our financial report; correct, Eileen?

21 MS. MCNULTY:

22 Yes.

23 MR. DECKER:

24 Thank you.

25 MS. MCNULTY:

1 Thank you, Mr. Chairman and members of
2 the board. My report today is on April spending.
3 April spending from the General Fund was \$1.9 million,
4 bringing the year to date total spending to \$18.2
5 million.

6 Personnel expense was \$1,453,000, or 76
7 percent of April expenses. Total personnel expenses
8 for the year to date are now \$13.7 million, or 75
9 percent of our year to date spending.

10 April operating expenses were \$463,000
11 bringing the year to date total to \$4.6 million. Two
12 thirds of the monthly operating expenses were in four
13 categories, furniture and fixtures, real estate,
14 recurring telecommunication costs and consulting
15 services.

16 The largest monthly operating expense was
17 for furniture and fixtures. That expense was \$117,517
18 in April, reflecting payment for furniture for our
19 Conshohocken office. April's expense brought the year
20 to date total for furniture and fixtures to \$570,371.
21 This category accounts for 12 and a half percent of
22 our year to date operating expenses.

23 Real estate was the second largest
24 operating expense, accounting for \$79,830 in April and
25 \$826,924 year to date. Year to date real estate

1 accounted for 17.2 percent of operating expenses.

2 Recurring telecommunication costs were
3 the third largest operational expense for the month
4 totaling \$58,743. Year to date, these were \$432,968
5 or 9.5 percent of the operating expenses.

6 Consulting services were the fourth
7 largest operating expense accounting for \$51,932 in
8 April, approximately \$34,600 of this amount reflects
9 the result of a final reconciliation of investigative
10 expenses charged to applicants and expenses
11 appropriately charged to the General Fund. The
12 remainder reflects a miscoding that will be corrected
13 next month.

14 Year to date consulting services have
15 been \$569,000 or 12 and a half percent of our
16 operating expenses. That concludes my report, Mr.
17 Chairman.

18 MR. DECKER:

19 Any questions for Eileen?

20 MR. COY:

21 Yes. So all-in-all, Eileen, of the \$18
22 million, how much will be recovered, do you have any
23 idea? Like in terms of being charged back to the
24 applicants and so on.

25 MS. MCNULTY:

1 All of that was funded through charge
2 backs, either the \$800,000 or the one and a half
3 percent.

4 MR. COY:

5 Okay. Thank you.

6 MR. DECKER:

7 How do we stand on our budgeted
8 projections, actual versus budgeted?

9 MS. MCNULTY:

10 We're actually expecting our expenses to
11 come in some \$300,000 less than the budgeted amount.

12 MR. DECKER:

13 We're going to pay --- never mind. I
14 will keep my --- any other questions. That's a good
15 thing. But we're still on track to be hiring some
16 people for the opening of the new casinos; correct?

17 MS. MCNULTY:

18 We are, but we've hired a little bit more
19 slowly than anticipated, and that enabled us to absorb
20 higher legal expenses than we had anticipated when we
21 established the budget. So all-in-all we expect we'll
22 end up a little bit below budget.

23 MR. DECKER:

24 Thanks, Eileen, that's great. Great job.
25 Thanks for taking control of that for us. This is

1 Mike Walsh, our Director of Administration. Michael?

2 MR. WALSH:

3 Thank you, Mr. Chairman, members of the
4 board. The Bureau of Administration has one agenda
5 item this afternoon, that being a request to consider
6 three individuals, who have been recommended for
7 positions with the Pennsylvania Gaming Control Board.
8 These individuals have completed a background
9 investigation and drug screening, results of which had
10 been approved by the Board.

11 The three candidates are as follows, in
12 the office of communications, Richard McGarvey as the
13 deputy director of communications. In the Bureau of
14 Investigations and Enforcement, the Casino Enforcement
15 Unit, Terry Knepper (phonetic), as the Casino
16 Enforcement Agent. And in the Bureau of Licensing,
17 Peter Zugg (phonetic) as a licensing analyst.

18 Mr. Chairman, we respectfully request a
19 motion by the Board to approve the hiring of these
20 individuals.

21 MR. DECKER:

22 A motion to that effect, please?

23 MR. RIVERS:

24 Yes. Mr. Chairman, based on the
25 recommendation of the Director of Administration, I

1 move approval of the three names brought forward.

2 MR. MCCABE:

3 Second.

4 MR. DECKER:

5 Thank you. Any questions or comments for
6 Michael? Michael, again, they've all passed the
7 background investigation; correct?

8 MR. WALSH:

9 That's correct.

10 MR. DECKER:

11 Okay. Thank you. Any other questions?
12 Hearing none, all those in favor.

13 AYES RESPOND

14 MR. DECKER:

15 Any opposed?

16 NO RESPONSE

17 MR. DECKER:

18 The motion carries. Thank you. Next up
19 is our Office of Chief Counsel, Frank --- I'm sorry,
20 he's our Chief Counsel, Frank Donaghue. Frank, you
21 have a couple items this morning.

22 ATTORNEY DONAGHUE:

23 Good afternoon, Mr. Chairman and fellow
24 board members. This afternoon, Richard would first
25 like to go over a couple of chapters.

1 MR. DECKER:

2 Richard, welcome. Thank you.

3 ATTORNEY DONAGHUE:

4 465(a), 466(a) and 467(a) for some final
5 form regulations.

6 MR. SANDUSKY:

7 Yes. The package that's before you for
8 adoption today is a final-form rulemaking, which was
9 published as a proposed rulemaking back in December.
10 There was only one commenter. There were no public
11 comments and no comments received from the standing
12 committees. We did receive comments from the
13 Independent Regulatory Review Commission. It was a
14 fairly lengthy set of comments, but most of the
15 comments related to adding additional clarity to
16 certain provisions and asking us to put a little more
17 procedure and a little more detail into the
18 regulations.

19 We've reviewed those comments, we have
20 made extensive revisions to the proposed rulemaking
21 that are in the summary documents that you have
22 received. We also made several changes in addition to
23 that which will mirror changes that were done as
24 temporary rulemaking amendments between the
25 publication of proposed rulemaking and today. If the

1 Board members have any questions on them, I'll try and
2 field them. If not, we would ask for adoption of the
3 final form rulemaking.

4 MR. DECKER:

5 May I have a motion to that effect to
6 start out with?

7 MR. COY:

8 Mr. Chairman, I move the Board adopt the
9 final form regulation number 125-49 pertaining to
10 chapters 465a, 466a and 467a, and that the Board post
11 the final form regs on the Board's website.

12 MR. DECKER:

13 Is there a second, please?

14 MR. RIVERS:

15 Second.

16 MR. DECKER:

17 Thank you. Now, any questions or
18 comments for Richard on this proposed final reg?
19 Hearing none, all those in favor.

20 AYES RESPOND

21 MR. DECKER:

22 Any opposed?

23 NO RESPONSE

24 MR. DECKER:

25 The motion carries. Richard, thank you

1 very much. Thanks for all your hard work.

2 MR. SANDUSKY:

3 Thank you. And let me take just one
4 second to let the Board know that this morning at the
5 Independent Regulatory Review Commission meeting they
6 unanimously approved our final form package for
7 Chapters 401a, 403a, 405a and 407a.

8 MR. DECKER:

9 And that deals with, for the layman in
10 the audience, that deals with what subject?

11 MR. SANDUSKY:

12 That would deal with our general rules
13 and procedure and definitions. Now they will go to
14 the Attorney General and should be in the Bulletin
15 probably within a four to six-week time frame.

16 MR. DECKER:

17 Very good. Thank you very much. Frank?

18 ATTORNEY DONAGHUE:

19 Mr. Chairman, next I would like to turn
20 to some --- the withdrawal petitions as well as
21 address some matters related to gaming and non-gaming
22 employees. First would be a withdrawal petition. The
23 Board has received the following petition for
24 withdrawal of a key employee qualifier waiver
25 applications and key employee qualifier applications.

1 With regard to the request, it was
2 reviewed by the Office of Enforcement Counsel, and the
3 Chief Enforcement Counsel has no objection to the
4 withdrawal, as there is no information constituting
5 good cause to deny condition or prejudice to withdraw
6 the application and all required fees have been paid
7 to date. The petition would be granted without
8 prejudice. Chief Counsel's office concurs in this
9 review and submits the following for a motion by the
10 Board to grant the withdrawal petition without
11 prejudice, and that's related to Richard Lebaron
12 (phonetic) at PGCB Licensing, Docket Number 2721.

13 MR. DECKER:

14 Okay. Thank you. May I have a motion to
15 that effect, please?

16 MR. MCCABE:

17 Mr. Chairman, I move that the Board grant
18 the withdrawal petition without prejudice, as
19 described by the Chief Counsel.

20 MR. DECKER:

21 Thank you. Second?

22 MR. COLINS:

23 Second.

24 MR. DECKER:

25 Any questions for Frank or Don while

1 they're up here? All those in favor.

2 AYES RESPOND

3 MR. DECKER:

4 Any opposed?

5 NO RESPONSE

6 MR. DECKER:

7 Motion carries. Thank you. Next item.

8 ATTORNEY DONAGHUE:

9 Next, I would like to turn to Diana
10 DiMeglio. This is number 1002139-EO-001. Today the
11 Board is being presented with one report and
12 recommendation to continue the suspension of this
13 particular gaming employee permit. On January 25th,
14 2007 Ms. DiMeglio was arrested by the Pennsylvania
15 State Police and charged with four felonies, and one
16 summary offense, including burglary, criminal attempt,
17 criminal conspiracy to commit burglary, criminal
18 trespass and criminal mischief.

19 The disposition of these three charges
20 remain pending. On February 2nd, 2007 pursuant to 58
21 Pa Code Section 4036, the Office Enforcement Counsel
22 requested to the Executive Director that an emergency
23 suspension be ordered to suspend DiMeglio's gaming
24 employee permit, based on the January 25th, 2007
25 felony charges, the same day Executive Director Neeb

1 issued such an order.

2 On February 3rd, 2007, DiMeglio requested
3 a hearing before the Executive Director. Executive
4 Director Neeb directed that DiMeglio's hearing be
5 conducted by the Bureau of Hearing and Appeals. The
6 matter, including a full evidentiary record below has
7 been presented to the Board and now it's ripe before
8 your consideration.

9 During the course of the February 13th
10 hearing, DiMeglio testified that she did not believe
11 that she needed a gaming permit as a condition of her
12 employment at Harrah's. Nevertheless, she then
13 elected not to request that her emergency suspension
14 be modified or dissolved prior to the disposition of
15 the offenses for which she was arrested on January
16 25th, 2007.

17 The matter, including the full
18 evidentiary record below has now been presented to the
19 Board, and now it's ripe for your consideration.

20 MR. DECKER:

21 Thank you. May I have a motion?

22 MR. SOJKA:

23 Mr. Chairman, after consideration of the
24 evidentiary record, the Hearing Officer's report and
25 recommendation, I move that the Board continue the

1 suspension of Ms. DiMeglio as described by our chief
2 counsel.

3 MR. DECKER:

4 Is there a second?

5 MR. MCCABE:

6 Second.

7 MR. DECKER:

8 Second. Any questions for Frank? This
9 suspension would continue for what period of time?

10 ATTORNEY DONAGHUE:

11 It will continue until we have a
12 disposition on the charges that are against her and
13 then we'll bring it back up in front of the Board.

14 MR. DECKER:

15 Very good. Any other questions? All
16 those in favor.

17 AYES RESPOND

18 MR. DECKER:

19 Any opposed?

20 NO RESPONSE

21 MR. DECKER:

22 The motion carries. Thank you.

23 ATTORNEY DONAGHUE:

24 Okay. On some other withdrawals next
25 before the Board are reports and recommendations to

1 permit the withdrawal of two non-gaming registration
2 applications for Koto Mobaw (phonetic) and Mark
3 Vicelli (phonetic). On February 7th, 2006 Mr. Mobaw
4 filed a non-gaming employee permit application and
5 disclosure form with the Board's Bureau of Licensing,
6 consistent with 4 Pa C.S. Section 1308 and 1318,
7 during the Board's background investigation into this
8 applicant, our Bureau of Investigations and
9 Enforcement discovered that the applicant had failed
10 to disclose an arrest for retail theft, receiving
11 stolen property and criminal conspiracy.

12 After requesting a hearing before the
13 Hearing Officer on January 13th. The applicant was
14 present pro se. The Hearing Officer conducted an
15 administrative oral hearing. At the outset of the
16 applicant's hearing, the Office of Enforcement Counsel
17 informed the Hearing Officer that a pre-hearing
18 conference had been conducted shortly before the
19 hearing, and there appeared to be a resolution that
20 was mutually agreeable with the parties. And the
21 applicant voluntarily withdrew the application without
22 prejudice pending the results of the charge for retail
23 theft.

24 The applicant understood that if she was
25 placed in the ARD program for the above referenced

1 charge, she would be permitted to re-apply for a
2 license based on the foregoing representations made by
3 the applicant, the Office of Enforcement Counsel did
4 not object to her withdrawal. The matter, including
5 the full evidentiary record below has been presented
6 to the Board, and now it's ripe for your
7 consideration.

8 MR. DECKER:

9 Thank you.

10 ATTORNEY DONAGHUE:

11 Also, since we have this within one
12 motion, I can go right on to the next one. On
13 November 15th, 2006 Mr. Viscelli filed a non-gaming
14 employee permit application and disclosure form with
15 the Board's Bureau of Licensing, consistent with the
16 Gaming Act during the Board's background investigation
17 into this applicant. Our Bureau of Investigations and
18 Enforcement discovered that the applicant failed to
19 disclose parts of his criminal history.

20 The applicant had three arrests from 2004
21 to 2006. After requesting a hearing before the
22 Hearing Officer on January 13th, 2007, the applicant
23 was present pro se. A Hearing Officer conducted an
24 oral administrative hearing. At the outset of the
25 hearing the Office of Enforcement Counsel informed the

1 Hearing Officer that a pre-hearing conference had been
2 conducted shortly before the hearing, and there
3 appeared to be a resolution that was mutually
4 agreeable to the parties.

5 The applicant would voluntarily withdraw
6 his application with prejudice and would be prohibited
7 from re-applying for a non-gaming employee
8 registration for five years. The Office of
9 Enforcement Counsel stated it did not have any
10 objections to the applicant's withdrawal with
11 prejudice. The matter, including the full evidentiary
12 record below has been presented to the Board and now
13 is ripe for your consideration.

14 MR. DECKER:

15 Thank you. Is there a motion concerning
16 these two proposed resolutions?

17 MR. ANGELI:

18 Yes. Mr. Chairman, after consideration
19 of the evidentiary record, the Hearing Officer's
20 report and the recommendation, I move that the Board
21 approve the withdrawals of Koto Mobaw and Mark
22 Viscelli, non-gaming employee registration
23 applications.

24 MR. DECKER:

25 Thank you. Is there a second?

1 MR. SOJKA:

2 Second.

3 MR. DECKER:

4 Thank you. Any questions? I have one.
5 These are with prejudice; correct?

6 ATTORNEY DONAGHUE:

7 The first one is without prejudice and
8 the second one is with prejudice, that is correct. As
9 reflected in the orders.

10 MR. DECKER:

11 Thank you. Any other questions? All
12 those in favor.

13 AYES RESPOND

14 MR. DECKER:

15 Any opposed?

16 NO RESPONSE

17 MR. DECKER:

18 The motion carries.

19 ATTORNEY DONAGHUE:

20 And finally, Mr. Chairman, I'm going to
21 turn the matters over to Assistant Counsel Don
22 Shiffer, who's going to present to the Board a number
23 of orders regarding denials of gaming and non-gaming
24 employees.

25 ATTORNEY SHIFFER:

1 Thank you, Mr. Chairman. Today the Board
2 is being presented with 11 report recommendations from
3 the Bureau of Hearings and Appeals to deny the gaming
4 and non-gaming applications of the following
5 individuals.

6 The record for each of these individuals
7 has been provided to the Board, including the report
8 of recommendation from the Bureau of Hearings and
9 Appeals, the relevant sections of the application and
10 the information verifying the non-disclosures. So
11 there are 11 of these, and we'll go through them as
12 quickly as possible.

13 First is Christopher A. Kelly, Docket
14 Number 1001625. A recommendation for denial was made
15 by the Bureau of Investigation and Enforcement due to
16 a non-disclosure of a 1993 felony conviction on Mr.
17 Kelly's non-gaming employee application. Following a
18 hearing, the Hearing Officer recommended Mr. Kelly's
19 non-gaming application be denied.

20 Secondly, you have a Paul Q. Lye
21 (phonetic), Docket Number 1002135. In this case, a
22 recommendation for denial was made by the Bureau of
23 Investigation and Enforcement due to non-disclosures
24 of two arrests in 1998 and 1999. Following a hearing
25 the Hearing Officer recommended that Mr. Lye's

1 non-gaming application be denied.

2 The third is Doris A. Minor, Docket
3 Number 1003230. In this case a recommendation for
4 denial was made by the Bureau of Investigations and
5 Enforcement due to non-disclosures of two arrests.
6 One in 1994 and another in 1998. Following a hearing,
7 a hearing officer recommended that Ms. Minor's
8 non-gaming employee application be denied.

9 The fourth is Shelly L. Monroe, Docket
10 Number 1000975. A recommendation for denial was made
11 by the Bureau of Investigation and Enforcement due to
12 non-disclosures on arrest on three separate charges in
13 1997. Following the hearing on the merits, the
14 Hearing Officer recommended that Ms. Monroe's
15 application be denied.

16 The fifth is Christopher J. Owens, Docket
17 Number 1002144. In this case the Bureau of
18 Investigation and Enforcement made a recommendation
19 for denial due to non-disclosures of an arrest in
20 February of 2006. Following a hearing on the merits
21 the Hearing Officer recommended Mr. Owens' non-gaming
22 application be denied.

23 The sixth is Robert L. Schmuck
24 (phonetic), 10000152, Docket Number. In this case the
25 recommendation for denial was made by the Bureau of

1 Investigation and Enforcements due to non-disclosures
2 of arrests spanning from 1980 through 1996. Following
3 a hearing, the Hearing Officer recommended Mr.
4 Schmuck's gaming application be denied.

5 Next is a Johnny Wilcox, Jr., Docket
6 Number 1002793. In this case, the recommendation for
7 denial was made by the Bureau of Investigation and
8 Enforcement due to non-disclosures of numerous arrests
9 as well, spanning from a 1980 through 1997. Following
10 a hearing the Hearing Officer recommended Mr. Wilcox's
11 non-gaming employee application be denied.

12 Number eight, is Joseph A. Campbell,
13 Docket Number 1003908. In this case, Bureau of
14 Investigation and Enforcement recommended the denial
15 based on non-disclosures of numerous arrests from 2000
16 to 2002. Following a hearing on the merit, the
17 Hearing Officer recommended Mr. Campbell's non-gaming
18 employee application be denied.

19 Number nine is Anthony Gerard (phonetic),
20 Docket Number 10004161. A recommendation for denial
21 was made by the Bureau of Investigation and
22 Enforcement in this matter, based on numerous arrests
23 from 1982 through 1988. Following a hearing on the
24 merits, the Hearing Officer recommended Mr. Campbell's
25 gaming employee application be denied.

1 Next is Arthur E. Jones, 1004101. In
2 this case the Bureau of Investigations and Enforcement
3 recommended denial of Mr. Jones' application based on
4 non-disclosure of some 24 arrests. Following a
5 hearing on the merits, the Hearing Officer recommended
6 Mr. Jones' gaming employee application be denied.

7 The last is ---.

8 MR. DECKER:

9 He just forgot the 24?

10 ATTORNEY SHIFFER:

11 I guess so, yes.

12 MR. MCCABE:

13 Mr. Chairman, what's the problem, the
14 print not big enough on these applications or what? I
15 mean, is there a comment about that at all?

16 MR. DECKER:

17 Twenty-four (24).

18 ATTORNEY SHIFFER:

19 I don't have a comment about that. I
20 think it's self-evident. The last is April R.
21 Robertson, Docket Number 1001725, a recommendation for
22 denial was made by the Bureau of Investigation and
23 Enforcement on this case, as well, based on various
24 arrests in 1999. Following a hearing on the merits,
25 the Hearing Officer recommended that Ms. Robertson's

1 non-gaming employee application be denied as well.

2 I can entertain any questions that anyone
3 has based on these non-disclosures.

4 MR. DECKER:

5 Is there any questions? Let's have a
6 motion then with respect to these. There are 11;
7 correct?

8 ATTORNEY SHIFFER:

9 Correct.

10 MS. COLINS:

11 I move that the Board approve an order to
12 adopt the recommendations that have just been made and
13 deny the applications, as described by Chief Counsel.

14 MR. COY:

15 Second.

16 MR. DECKER:

17 Any questions or comments? I might have
18 one. And that is, this isn't the kind of --- the
19 one's you're describing today are different than the
20 ones we were getting some months ago; right, in
21 Philadelphia Park and in Harrah's, where people were
22 confused? I want to come back to Jeff's point. I
23 mean, 24 it's hard to be confused. But on the others,
24 this isn't where somebody who didn't understand the
25 application, these are --- the ALJs have found that

1 these are clearly people that should have disclosed;
2 correct?

3 ATTORNEY SHIFFER:

4 Yeah, I believe so, Mr. Chairman, as
5 well. I think you have instances where folks ---
6 where non-disclosure was uncovered and requested
7 hearings on the merits. Some cases, these hearings
8 were continued two and three times, and then the date
9 of the hearing, the individual failed to ---

10 MR. DECKER:

11 A no-show.

12 ATTORNEY SHIFFER:

13 --- show up and discuss these issues.
14 And then, of course, it ranges from those who say they
15 knowingly didn't disclose because they didn't want to
16 be prejudiced by them. You know, and of course ---
17 and that is in contravention to our regulations and to
18 the applications that they were made to sign and
19 attest.

20 ATTORNEY DONAGHUE:

21 The application is very clear that you
22 must disclose prior arrests and prior ---.

23 MR. DECKER:

24 Right. No, we understand that.

25 MR. COY:

1 So in these cases the print was big
2 enough?

3 ATTORNEY DONAGHUE:

4 That's correct.

5 MR. DECKER:

6 Okay. You didn't need magnifying
7 glasses, in other words. Okay. Any other questions?
8 Hearing none, all those in favor.

9 AYES RESPOND

10 MR. DECKER:

11 Any opposed?

12 NO RESPONSE

13 MR. DECKER:

14 The motion carries. Thank you, Don.
15 Frank, anything else?

16 ATTORNEY DONAGHUE:

17 No, that's all I have, Mr. Chairman.

18 MR. DECKER:

19 Before Susie comes up, I think there's
20 one thing we may have neglected in Eileen's report,
21 and I think we're going to bring her back up, and ---
22 Eileen.

23 MS. MCNULTY:

24 Thank you, Mr. Chairman. I just wanted
25 to correct the statement I made that may have been

1 erroneous. I believe I misunderstood Commissioner
2 Coy's question, as to the source of funding for our
3 spending. I thought that you had asked how much of
4 the month spending had come from the various sources,
5 and the answer I gave is correct for the monthly
6 spending. But for our year to date spending of \$18.2
7 million, approximately \$11 million of that came from
8 the General Fund loan and the remainder came from the
9 one and a half percent and the \$800,000. I just
10 wanted to correct that.

11 MR. DECKER:

12 And fees, I presume as well; right?

13 MR. COY:

14 Thank you.

15 MR. DECKER:

16 Some charges for ---.

17 MS. MCNULTY:

18 Well, this is the General Fund's
19 spending, and this came from those sources. The
20 gaming fund spending came from the fees.

21 MR. DECKER:

22 Is it still the General Fund or is it in
23 the --- to ask maybe a question I shouldn't ask, or is
24 it now in the gaming fund loan?

25 MS. MCNULTY:

1 It's still in the General Fund until the
2 end of this fiscal year.

3 MR. DECKER:

4 Okay. Thank you.

5 MS. MCNULTY:

6 Thank you.

7 MR. DECKER:

8 Any other questions for Eileen? Thank
9 you. Susan? Next up is Susan, our Director of
10 Licensing.

11 MS. HENSEL:

12 Thank you, Chairman. The items I have to
13 discuss with you this morning all have to do with
14 vendors. First I wanted to update the Board on plans
15 to streamline the vendor process. The Bureau of
16 Licensing is currently reviewing our approach to
17 certified vendors and anticipates making several
18 changes to the process in the near future.

19 One area we are examining is requiring
20 different types of filings for publicly-traded
21 companies than for privately-held companies.

22 Another change would be lowering the
23 filing requirements for companies engaged in isolated
24 transactions, provided they meet certain requirements.

25 A third area is the revision of the

1 vendor applications to make them more consistent with
2 the scope of the investigation.

3 In the coming weeks, the Bureau will be
4 working to implement these and other changes, as well
5 as be making recommendations for clarifications to our
6 vendor regulations.

7 The next item concerns certified vendor
8 applicants who are before the Board today for
9 approval. Certified vendors are those doing business
10 with facilities in excess of \$200,000 in a 12-month
11 period or who are performing work in a restricted area
12 or on the gaming floor.

13 Prior to this meeting, the Bureau of
14 Licensing provided you with an order and an attached
15 list of the following five vendors, EE Austin and Son,
16 Inc., Erie Contract Interiors, Inc., Label Right,
17 Inc., Marketing Results Associates, Inc., and Tim's
18 Custom Installation, Inc.

19 I've consulted with the Chief Enforcement
20 Counsel, and BIE has no objections to the
21 certification of these five companies. Should you
22 vote to approve the certifications, the companies
23 would be subject to a series of conditions, and I ask
24 that the Board adopt a motion approving the order.

25 MR. DECKER:

1 Thank you, Susan. May I have a motion to
2 that effect?

3 MR. COY:

4 Mr. Chairman, I move the Board adopt the
5 order and the attached list regarding approval of the
6 applications for vendor certification.

7 MR. DECKER:

8 Thank you, Commissioner Coy. Is there a
9 second?

10 MR. SOJKA:

11 Second.

12 MR. DECKER:

13 Thank you. Any questions for Susan?
14 Hearing none, all those in favor.

15 AYES RESPOND

16 MR. DECKER:

17 Any opposed?

18 NO RESPOND

19 MR. DECKER:

20 Motion carries. Thank you, Susan. You
21 have another item, I believe; right?

22 MS. HENSEL:

23 Yes. The final matter concerns
24 registered vendor applicants. Registered vendors are
25 those doing business with the facility between \$15,000

1 and \$200,000 in a 12-month period. Prior to this
2 meeting, the Bureau of Licensing provided each of you
3 with an order and an attached list of 37 vendors. I
4 consulted with the Chief Enforcement Counsel, and BIE
5 has no objection to the registration of the 37
6 companies. All vendors approved by the Board will be
7 listed on the Board's website on the approved vendors
8 list, and I ask that the Board adopt a motion
9 approving that order.

10 MR. DECKER:

11 May I have a motion to that effect,
12 please?

13 MR. MCCABE:

14 Mr. Chairman, I move that the Board adopt
15 the order of the attached list regarding approval of
16 application for vendor registration.

17 MR. DECKER:

18 Is there a second?

19 MR. COY:

20 Second.

21 MR. DECKER:

22 Thank you. Any questions for Susan on
23 this, which makes a lot of sense? Hearing none, all
24 those in favor.

25 AYES RESPOND

1 MR. DECKER:

2 Any opposed?

3 NO RESPONSE

4 MR. DECKER:

5 The motion carries. Susan, thank you
6 very much for that work. I know that took a lot of
7 effort going back and forth and just getting comments
8 and so forth. So that's a very good job. Thank you.

9 MS. HENSEL:

10 Thank you. That concludes my
11 presentation.

12 MR. DECKER:

13 Thank you. Well, I think that wraps it
14 up for us. Does anybody on the Board have anything
15 else today? As a reminder, our next meeting will be
16 held on June 5th at 11:00 a.m. at the State Museum
17 Auditorium. Again, does any of the board members have
18 any questions or comments? May I have a motion to
19 adjourn?

20 MR. COY:

21 So moved.

22 MR. MCCABE:

23 Second.

24 MR. DECKER:

25 All in favor.

1 AYES RESPOND

2 MR. DECKER:

3 We're adjourned. Thank you.

4 * * * * *

5 PUBLIC MEETING CONCLUDED AT 12:40 P.M.

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