

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: HARRAH'S CHESTER DOWNS MANAGEMENT COMPANY, LLC
WORLD SERIES OF POKER - USE OF BALLROOM

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PUBLIC HEARING

BEFORE: Gregory C. Fajt, Chairman
Raymond S. Angeli, James B. Ginty,
Keith R. McCall, Anthony C. Moscato,
Gary A. Sojka, Kenneth I. Trujillo; Members
Christopher Craig, Representing Robert M.
McCord, State Treasurer

Daniel Tufano, representing Acting
Secretary of Agriculture, George Greig
Robert Coyne, representing Acting Secretary
of Revenue, Daniel Meuser

HEARING: Wednesday, March 23, 2011
12:36 p.m.

LOCATION: Public Utility Commission
Keystone Building
400 North Street, Hearing Room 1
Harrisburg, PA 17120

WITNESSES: Ron Baumann, Vito Nardelli, Michael Cruz

Reporter: Cynthia Piro Simpson
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CHAIRMAN:

Okay. Moving on to the second hearing for Harrah's today, they have a request to hold a World Series of Poker tournament at Chester Downs. And again, this is an uncontested matter. We've asked the OEC to be present today just to answer any questions the Board may have.

And again, this is not something that we have to approve, but we felt that since this is the First World Series of Poker tournament that we're having in Pennsylvania, it's a big deal. And we wanted to have the folks from Harrah's here to explain the program in more detail and also to answer any questions that the Board might have, so thank you for your indulgence in that matter. And with that, you may begin.

ATTORNEY DOWNEY:

Thank you, Mr. Chairman. Again, for the record, I'm Bill Downey, D-O-W-N-E-Y, for Harrah's Chester. With me at the counsel table is Ron Baumann, the Senior Vice-president and General Manager of Harrah's Chester. To my left is Vito Nardelli. Vito is the Supervisor of Poker Games at Harrah's Chester.

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CHAIRMAN:

Mr. Downey, if I could just interrupt you for a minute. I believe, if I'm not mistaken, that you were both sworn in before; correct?

ATTORNEY DOWNEY:

Correct. Both have been sworn in.

MR. NARDELLI:

That's correct.

CHAIRMAN:

Thank you.

ATTORNEY DOWNEY:

Thank you. Mr. Chairman, we're in front of you this afternoon on a matter, and I don't --- at least of correcting you. I think there are elements here that we do require your signoff on. I'd present those to you at the conclusion of Mr. Baumann's presentation.

Mr. Baumann's going to walk you through another PowerPoint presentation, describing the tournament. We do recognize that this is something of a case of first impression before you, and we appreciate the opportunity to present the program to you. With that, I'll hand it over to Mr. Baumann.

RON BAUMANN, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED

1 AS FOLLOWS:

2 -----

3 MR. BAUMANN:

4 Thank you. Ron Baumann, B-A-U-M-A-N-N,
5 Senior Vice-president and General Manager of Harrah's
6 Chester. Good afternoon again, gentlemen and Chairman
7 and Commissioners. Am I on? Yes?

8 CHAIRMAN:

9 Yes.

10 MR. BAUMANN:

11 We are delighted with the Board's
12 approval to bring to the Commonwealth of Pennsylvania
13 the first major poker tournament. That is scheduled
14 to occur at the end of April, and we'd hope to do that
15 with what we believe is the most prestigious poker
16 game on earth, the World Series Poker.

17 And just to set some context here, this
18 is not the event that people see in the summer on TV
19 with --- that takes place in Las Vegas and at Rio.
20 This is what we call a circuit event, which are a
21 series of events that occur throughout the country
22 that feed into that bigger event. This is also not a
23 televised event for this particular event, although in
24 the future, we are looking to do televised events.

25 So again, it's a series of tournaments

1 that are run through various casinos. Most of those
2 are Harrah's Grand Casinos. We recently did circuit
3 events in Rincon, Caesars Atlantic City. Harrah's
4 Atlantic City took place in December.

5 We are looking to conduct this event in
6 our ballroom, which is actually a series of three
7 ballrooms about 12,000 square foot at Harrah's
8 Chester. The event is scheduled to run from the end
9 of April 'til May 10th. We anticipate what we would
10 call a unique guest count of around 4,000. Many of
11 those individuals will participate in multiple
12 tournaments, so the actual guest count itself will be
13 somewhere around 10,000.

14 And during this process, we'd like to
15 thank Kevin and staff, because it is the first event
16 we have sought and collaborated with his team and
17 gotten guidance on how to comply with the regulations
18 and best structure this particular event. This is
19 just a quick snapshot of our ballroom. There will be
20 76 tables located in our ballroom, again, with a
21 series of three ballrooms.

22 I'll show you a separate schedule which
23 takes place each day over a different series of time.
24 And then each event is structured differently with the
25 amount that somebody might buy in for and the admin

1 fee and ultimately what the prize pool is.

2 The tables that we utilize in the event
3 are basically pieces of furniture that we've
4 constructed and move around the brand. These
5 particular units we look to move up from ---. They're
6 currently residing in Atlantic City. They're in a
7 secured warehouse. We transport it by our own truck.
8 We bring it here and we log them in. We put them in
9 --- actually in the ballroom. They're secured during
10 off-period times. There's no access to the ballroom.

11 They are truly a piece of the furniture
12 with green felt on them and bumpers. There are no
13 drop boxes, there are no shuffle machines, there are
14 no floats, there are no logos, there are no
15 identifiers. That actually is a piece of the table
16 --- or a table. This particular one being held with a
17 fine piece of duct tape, I can see on the ---. So you
18 can see there they're using white. We'll change that
19 to black, by the way, duct tape.

20 The structure of the tournament, there's
21 basically 38 tournaments with various satellite
22 tournaments also taking place. And we will show you a
23 sample of the rack card. The main game that we
24 feature is Texas Hold'em, and that is probably 78
25 percent of the game types that are offered during

1 there. We also do offer a lot of games such as, you
2 know, different stud games and different versions of
3 Omaha, all approved games in the State.

4 Tournaments are staggered. They start at
5 various times throughout the day. We make sure that
6 we give players plenty of opportunity to participate
7 in the different tournaments they care to.

8 One of the bigger tournaments that
9 individuals look forward to is the \$1,500 buy-in
10 tournament, whenever that tournament actually does get
11 a seat to the World Series of ---. It is one of the
12 ways to earn a seat into the event that takes place in
13 the summer. There's four, I believe --- four ways of
14 doing that. That's one of them.

15 That actually is a sample of the non-
16 value chip that we submitted and it was approved.
17 It actually is a chip that's designed just for World
18 Series Poker. And this particular tournament, it will
19 be the chip that is utilized inside the room.

20 This is the actual rack card of events.
21 You can see it starts out as April 27th, a Wednesday,
22 with a noon event for \$200 plus the admin fees and all
23 the way through May 9th with the last series of
24 events. These are schedules that we have posted out
25 on the website and various communication channels

1 throughout the property and throughout the enterprise.

2 Again, the summary buy-in, if you're
3 familiar with Harrah's Chester, we have a cash advance
4 center, and that's located outside of the ballroom,
5 right off the elevators and escalators when you enter
6 the property. That actually will be where we conduct
7 buying. It is a secure location where the actual cash
8 transactions will take place. We have actually
9 installed additional cameras over this particular
10 station to ensure that we have full coverage.

11 The tournaments will be held inside the
12 ballroom, and if we get, you know, greater demand than
13 anticipated, we would use the existing poker room
14 under existing structures for any overflow needs that
15 we may have. Anybody who wins in the tournament is
16 paid out through our poker satellite cage through our
17 normal internal control processes that we currently do
18 today.

19 Again, registration is conducted outside
20 the ballroom at the cash advance center, and that's
21 where the cash is exchanged. Inside the ballroom
22 there is no cash flow, so it is pure tournament play,
23 no cash or no cash payments. And any and all
24 procedures that we have worked on through internals
25 follow existing regulations or have been submitted to

1 Kevin and his team for their consideration.

2 From a security perspective, we have ---
3 or we are going to deploy some additional security and
4 uniformed police officers, either from the State or
5 from the City of Chester. And we utilize them at
6 sub-peak times where we anticipate that the largest
7 crowds and cash transactions will take place. We do
8 have additional security that will be located inside
9 the ballroom at nontraditional posts that we do. And
10 we will have additional officers and a security
11 supervisor located inside the room.

12 For a matter of understanding, we do not
13 allow spectators in the ballroom during the event, so
14 there is no ---. Again, that's one of the big
15 differences between this event and what we see on TV
16 at Vegas. During the tournament, spectators are not
17 permitted. Only players are permitted.

18 At one time we did allow spectators at
19 that --- at the final table, so that \$1,500 buy-in
20 where the ring is being awarded or where the seats at
21 the circuit tournament would be awarded. We would
22 anticipate about 50 spectators, most of those former
23 tournament poker players who didn't win, would like to
24 see who that winner is.

25 Food and beverages are available for

1 purchase. Oh, wait. There's no Beverage on Demand
2 system. And again, the main event is not televised.

3 From a surveillance perspective, we have
4 sunk into the ballroom around \$120,000 worth of
5 surveillance equipment, because it is our intention to
6 continue to do tournaments beyond this one tournament,
7 so that makes the spend worth it. We have 27 cameras
8 located at various spots throughout the ceiling.
9 Basically, it covers a ratio of about one to three.
10 Most of those are panning tilts and some fixed
11 cameras, but most of those are panning tilts.

12 We have full recording and storage
13 capabilities that we would have for the regular gaming
14 facilities, so we could follow any of those
15 regulations. As I said before, we did install
16 additional cameras over our cash advance center to
17 make sure that we're fully secured for where the
18 buy-in takes place. We have added additional recorder
19 cameras for our storage capabilities.

20 And again, all the installations are
21 permanent, so this is a permanent capability that we
22 will have going forward. And surveillance of the
23 ballroom will be 24-hour, so we leave the cameras on
24 when the room is down and secured so that we have a
25 picture of the room at all times.

1 From a dealer perspective, we anticipate
2 utilizing about 200 dealers for this tournament, so a
3 pretty significant job creation, really, that this
4 will bring to the state. About 100 of those dealers
5 will be from our existing staff, so existing poker
6 dealers.

7 We are also offering free training to our
8 blackjack dealers who want to learn poker so that they
9 now have additional skill. And I'm sure they'll be
10 out and about as circuit poker tours take place
11 throughout the state. The training is scheduled to be
12 about 100 hours through all the various poker games,
13 and with an emphasis on Hold'em.

14 We are delighted to have worked with the
15 State, and there's both a temporary license available
16 now for some of these dealers, which is, you know,
17 absolutely critical to the success of a tournament
18 like this and that individuals have a chance to gain a
19 license and not pay the full fee. Any local dealers
20 are going for the full gaming license. And again, we
21 have about 75 of our own dealers in training for
22 various cross. And again, we offer that training for
23 free to our staff.

24 That is an overview of the event. I
25 don't know if there's any questions or subjects or

1 anything you want me to cover.

2 CHAIRMAN:

3 Thank you very much. Questions from the
4 Board? Yes, Commissioner Angeli.

5 MR. ANGELI:

6 How is the tax computed for this event?

7 MR. BAUMANN:

8 I'm sorry. Could you ask me that again?

9 MR. ANGELI:

10 Tax, the tax on the event. You're
11 receiving ---. When people buy in; right, ---

12 MR. BAUMANN:

13 Uh-huh (yes).

14 MR. ANGELI:

15 --- does the State tax?

16 MR. BAUMANN:

17 It's on the admin fees; all right? The
18 revenue's collected on the admin fees.

19 MR. ANGELI:

20 So, when they buy into the ---

21 MR. BAUMANN:

22 Yes.

23 MR. ANGELI:

24 --- whatever they're going to play?

25 MR. BAUMANN:

1 There is a buy-in; right? Which goes
2 into the pool. That's what the players get and divvy
3 up, and it's according to some ---

4 MR. ANGELI:

5 Right.

6 MR. BAUMANN:

7 --- sort of prize structure. And then
8 there's that plus number, which is the admin fee,
9 which is the taxable portion of revenue.

10 MR. ANGELI:

11 Is that the 16 percent or what is that
12 tax?

13 MR. BAUMANN:

14 It's the standard tax on table games.

15 MR. ANGELI:

16 Okay, all right. Thanks.

17 CHAIRMAN:

18 Commissioner McCall?

19 MR. MCCALL:

20 Just one question. In reviewing some of
21 the attachments, you were talking about ---. I'm not
22 sure if it had its own number of attachment, but it's
23 the single table, payout table. You have the buy-in
24 number of players, total amount collected, buy-in
25 chips, and then the three things that we would like a

1 little verification on, the cash, the drop and the
2 token. Would you explain that to us, what that means?

3 MR. BAUMANN:

4 I'm going to let Vito answer. That's in
5 the submission, you know, the submission part.

6 -----
7 VITO NARDELLI, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED
8 AS FOLLOWS:

9 -----

10 MR. NARDELLI:

11 Vito Nardelli, V-I-T-O N-A-R-D-E-L-L-I.
12 What's in the submission there for the satellite firm
13 is essentially an accounting construct. So, for
14 example, the \$45 buy-in with ten players you'll see
15 the total amount that comes in is \$450, and then to
16 the right of that is how the money flows out. So, the
17 drop in \$75 would be the revenue, the taxable revenue
18 for the property. \$25 would go to dealer tariffs.
19 The \$50 comes to cash to the first place winner, along
20 with \$300 in chips.

21 MR. MCCALL:

22 Could you go over that again?

23 MR. NARDELLI:

24 Sure. So in the top buy-in, the very
25 first example is the \$45 buy-in. So any satellite

1 tournaments, when you get ten players who want to play
2 in that particular event, that would be \$450
3 collected.

4 MR. MCCALL:

5 Right.

6 MR. NARDELLI:

7 And so going from that point to the
8 right, that'll sum up to \$450, so the first place
9 winner will receive \$300 in chips ---

10 MR. MCCALL:

11 UH-huh (yes).

12 MR. NARDELLI:

13 --- \$50 in cash. \$75 drop is essentially
14 our revenue, and then the \$25 tokens for the staff.
15 So that accounts for full ---.

16 MR. MCCALL:

17 Total of ten ---?

18 MR. NARDELLI:

19 Yes.

20 MR. MCCALL:

21 And the \$75 drop is ---?

22 MR. NARDELLI:

23 Revenue.

24 MR. MCCALL:

25 Revenue that ---?

1 MR. NARDELLI:

2 Taxable revenue; correct.

3 MR. MCCALL:

4 For the casino?

5 MR. NARDELLI:

6 Correct.

7 ATTORNEY DOWNEY:

8 Treated as single revenue, table revenue;
9 right?

10 MR. NARDELLI:

11 Correct, correct.

12 CHAIRMAN:

13 And the 16 percent then gets applied to
14 that \$75 in that example?

15 MR. BAUMANN:

16 Correct.

17 MR. NARDELLI:

18 Correct.

19 MR. BAUMANN:

20 And then satellite --- just to be clear,
21 satellite is what we can use to recall a sit-and-go.
22 So, these satellite tournaments are a group of ---.
23 You know, that's not on the rack card that we showed
24 or a group of individuals --- ten people want to get
25 together and have a single table tournament. And you

1 call that sit-and-go. You get ten players to go. You
2 put a prize structure together and then the tournament
3 launches. The industry term for that is a sit-and-go.

4 MR. GINTY:

5 And if I'm buying chips, are they real
6 chips or are they tournament chips?

7 MR. NARDELLI:

8 The buying chips are tournament chips.
9 They're non-value. They have no cash value. They're
10 labeled as tournament chips with no cash value.

11 MR. GINTY:

12 So that's essentially what they play
13 with?

14 MR. NARDELLI:

15 Correct. It's just a way to keep the
16 score.

17 MR. GINTY:

18 All right. Now, for somebody that buys
19 in at a \$45 level, then their chances of going to Las
20 Vegas aren't good?

21 MR. NARDELLI:

22 So for the satellite tournaments,
23 somebody's buying in for \$45. They're just playing a
24 standard tournament, and the winner of that particular
25 table receives their chips to cash in. At that

1 particular piece of it, has nothing to do with Las
2 Vegas. The \$180 satellite tournament that I would
3 like to offer, that one is where you can --- the
4 player who wins that table may then win a seat into
5 the main event at the Harrah's Chester property.
6 From there they can go on to win a seat to that main
7 event in Las Vegas, or they can place for cash.

8 MR. BAUMANN:

9 And in follow up to that. The way the
10 overall tournament works, there's a number of ways you
11 can earn a way to Las Vegas. There's a point system
12 behind everything that we do, so if you win
13 tournaments or play tournaments, you're awarded points
14 throughout various places that we put --- or we offer
15 the tournaments throughout the U.S. And if you have a
16 certain amount of points, you utilize that towards
17 Vegas.

18 The ring, here you see a picture of the
19 ring. If you're the winner and the overall winner and
20 you win that ring and you get a right to go to Vegas
21 for that seat. And if you're the property winner at
22 one of these tournaments overall, you get the right to
23 go to play in the big tournament in the summer.

24 MR. ANGELI:

25 So the buy-in chips on that same line,

1 that's \$300?

2 MR. NARDELLI:

3 So what the player wins there, they would
4 win chips that are --- they're, like, basically checks
5 that they can use on the casino floor.

6 MR. ANGELI:

7 Those are real chips?

8 MR. NARDELLI:

9 At that point, that's what they win, yes.
10 And that's not something that they then use at
11 tournament play.

12 MR. ANGELI:

13 Okay. So they could trade them in for
14 cash?

15 MR. NARDELLI:

16 If they desire.

17 MR. ANGELI:

18 And then they get \$50 on top of that?

19 MR. NARDELLI:

20 Correct.

21 MR. ANGELI:

22 Thank you.

23 CHAIRMAN:

24 Other questions? Commissioner McCall,
25 any other questions? Okay. Thank you very much.

1 MR. BAUMANN:

2 Thank you.

3 CHAIRMAN:

4 We'll now move to our regular meeting
5 agenda, and the way ---.

6 ATTORNEY DOWNEY:

7 Mr. Chairman?

8 CHAIRMAN:

9 Yes, I'm sorry.

10 ATTORNEY DOWNEY:

11 Mr. Sherman's asked that I review with
12 you the elements of the relief that we're looking for
13 from you before we move the matter.

14 CHAIRMAN:

15 Thank you. Yes.

16 ATTORNEY DOWNEY:

17 Apologize for that. The last screen that
18 Mr. Baumann put up there ---.

19 BRIEF INTERRUPTION

20 ATTORNEY DOWNEY:

21 Okay. Very briefly, we believe that the
22 general matter the Board has the authority to delegate
23 to your Executive Director, the authority to deal with
24 all of these issues, but specifically I understand
25 that you've chosen not to do that in this instance,

1 and I understand why. So what we'd like to ask you
2 for is permission to conduct the tournament, conduct
3 the tournament off of the gaming floor.

4 And Mr. Baumann has laid out for you the
5 primary location to do that. And it's the series of
6 ballrooms that ultimately open up and allow for that
7 76 table configurations. And then, ultimately, I do
8 want to recognize, though, that there may be occasion
9 that the tournament would spill into the gaming floor.

10 The submissions that your staff has
11 reviewed describes all of that, including the time
12 parameters in which those types of things might
13 happen. And we're sensitive to the cash floor versus
14 the tournament floor and maintaining that availability
15 for cash flow.

16 The second element of our relief speaks
17 to the first, however. We ask that you do in fact
18 designate your Executive Director or someone in his
19 chain of command to work with us on matters that may
20 come up as these things evolve and as the tournament
21 gets implemented so that the approvals and denials
22 that would come to you in their course and the back
23 and forth that's been set up in the program would in
24 fact be in the hands of your staff, as the statute
25 contemplates it might be.

1 CHAIRMAN:

2 Thank you. And we will also admit your
3 PowerPoint into the record. Any questions or comments
4 of Enforcement Counsel before we do conclude?

5 ATTORNEY MILLER:

6 We have no questions, Mr. Chairman. We
7 have received the materials presented to the Board and
8 we've discussed it with staff. I personally have
9 discussed it with my supervisor at Harrah's, regarding
10 the game, the security issues and that sort of thing.
11 We have no objection to it and no questions.

12 CHAIRMAN:

13 Okay. I think the ---. And Counsel, I'm
14 going to look behind you to Doug Sherman. We have in
15 our regular agenda the motions that Mr. Baumann has
16 asked for, do we not?

17 ATTORNEY SHERMAN:

18 That's correct.

19 CHAIRMAN:

20 Okay.

21 ATTORNEY SHERMAN:

22 They will be presented for the Board.

23 CHAIRMAN:

24 Yeah, good. Okay.

25 MR. GINTY:

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I have one final question.

CHAIRMAN:

Yes?

MR. GINTY:

Do we have any idea what the revenue in fact of this will be, both to Harrah's and the State?

MR. BAUMANN:

We anticipate the State portion to be somewhere in the \$50,000 range for this particular week.

CHAIRMAN:

Thank you.

MR. GINTY:

Thank you.

MR. BAUMANN:

Thank you.

CHAIRMAN:

Thank you. Okay.

* * * * *

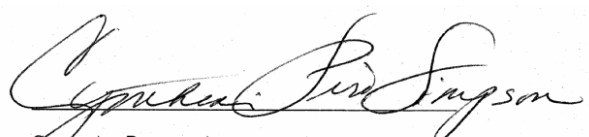
HEARING CONCLUDED AT 12:58 P.M.

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CERTIFICATE

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I hereby certify that the foregoing proceedings, hearing held before the Pennsylvania Gaming Control Board, was reported by me on 03/23/2011 and that I Cynthia Piro Simpson read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.



Cynthia Piro Simpson
Court Reporter