

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

* * * * *

IN RE: CATEGORY 1 LICENSE RENEWAL FOR THE MOUNTAINVIEW
THOROUGHBRED RACING D/B/A HOLLYWOOD CASINO AT

PENN NATIONAL

* * * * *

PUBLIC INPUT HEARING

DEC 18 2013
3245-2013

* * * * *

BEFORE: Jay Lantzy, Presiding Officer
David W. Woods, John J. McNally, Keith R.
McCall, Gregory C. Fajt, Anthony C.
Moscato, Annmarie Kaiser; Commissioners

HEARING: Tuesday, August 20, 2013
9:40 a.m.

LOCATION: East Hanover Township Municipal Building
8848 Jonestown Road
Grantville, PA 17028

WITNESSES: Jay Snowden, Bill Hayles, Joelle Shearin,
Tim Shea, Gerald Stoll, Michael Rosenberry,
Michael Pries, Wayne Isett, Scott Miller,
Saul Schmolitz, Lisa Stokes, David Gooch

Reporter: Kimberly A. Carter

ORIGINAL

Any reproduction of this transcript is prohibited
without authorization by the certifying agency.

A P P E A R A N C E S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

FRANK T. DONAGHUE

Penn National Gaming

825 Berkshire Boulevard

Wyomissing, PA 19610

Representative for Penn National

JEFFREY P. HOEFLICH, ESQUIRE

Assistant Enforcement Counsel

Pennsylvania Gaming Control Board

P.O. Box 69060

Harrisburg, PA 17106-9060

Counsel for Gaming Control Board

...

I N D E X

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

OPENING REMARKS

By Presiding Officer 7 - 10

OPENING STATEMENT

By Mr. Donaghue 10 - 11

PRESENTATION

By Mr. Snowden 11 - 14

By Mr. Hayles 14 - 18

By Ms. Shearin 18 - 24

By Mr. Shea 24 - 28

By Mr. Hayles 28 - 31

By Mr. Shea 31 - 37

By Mr. Hayles 37 - 38

QUESTIONS

By Attorney Hoeflich 38 - 42

QUESTIONS BY BOARD

43 - 56

OPENING STATEMENT

By Attorney Hoeflich 56 - 58

WITNESS: SERGEANT JONATHAN KINSEY

DIRECT EXAMINATION

By Attorney Hoeflich 58 - 63

QUESTIONS BY BOARD

64

I N D E X (cont'd.)

1		
2		
3	<u>WITNESS: GERALD STOLL</u>	
4	DIRECT EXAMINATION	
5	By Attorney Hoeflich	65 - 69
6	<u>WITNESS: MICHAEL ROSENBERRY</u>	
7	DIRECT EXAMINATION	
8	By Attorney Hoeflich	70 - 72
9	DISCUSSION AMONG PARTIES	72 - 77
10	PUBLIC COMMENT	
11	By Mr. Pries	77 - 84
12	By Mr. Isett	84 - 86
13	By Mr. Miller	86 - 89
14	By Mr. Schmoltz	89 - 92
15	By Ms. Stokes	92 - 94
16	By Mr. Gooch	94 - 97
17	CLOSING STATEMENT	
18	Mr. Donaghue	97
19	CLOSING REMARKS	
20	By Presiding Officer	98 - 99
21		
22		
23		
24		
25		

E X H I B I T S

		Page	Page	
	<u>Number</u>	<u>Description</u>	<u>Offered</u>	<u>Admitted</u>
4	<u>OEC's Exhibits:</u>			
5	One	Uniform Crime Report	73	74*
6	Two	7/9/13 Pennsylvania Racing		.
7		Commission Letter	73	74*
8	Three	8/6/13 Pennsylvania		
9		Department of Revenue Letter	73	74*
10	Four	7/9/13 Bureau of Liquor		
11		Control and Enforcement		
12		Letter	73	74*
13	Five	Office of Enforcement		
14		Counsel Consent Agreements	73	74*
15	Six	Office of Enforcement		
16		Counsel Compliance Notes	73	74*x
17	Seven	Office of Enforcement	..	
18		Counsel Warning Letters	74	74*x
19	Eight	Office of Enforcement		
20		Counsel Cease and Desist		
21		Letter	74	74*x
22	Nine	Office of Compulsive and		
23		Problem Gambling Letter	74	74*
24	* Exhibits not attached			
25	*X Confidential and not attached			

E X H I B I T S (cont'd)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

<u>Number</u>	<u>Description</u>	<u>Page Offered</u>	<u>Page Admitted</u>
<u>Hearing Exhibits:</u>			
One	Letter	75	75*
Two	Letter	75	75*
Three	Letter	75	75*

* Exhibits not attached

P R O C E E D I N G S

PRESIDING OFFICER:

I am Jay Lantzy, and I am the Presiding Officer assigned by the Board to conduct this portion of the Category 1 License Renewal Hearing for the Mountainview Thoroughbred Racing doing business as Hollywood Casino at Penn National, which here and after I will refer to as Penn National. Before we begin, I would ask that everybody turn off or to vibrate all electronic devices.

As the Presiding Officer, I call this hearing to order. The date is Tuesday, August 20th, 2013 and the time is 9:40. And the location is the East Hanover Township Municipal Building located at 8848 Jonestown Road, Grantville, Pennsylvania.

Section 1326 of the Pennsylvania Racehorse Development and Gaming Act requires that an operator's license shall be subject to renewal by the Board every three years. This license renewal hearing is convened by the Board pursuant to the mandate found in Section 1205(b)(1)(i) of the Gaming Act, which requires the Board to conduct a public input hearing for any license renewal application. This public hearing was advertised on the Board's website,

1 announced by the Board and advertised in local
2 newspapers.

3 The Board members present today for this
4 hearing, starting on my right, is Commissioner McCall,
5 Commissioner McNally and Commissioner Woods. On my
6 left, Mr. Fajt, Commissioner Moscato and Commissioner
7 Kaiser.

8 The hearing will begin with a
9 presentation by Penn National. Office of Enforcement
10 Counsel will have an opportunity to cross examine all
11 witnesses. Redirect will be permitted and so forth
12 until the parties are satisfied that all questions
13 have been asked and answered by each witness. The
14 Board will also have an opportunity to ask any
15 questions that they desire.

16 After Penn National has concluded its
17 presentation, the OEC will make its presentation.
18 Counsel for Penn National will have the opportunity to
19 cross examine each OEC witness, and Redirect will be
20 permitted and so forth until the parties are satisfied
21 that all questions have been asked and answered by
22 each witness. Again, the Board will also have the
23 opportunity to ask questions, if they so desire.

24 After the close of the testimony and
25 evidence from both of the parties, those individuals

1 that have registered to speak at today's hearing
 2 during the public comment period will be heard as
 3 their name is called. Elected officials will have ten
 4 minutes to speak, representatives from community
 5 groups will have five minutes and individuals will
 6 have three minutes. Following the close of the public
 7 comment period, Penn National and OEC will have the
 8 opportunity to each provide a short closing statement.

9 This is an official administrative
 10 hearing, so please treat this as if you were attending
 11 a court proceeding. All witnesses please speak loudly
 12 and clearly and into the microphone so that the court
 13 reporter and others can hear what you have to say.
 14 Spectators, please refrain from interrupting or
 15 speaking out loud during the proceedings. If anyone
 16 disrupts the proceedings, they will be asked to leave.
 17 If anyone has any questions about this hearing, please
 18 see a member of the Board staff.

19 Let's begin by having all witnesses from
 20 Penn National and the OEC who will testify during the
 21 hearing today please stand and rise, raise your right
 22 hand and be sworn in by the court reporter.

23 -----
 24 WITNESSES SWORN EN MASSE
 25 -----

1 PRESIDING OFFICER:

2 Thank you. You may be seated. When you
3 speak for the first time, please state your name and
4 spell it for the court reporter. Penn National, you
5 may begin your presentation.

6 MR. DONAGHUE:

7 Thank you. And good morning,
8 Commissioners. Good morning, Presiding Officer
9 Lantzy. Frank Donaghue, D-O-N-A-G-H-U-E, for Penn
10 National. I am the Vice President and Chief
11 Compliance Officer for the company. Thank you for
12 this opportunity today. I know you're very busy
13 today. And I'm going to quickly give an introduction
14 to our list of representatives and witnesses, and then
15 we'll turn it directly over to them.

16 Jay Snowden is Senior Vice President of
17 Regional Operations for Penn National Gaming. Bill
18 Hayles, who recently became the new General Manager
19 here for the property, has 23 years of experience in
20 gaming and hospitality and recently has come from our
21 Perryville property. He has a tremendous experience
22 in gaming, and previously to being with Penn, he was
23 with Harrah's and Cesar's. We also have Tim Shea.
24 Tim is Vice President and Assistant General Manager at
25 Hollywood Casino at Penn National. Joelle Shearin,

1 Vice President and Chief Financial Officer. And also
2 joining us today is Zach Zarnoch, Compliance Manager
3 for Hollywood Casino at Penn National Race Course.

4 So, with that, I'll turn it over to
5 Jason.

6 MR. SNOWDEN:

7 Thank you, Frank. Good morning, members
8 of the Board. My name is Jay Snowden, spelled
9 S-N-O-W-D-E-N. I want to start just by thanking you
10 for providing us the opportunity today to present our
11 request for license renewal at Hollywood Casino at
12 Penn National Race Course.

13 There's a tremendous amount of history,
14 as you know, between this asset, this property, this
15 operation and our company. The racetrack was opened
16 in 1972. It was acquired by the Carlino family ten
17 years later in 1982. And this property, along with
18 two off-track betting facilities in the State of
19 Pennsylvania, really is what started Penn National
20 Gaming as we know it today when we IPOed in 1994 and
21 raised \$10 million at that time. The company has
22 grown to where we are today, 28 facilities in 18
23 jurisdictions, a market cap of \$4 billion, annual
24 revenues of \$3 billion. And it all started here with
25 Penn National.

1 So we're very honored. It's certainly
2 been, for us, a privilege to be a license holder in
3 the State of Pennsylvania. As our Chairman and CEO,
4 Peter Carlino; our President and Chief Operating
5 Officer, Tim Wilmot; myself; all of our executive
6 officers have said not just here today, but publicly
7 throughout the years since we opened that it is an
8 honor to be in Pennsylvania as a license holder. We
9 believe that Pennsylvania really has been the model,
10 the paragon within the industry in terms of stability
11 and consistency. And the original enabling gaming
12 legislation once approved was rolled out properly,
13 there was a lot of thought behind where these licenses
14 would go geographically, how many licenses would be
15 issued. And here we are today some six, seven years
16 later and the plan has been running its course. And I
17 think all sides have benefited from consistency and
18 stability in this case.

19 We invested \$300 million to turn this
20 from a racetrack into a fully integrated gaming
21 facility, and we couldn't be happier with the return
22 on invested capital for our shareholders. And with
23 the ability to operate in this state, the regulatory
24 bodies have been extremely consistent as well. Very
25 fair, very objective. We can have conversations with

1 the regulatory bodies. And we value those
2 relationships. I can't say the same is necessarily
3 across all the jurisdictions.

4 The tax rate in Pennsylvania, though a
5 little higher than we would ideally like it to be,
6 it's been what it is. We knew going in what it was
7 going to be, north of 50 percent on slots. Obviously
8 lower on table games. But we invested the right
9 amount of capital of \$300 million, and have been able
10 to deliver a great return for our shareholders. And
11 as we think about further reinvestment in our
12 facilities across the country, Pennsylvania always
13 comes up as number one, number two in our portfolio
14 because, again, we know what we're getting ourselves
15 into when we invest here. And as you know, we are
16 also interested in additional license opportunities in
17 the state, Philadelphia, and also in western
18 Pennsylvania, Lawrence County. We'll see how that
19 develops.

20 But I did want to take an opportunity to
21 thank you for providing us the opportunity to be here
22 today. And with that, I'm going to turn it over to
23 Bill Hayles, who is our new General Manager, as Frank
24 had mentioned. He joined us from our Perryville
25 property in Maryland. He did a great job there. He

1 also ran our casino and racetrack at Zia Park in
2 Hobbs, New Mexico, and with our Assistant General
3 Manager at our largest facility, Charles Town Races in
4 West Virginia. He's got a great background. And
5 we're confident he's going to do a great job for us
6 here. After three weeks he's ready to present to you
7 all about the property. So, Bill, come on up.

8 MR. HAYLES:

9 With your permission, is it easier if we
10 sit here?

11 PRESIDING OFFICER:

12 sure.

13 MR. HAYLES:

14 We're going to be going back and forth.
15 Thanks, Jay. And good morning, everyone. Thank you
16 for allowing us to be here today. I'd like to
17 introduce --- maybe they could stand up. All these
18 people that are up on the screen now are the
19 leadership team at Hollywood Casino. They're all here
20 to keep my honest and keep my straight today. As Jay
21 mentioned, it's been three weeks for me, so I may not
22 have all my facts right. So, they're going to keep me
23 honest.

24 The operation of the facility, as you
25 may or may not know, we have over 99,000 square feet

1 of gaming space which consists of 2,456 slot machines.
2 They range anywhere from penny games to \$100
3 denomination games. 1,600 of them which are penny
4 slot machines. They all have various ranges of
5 betting options, so there's something for everybody
6 there. We have a 78-machine high-limit slot room as
7 well. And one of the things that we are committed to
8 every year, and this year we had a \$4 million capital
9 budget, to refresh our floor and keep up currently
10 with new games and new themes. So we were able to
11 purchase 175 new slot machines this year, as well as
12 convert 200 games and re-theme them to make sure that
13 we're staying competitive with the neighboring markets
14 and keeping the themes on the floor that our customers
15 would like.

16 Our table games operation is 69 total
17 games. Sixteen (16) non-banking or poker tables, 53
18 banking tables consisting of various types of games,
19 blackjack, roulette, craps, three-card, four-card
20 poker, Pai-gow poker, et cetera. We also completed a
21 four-table high-limit blackjack pit, which has turned
22 out to be a quite popular area as well.

23 So we're obviously a full service
24 facility. And one of the things that we're extremely
25 proud of is our dining options, especially our Final

1 Cut Steakhouse. It's 132-seat facility in the middle
2 of the casino floor. It's Central Pennsylvania's
3 premier steakhouse. We've been able to receive
4 multiple awards for this facility, including our
5 fourth year in a row that we've won the Wine Spectator
6 Award for Excellence. We got the Distinguished
7 Restaurants of North America. That's one of only 18
8 in Pennsylvania to receive this award. And Central
9 Pennsylvania Magazine 2013 Readers' Choice Award for
10 best overall fine dining and best steak.

11 As you can see on the presentation that
12 we've taken a couple of comments. One is in the
13 Harrisburg Magazine and one is on Open Table. One of
14 the nice things about Open Table is that it's not just
15 a reservation system for people to book a table, but
16 they can also leave us their feedback on how their
17 experience was at the restaurant. So, it's nice to
18 get those kinds of comments. And from the ones that
19 I've looked at on Open Table, there's several more of
20 those and not too many on the negative side. I don't
21 think I saw any on the negative side, so ---.

22 We're also proud to offer several
23 different dining options at the facility. It's not
24 just a high-end steakhouse. We've got something for
25 everybody, ranging from our buffet to where you can

1 get pizza, Celebrity Grill where we have burgers and
2 sandwiches, et cetera. Our Skybox Sports Bar.
3 Mountainview, a restaurant that overlooks the
4 racetrack, which is a very popular facility as well.
5 So we're proud of the fact that we offer something for
6 everybody's tastes as they come into our facility.

7 As well as our entertainment venue,
8 Hollywood on the Roof. That's a great area for people
9 to come and enjoy some dancing and listen to some
10 great music. We, the past weekend, had a Bon Jovi
11 tribute band playing on the stage at Hollywood on the
12 Roof, and the place was packed and the people were
13 having a great time. It was my first experience
14 seeing that in action, so I actually had a pretty nice
15 time myself being there on a Saturday night.

16 We also have some great banquet meeting
17 space that looks over the racetrack. We get to use
18 this on a fairly regular basis. Our banquet staff
19 does an outstanding job preparing meals for meetings
20 anywhere from, you know, small business meetings to
21 large wedding receptions. We recently hosted a golf
22 tournament in there. There was a couple hundred
23 people that attended the dinner for that. And it's
24 just a fantastic venue where you can also sit and
25 watch the races if you're having an event at the same

1 time.

2 With that, I'm going to turn it over for
3 a little bit to Joelle, our CFO.

4 MS. SHEARIN:

5 Good morning, members of the Board.
6 Joelle Shearin, S-H-E-A-R-I-N. I'm the CFO and Vice
7 President of Finance. This slide really demonstrates
8 kind of our four-legged approach to our operation,
9 what we really focus on. Certainly financially and
10 bringing revenue and slot revenue and table game
11 revenue, generating tax revenue for the Commonwealth
12 of Pennsylvania. Since opening in 2008, we've
13 generated \$753 million in gaming tax revenue for the
14 Commonwealth, as well as three and a half million
15 dollars in sales tax revenue through purchases and
16 other capital investments that we've been able to
17 accomplish as has been discussed. . . .

18 In addition, you know, certainly from a
19 revenue standpoint, customers are an important focus.
20 Our compliance, we're highly regulated, and we
21 understand that and focus on that on a day-to-day
22 basis and have done fairly well in the overall scheme
23 of things in terms of our track record. And we're
24 kind of proud of that as how we've done.

25 And then lastly, too, is our employees.

1 Certainly, from a diversity perspective, responsible
2 gaming, there's a customer as well as an employee
3 focus. And then just engagement. We really focus on
4 that, just to kind of keep our employees engaged to
5 contribute to the customer experience and make sure
6 they're properly trained and have the education in
7 compliance, responsible gaming, RAMP training and
8 those kind of things, which Tim will go into a little
9 bit more detail and focus on as well.

10 This is on a calendar basis, our slot
11 taxes and fees. And then of course the first line is
12 our revenue, net, of promotional credits. We've been
13 able to generate close to \$1.3 billion in revenue from
14 operation to date through July. Of course, it doesn't
15 include August necessarily. And \$736 million in tax
16 revenue for the Commonwealth related to our slot
17 operation. In addition to that, we, of course, have
18 the regulatory fees and other employee licenses that
19 contribute to the Board operation. You'll see the
20 2013 number is a little lower compared to where we've
21 been running on a calendar basis, but needless to say
22 that's with the May and June relief that we were happy
23 to see, just due to the surplus. So that makes that
24 number of gaming a little lower.

25 And then our table game numbers since

1 opened in July 2010. Certainly smaller numbers, but
2 certainly still very much a focus for our operations,
3 as Bill kind of alluded to in terms of our spread and
4 throughout our --- we have our five pits. \$114
5 million in revenue. We've generated \$17.4 million in
6 gaming tax for the Commonwealth.

7 We're very proud of our team of
8 employees. They're very hardworking, very loyal. We
9 have in excess of 250 employees from day one that
10 still are with us. Our turnover has been very
11 manageable. So, although we started with, you know,
12 just over a thousand employees pre-tables, we added
13 another couple hundred to where we are now at 1,236.
14 And they've very dedicated to the operation. 344 have
15 been in-house promotions, so we're proud of that, too.
16 Grooming a lot of the folks that are in this area that
17 otherwise didn't have any gaming experience, giving
18 the education and training to hopefully elevate them
19 to the next level, into the management team. And
20 that's been very successful for us and a big plus.

21 We paid \$126 million in salaries and
22 wages since opening through 2012. And with that,
23 approximately 84 percent are hourly with an hourly
24 wage of over \$15. And of course, that includes your
25 tips and totes that we account for through our payroll

1 system as well. And then the remaining 16 percent on
2 average are making just short of \$60,000 in a salary
3 at gaming places.

4 The last line. In terms of our employee
5 engagement, which I kind of alluded to, we're very
6 proud. In our last survey here this year --- which
7 the entire Penn National gaming employee base takes a
8 survey. And it's very similar to what Gallup and a
9 lot of the other Fortune 500 companies will do as well
10 to kind of evaluate how engaged your employees are to
11 the operation. We were second in the overall
12 portfolio for Penn in terms of properties. Certainly,
13 we're very proud of that. Our employees feel like
14 they're aligned with our overall strategy of the
15 property as well as the company. A lot of it's
16 related to communication, do they understand why ---
17 what their goals and objectives are and what we're
18 trying to accomplishment as a management team to make
19 sure that is getting passed down appropriately. We're
20 very proud of that.

21 Certainly, no shortage of employee
22 benefits that are still part of the compensation plan
23 that we emphasize both for our full-time as well as
24 our part-time employees. We do have, of course, your
25 typical part-time paid --- I'm sorry, a paid time off

1 program that's available for both full-time and
2 part-time employees. We do offer medical and dental,
3 vision, which are pretty customary. We have a 401k
4 plan that everybody can participate in. And we
5 continue to provide a match, a 50-percent match, up to
6 six percent. And that has remained in existence. A
7 lot of companies have pulled back on that during the
8 harder times. We at this point never have. So, we're
9 proud of that.

10 Tuition reimbursement. We started that
11 locally in 2011. That is not necessarily a Penn
12 National program. That is a local property decision.
13 And we've been able to provide that for folks that
14 want to accomplish further education, getting their
15 associate's, their bachelor's or their master's
16 degrees. And we've seen a lot of that be very
17 successful.

18 To help retention, again, internal
19 promotions and such. And we've paid out \$50,000 in
20 just a couple of years to our employees through that.
21 And we think that's an important part of the overall
22 long-term strategy. Of course, we've got short-term,
23 long-term disability, life insurance available to our
24 employees. We very much focus on wellness. Our team
25 members are very competitive. And so they are all

1 about the tournaments, basketball tournaments, the
2 softball tournaments. And we participate in the
3 community. We've been able to use the facilities in
4 the area. And the communities are very --- they're
5 very promotive of that, and our employees love it.
6 And they get their families out there and stuff and it
7 just promote wellness and activities outside of the
8 work environment.

9 In addition to that, we subsidize gym
10 memberships, Weight Watchers. Currently we're doing a
11 10,000 steps program, so you've got a lot of folks
12 walking around with their little pedometers trying to
13 measure their steps. And again, we're doing that in a
14 team atmosphere, so it kind of adds an element of
15 competition, as well. So very good involvement in
16 that.

17 Of course, we provide a help line to our
18 employees. It's run by a third party outside group.
19 All of those calls then get hooked into our corporate
20 office, which then ultimately goes to the executive
21 team to evaluate. We research and investigate every
22 single call to make sure that appropriately things are
23 addressed and researched. And then we have an
24 employee assistance program for our employees, just
25 like the responsible gaming kind of program, making

1 sure our employees get the assistance they need if
2 they've got their own series of issues or addictions
3 and such.

4 And I'll hand it over to Tim. Thank
5 you.

6 MR. SHEA:

7 Good morning, members of the Board. Tim
8 Shea, S-H-E-A, Vice President, Assistant General
9 Manager. As Joelle alluded to, and I think you'll see
10 throughout our presentation, is that we're a very team
11 member centric company. We believe that they're our
12 most valued asset. And we'll talk a little bit about
13 diversity as well. Penn National is committed to
14 recruiting, developing and retaining the best
15 employees regardless of race, color, religion, sex,
16 disability or national origin. Moreover, we strive to
17 create a diverse work environment that fully
18 capitalizes on the ability, skills and potential of
19 our employees. Our goal is to foster a cooperative
20 work environment, in which all associates are treated
21 with respect and dignity and they're encouraged to
22 reach their full potential.

23 Retention effects. As Joelle mentioned,
24 we believe it has a direct line to what we're doing
25 regarding our employee engagement. We believe

1 training and developing and allowing our team members
2 to understand that they do have a future with us
3 beyond their current position should they desire. But
4 those availabilities are out there. Some of the
5 training I could go through is an iTRAIN series that
6 our human resources team leads with help from
7 executive team and management members. Some of those
8 are called iHire, iLead, iCommunicate and iDevelop.
9 And they're management-development opportunities for
10 our supervisors to be able to manage our business more
11 effectively.

12 We continue to focus our attention on
13 developing team members through action plan reviews,
14 employee engagement, which --- excuse me, which Joelle
15 touched on. We result in round tables that go through
16 to make sure, again, that we have one-on-one
17 situations, round tables. We have multiple
18 opportunities for our team members to come and speak
19 with us should there be challenges, opportunities,
20 ideas, anything like that.

21 Additional training includes red carpet
22 service, responsible gaming, RAMP and alcohol
23 training, ongoing skills development as well. We
24 continue ongoing efforts to recruit diverse
25 candidates. We have onsite job fairs for specific

1 departments. A lot of times were looking at specific
2 departments on the property. Sometimes it could be
3 that we're just opening ourselves up to find the right
4 candidate or we'll find the right position for them.
5 We initiate and participate in many offsite events.
6 Improvement Fairs, YWCA, YTI career fairs, mock
7 sessions and college expos.

8 As you can see from the slide, just over
9 45 percent of our team members are female.
10 Thirty-five (35) percent of the executives and
11 managers, professionals are female. Fourteen (14) and
12 a half percent of our team members are minorities.
13 15.4 percent of executives/managers/professions are
14 minorities. And just under 99 percent of those team
15 members are Pennsylvania residents.

16 From 2008 and up to the current time, we
17 continue to provide interested suppliers with
18 information about current and future opportunities
19 within all departments on our property. In addition
20 to contracting opportunities, we have a supplier
21 diversity program that supports the viability and
22 growth of small and diverse businesses throughout our
23 business. We maintain a mentoring program that
24 provides extraordinary support and guidance to small
25 and diverse businesses. Our mission is to provide

1 high quality business partners and suppliers from an
2 inclusive pool. We continue to use the Department of
3 General Services as a tool to locate new suppliers, as
4 well.

5 Disbursements to MBE and WBEs for the
6 fiscal year ending in 2013 is over \$2 million. The
7 percentage of expenditures for the fiscal year is just
8 under 12 percent. Over the last couple years we've
9 maintained that percentage and doubled it.
10 Disbursements to local businesses for that same period
11 of time is just under \$8 million and the percentage of
12 expenditures to local businesses is just over 45
13 percent.

14 Since our inception, charitable
15 contributions have been distributed to various local
16 organizations to support community outreach
17 activities. Cash donations, gift card, volunteer time
18 and other sponsorships. We're responsible for over \$1
19 million in charitable contributions since opening in
20 2008. Our goal is to interact with diverse entities
21 that not only help lead to brand awareness, but to
22 become a community partner as well. In addition to
23 the examples on the list of the slide, we've donated
24 time, money, in-kind gifts to hospitals, medical
25 centers, benevolent leagues, civic groups and military

1 veterans. We're involved in their fundraising events
2 and have participated in business trade expos as well.

3 We have a membership in and have
4 property executives that sit on the board of directors
5 for numerous entities, including the Lancaster Chamber
6 of Commerce, Harrisburg Chamber of Commerce, West York
7 Chamber of Commerce, Lebanon, York Chamber of
8 Commerce, Reading Chamber of Commerce, Hershey
9 Harrisburg Regional Visitors Bureau. The picture on
10 this slide --- the top picture is Gary Peckerell
11 (phonetic), he's a manager of player development; Chy
12 Stewart, our slot services manager; Ron Dawkins
13 (phonetic), our shift manager of slot services. And
14 just last week Chy was awarded the Chamber Champion
15 award for the African American Chamber of Commerce of
16 Central Pennsylvania. She's also our diversity
17 officer and is involved with many civic and charitable
18 committees, including Harrisburg branch of the NAACP
19 and a board member of the Keystone Family Services.

20 And with that, I will turn it over to
21 Bill.

22 MR. HAYLES:

23 Obviously, this facility, there's a very
24 proud tradition in racing property at this facility.
25 That is the original building that our company started

1 with. But we have over 200 dates of year-round racing
2 on a one-mile dirt track, a 7/8 mile turf course. A
3 great apron area for people to get --- go outside and
4 get right down to the rail and watch the horses come
5 across the finish line, as well as a fantastic
6 450-seat Mountainview restaurant that overlooks the
7 track that has also fantastic views of the mountains
8 in the background. Coming from the plains of Canada,
9 seeing a mountain, any kind of a hill makes me ---
10 gets me excited, so ---. And a 150-seat simulcast
11 theater featuring 24 50-inch flat-screen monitors.

12 We've seen some positive racing trends
13 the last couple years. We saw a 20-percent increase
14 in handle in 2012 with a three-percent increase in
15 live, or onsite handle. We're seeing an uptick this
16 year as well. Through July, we're up about 5.8
17 percent. And that is impressive since we've had ---
18 we've lost some days on our turf course recently
19 because of weather. We've had a lot of rain. It's
20 just been unsafe to run on that, so --- and with some
21 reduced field sizes that we've had, the fact that
22 we're seeing increases in handle is quite impressive.
23 And we had a great stake schedule for this year too,
24 which has brought in a lot of quality horses which
25 obviously is going to attract some people from a

1 handle standpoint, including the big event on
2 Saturday, June 1st, which was the \$500,000 Penn Mile.
3 This is a new event that Dan Silver, our Director of
4 Racing Operations, should be very proud of. It was
5 the top racing card in the country for that day. We
6 had --- it was the richest purse ever at Penn
7 National. There was over \$1 million in purses awarded
8 that day. It drew in some great horses, as well as
9 some renowned jockeys. We had Edgar Prado here, who
10 had ridden Barbaro in the Kentucky Derby to win the
11 Kentucky Derby. But also, José (sic) Rosario, who
12 just won on Orb at the Kentucky Derby as well, so ---.
13 And we have an excellent chance this --- because of
14 the horses that were in this race, if they can do well
15 in some other races around the country, we think we
16 have an excellent chance of getting graded status by
17 2015 for this race, which would be a huge coup for our
18 racetrack.

19 This race and this race day shattered
20 all kinds of previous records. Our all-sources handle
21 was \$3.66 million. Previously it was \$2.17 million.
22 The single-race handle was \$1.14 million. It
23 previously was \$277,000. And the on-track handle was
24 \$225,000. So, a huge day. It brought a lot of
25 people. Some that had been coming for years and a lot

1 of people that have never been to our facility before.
2 So, we are going to be doing this again next year.
3 It's going to be bigger and even better than ever.
4 For a first-year event, it was tremendous publicity
5 for our facility. So, we're very proud of that.

6 MR. SHEA:

7 The gaming industry at Penn National as
8 well, we're very proud of educating and promoting
9 responsible gaming. And it's critical that every one
10 of our employees is aware of our commitment. Recently
11 we had Responsible Gaming Week. We do everything we
12 can to make sure the team members are fluent in the
13 most important, responsible gaming messages regarding
14 setting a budget, knowing odds, don't borrow to bet.
15 You know, we want all of our team members to be able
16 to speak that language with friends, family, obviously
17 with our guests as well. We want to promote a fun and
18 exciting environment.

19 What you see on the slides is actually
20 business-card size responsible gaming information that
21 we provide to team members so they can keep them in
22 their employee bags as they're around. And the
23 message is around all of the back side of our
24 property. We want to make sure that during our
25 appreciative meetings, round tables, any other type of

1 information that this is a consistent message that's
2 running through the property. And actually, last
3 Friday night at that Harrisburg Senators baseball
4 game, it was fireworks night and actually Bill threw
5 out the first pitch at that game. We had responsible
6 gaming messages that ran throughout the stadium as
7 well there. So we want to make sure we promote that
8 sense of responsible gaming.

9 Promoting responsible gaming, it's a
10 core value for us. It's literally one of the first
11 messages that are team hears as soon as they are
12 hired. As they walk through our lobby and they walk
13 through human resources, you can see there are a lot
14 of messages around the property showing exactly where
15 our commitment is to responsible gaming. The team is
16 taught the signs of problem gaming. Support is
17 available through programs. Who to contact, where to
18 get the information that's needed. Security team
19 members, to go a little bit further, are trained to
20 card anyone that appears to be under the age of 30.
21 All team members are trained to identify any team
22 members or any employee --- I'm sorry, excuse me, any
23 guests that they may see on the floor that may appear
24 to be under the age of 30 as well. They're authorized
25 and encouraged to ask for proof of age if there's any

1 question whatsoever as to whether or not there is
2 anyone on the casino floor or consuming alcohol
3 anywhere on the property. All team members go through
4 what is considered tier one training. Team members
5 with guest interaction go through a tier two.
6 Security supervisors and above go through a tier
7 three. It's just a more detailed training program
8 that they're going to go through.

9 Our property self-exclusion list, we
10 maintain our own list. As you can tell from the
11 slide, we have approximately 400 guests that are on
12 that list. We promote the PGCB list first. If the
13 guest chooses not to participate in the statewide
14 list, we actually have our property list that we do
15 suggest at that point if we feel, you know, there's a
16 possibility that the guest is just going to exclude
17 from our property that they're going to continue to
18 game and that's not in their best interests, and
19 that's that's why we want to make sure that they're
20 included on the statewide ban.

21 I mentioned earlier about Responsible
22 Gaming Education Week. We actually compete with other
23 Penn National properties to create a program that
24 promotes responsible gaming. And just to go through
25 what's some of those things we've done. We have

1 celebrity charity poker tournaments, fireworks night,
2 there's taglines, theme songs, employee contests and
3 competitions. And it's something that really draws a
4 lot of awareness to the property. It's also educating
5 our guests that we take this very seriously as well.

6 VIDEO PLAYED

7 MR. SHEA:

8 The videos that you just saw, there's a
9 few that were broadcast at the Senators game last
10 week. In addition to that, a lot of these videos are
11 running on TVs on loops throughout the back of the
12 house, whether it's outside of Take 5, which is our
13 employee dining room, throughout the hallways that are
14 there. And again, whether it's subliminal, people are
15 stopping and watching them, but this message is out
16 there for all of our team members to make sure that
17 they understand what our commitment is.

18 In addition to responsible gaming,
19 clearly, preventing underage gaming is a commitment of
20 ours. We, in 2012, carded over 300,000 individuals
21 appearing to be 30 years or younger. We turned away
22 over 3,100 potential underage individuals. And that
23 averages out to more than eight per day. The banner
24 that you see at the bottom is actually a billboard
25 that's coming out in Harrisburg, again, making sure

1 that people understand that we're going to try to do
2 everything we possibly can to make sure that the
3 underage do not get on the casino floor.

4 In addition to that, we're committed to
5 responsible alcohol service. And you know, we had all
6 of our team members in food and beverage, slots, table
7 games, cage, anyone who can approve credit that wasn't
8 previously mentioned are all trained in either TIPS
9 and/or RAMP, TIPS being Training for Intervention
10 Procedures, and RAMP, Responsible Alcohol Management
11 Program. We maintain 60-percent RAMP, 40-percent
12 TIPS. And it is something that we have on a yearly
13 basis --- a biannual basis, depending on the program,
14 are recertified every other year.

15 Just a couple of safeguards. And there
16 are many more than this. But you know, that stop
17 signage at the entrances. We request, as I mentioned
18 earlier, ID from anyone under 30. The ID scanners,
19 colored wristbands. We double up security at any of
20 the entrances on our --- what are considered our peak
21 moments. Most of the time on weekends or any heavy
22 promotions that we may have. And then as I mentioned
23 earlier, billboards that are rotated through the
24 market as well.

25 A few other things and a few programs

1 that we've had at Penn National. Every time security
2 goes over 100 consecutive days without allowing an
3 underage individual on the floor, all security
4 officers receive a hundred dollar bonus. And to date,
5 we've paid over \$30,000 in bonuses. It's obviously an
6 important part of the security staff. They are
7 extremely competitive. They want to make sure they're
8 getting the money. But it's also a source of pride
9 for them, as well. With finders keepers, if we do
10 find a turn-away or we have a fake ID, that team
11 member is always rewarded and recognized for a job
12 well done. And then there are additional awards, as
13 well. And this is not just for our security staff,
14 but it's also for staff that's out on the casino
15 floor, including slots, tables.

16 From a regulatory compliance standpoint,
17 you know, we have --- as we mentioned earlier, Zach
18 Zarnoch, who is our compliance manager, he's on the
19 property, keeps us all informed. He's very involved
20 with the operators on the casino floor to make sure
21 they're fully aware of what's going on in the
22 industry, make sure that we're staying abreast of
23 what's happening, making sure that we're doing all the
24 things we need to remain compliant. Comprehensive
25 system of internal controls. A positive working

1 relationship with the PGCB. And we have a very
2 consistent history of self-reporting any discovered
3 regulatory violations.

4 MR. HAYLES:

5 Lastly, just an update on some
6 reinvestment projects. We're consistently trying to
7 look at ways that we can upgrade our facility to keep
8 it fresh. And obviously, cleanliness and maintenance
9 is an ongoing and everyday existence at our facility.
10 But as I mentioned earlier, we consistently put
11 capital aside to make sure that our product on the
12 floor is kept upgraded and kept fresh, that we have
13 the games that the customers --- the most popular
14 games, so that we can maximize their entertainment
15 value as well as maximize revenue opportunity for the
16 state and the facility. We just remodeled, spent
17 \$250,000 remarketing our high-limit blackjack pit.
18 That was done this year. And we're in the process
19 right now of replacing all the casino carpet to the
20 tune of \$1.2 million. That project is taking place
21 right now and we'll have a completion date sometime in
22 October. It's not an easy process, changing out
23 carpet on the casino floor and trying to keep the
24 operation running at the same time. But our crew is
25 doing a fantastic job. We do most of the work

1 overnight when there's the least disruption for our
2 customers.

3 And that concludes our presentation and
4 let's open up for questions you may have of us.

5 PRESIDING OFFICER:

6 OEC, do you have any questions of the
7 witnesses?

8 ATTORNEY HOEFLICH:

9 We do. Jeff Hoeflich, Assistant
10 Enforcement Counsel for the OEC, H-O-E-F-L-I-C-H. I
11 just have a couple questions to ask the group and you
12 can answer these. On slide 15 of your presentation,
13 you list that 84 percent of the employees are paid
14 hourly. Can you give us a breakdown on that number on
15 who's full time and who is part time?

16 MS. SHEARIN:

17 Approximately 65 percent of our
18 employees are full time with the remaining 35 percent
19 being part-time.

20 ATTORNEY HOEFLICH:

21 Thank you. And are there any plans to
22 increase or decrease slots or table games at this
23 time?

24 MR. HAYLES:

25 No, not at this time. We'll obviously

1 have to do some evaluation of that. But we think that
2 our facility at this time is probably the right size
3 for the market.

4 ATTORNEY HOEFLICH:

5 On slide 37 of your presentation, you
6 discussed reinvestments and improvements to the casino
7 on the inside. Can you tell us about any improvements
8 or reinvestments to the track or the barns?

9 MR. HAYLES:

10 Sure. There was an agreement that goes
11 back, I think, to 2008. A commitment that we spent a
12 significant amount of money on the back side, which I
13 think since in the last five years we've spent
14 somewhere in the neighborhood of \$8 million in
15 improvements to the barn areas, to the racetrack. We
16 are constantly looking at the racetrack. We take soil
17 samples on a regular basis in partnership with the
18 PHTBA to make sure that we have a very high quality
19 racetrack facility.

20 Some of the other things that we've done
21 on the track side is on the back side, we replaced 11
22 barns. We've done some work out there on some of the
23 facilities for the grooms.

24 ATTORNEY HOEFLICH:

25 Have there been any issues with horse

1 breakdowns or any issues with previous owners or
2 trainers at the tracks and how has Hollywood Casino
3 dealt with those if they're having issues?

4 MR. HAYLES:

5 I can speak to the --- maybe Dan Silver
6 can talk about the previous issues, but I can speak to
7 the breakdowns that we are --- for the last several
8 years we've been under the industry average for
9 breakdowns on the racetrack. Normally most of the ---
10 nationally I think it's about 2.1 per thousand horses
11 is kind of a normal breakdown. We've been
12 consistently been under that at about 1.8. But if you
13 want some further clarification, Dan, any issues on
14 the grooms or ---?

15 MR. SILVER:

16 Yes. We put a ---.

17 PRESIDING OFFICER:

18 Actually, sir, a couple things. When I
19 swore everyone in earlier, did you stand and become
20 sworn in, sir?

21 MR. SILVER:

22 No. I can do that now.

23 PRESIDING OFFICER:

24 All right. Go ahead and raise your
25 right hand.

1 -----
2 DAN SILVER, HAVING FIRST BEEN DULY SWORN, TESTIFIED AS
3 FOLLOWS:
4 -----

5 PRESIDING OFFICER:

6 And please state and spell your name,
7 sir.

8 MR. SILVER:

9 Dan Silver. Last name is spelled
10 S-I-L-V-E-R. We actually, as a company, Penn National
11 Gaming, for the last three years, we've put out a
12 corporate horsemen's guide, which actually is a
13 document that we're very proud of. It details a
14 number of guidelines that we have, basically,
15 standards that we hold our horsemen to, our employees
16 to, in terms of behavior, everything from their
17 conduct at our facility and also in terms of . . .
18 medication violations. Really, anything that we feel
19 is in the best interests of maintaining the integrity
20 of racing at our properties. And we hold our horsemen
21 and our participants to a very high level of standards
22 for their conduct.

23 And we've had --- not a lot of incidents
24 in the last few years, but we have had somewhere we
25 felt that a horseman may have violated our standards

1 of conduct. And when we do that --- when we feel that
2 someone has done that, what we do is we can tell the
3 horseman that they're no longer welcome at our
4 facility, that we don't want them entering in our
5 horse races.

6 We actually had an incident early this
7 year where a horseman who we felt displayed negligence
8 in the treatment of one of their horses, despite the
9 fact that it happened offsite, we felt that we did not
10 want this horseman conducting his business at our
11 property, and so we issued a formal ejection of this
12 individual. And the Racing Commission held a hearing
13 and actually upheld our decision, which we were very
14 pleased with.

15 And so we feel that with the horsemen's
16 guide that we have, we have a set of standards that we
17 hold all of our participants to. And when there is a
18 violation, we take it very seriously and we act
19 accordingly.

20 ATTORNEY HOEFLICH:

21 Thank you. I don't have any further
22 questions for the witnesses.

23 PRESIDING OFFICER:

24 Penn National, any other additional
25 testimony you want to present in response to the

1 questions that were asked by OEC?

2 MR. DONAGHUE:

3 No, not at this time. Thank you.

4 PRESIDING OFFICER:

5 Thank you. At this time, I'm going to
6 go ahead and open it up to the Board members if they
7 have any questions they would like to ask.

8 MS. KAISER:

9 I applaud your efforts to keep the
10 underage folks from entering the casino. And I was
11 just wondering, due to those efforts, have you seen a
12 decline in the number of underage folks that are
13 trying to enter the casino or has that not changed?

14 MR. SHEA:

15 We actually have. In 2011, we had 12
16 underage incidents at the casino floor. 2012 was ten.
17 And it's not on the table but in 2013, we've only had,
18 through August, three underage incidents on the casino
19 floor. So we've seen a considerable --- our security
20 team has done a phenomenal job. As I mentioned, we
21 only had a few things up there that we've done.
22 They're continuously looking to find new and better
23 ways. As you know, kids are always going to try to
24 find new ways, different ways, whether it's through
25 fake IDs, different tactics to try to enter the casino

1 floor. Unfortunately, a lot of times, even their
2 parents are part of that, sort of that scheme of
3 believing oh, they know, whether it's 18 or not or 21.
4 But the efforts have been very successful for us, and
5 we're thrilled with the results so far.

6 MR. MOSCATO:

7 With regard to your salary and wages,
8 would you say that they're standard with the industry?
9 Are they above average, below average?

10 MS. SHEARIN:

11 Absolutely. We often will do a market
12 survey with a lot of the positions, both hourly as
13 well as management positions. So, it's not that we're
14 discriminating and just looking out for just the
15 management team or anything like that, to make sure
16 that our minimum ranges for every position, which are
17 standardized throughout our property. Not every
18 position has that, but for every position, it's graded
19 based on the complexity and the responsibility of it.
20 And with that grade comes a range of the salaries. So
21 we make sure we're within that range. And again,
22 periodically on an annual or every couple of years,
23 we're looking at both for Pennsylvania properties that
24 are our competitors in a sense, as well as within our
25 own company, are we paying competitive wages.

1 MR. MOSCATO:

2 And your 401k plan is a voluntary plan?

3 MS. SHEARIN:

4 Yes.

5 MR. MOSCATO:

6 What's your participation rate?

7 MS. SHEARIN:

8 Actually, it's pretty high. We're in
9 the 60, 70 percent.

10 MR. MOSCATO:

11 Very good.

12 MS. SHEARIN:

13 Yeah, which we're very pleased with.
14 And it's higher than most of what we see in the rest
15 of the portfolio.

16 MR. MOSCATO:

17 Okay. Thank you. I noticed on your
18 list of contributions, the Dauphin County Economic
19 Development is listed on there. What type of
20 donations do you make to the Economic Development
21 office?

22 MR. SHEA:

23 I would have to get back to you on
24 exactly what it is that we do with Dauphin County.

25 MR. MOSCATO:

1 I think it's great that it's on there.
2 I just was curious.

3 MS. SHEARIN:

4 I think that we could refer to --- if
5 allowed --- we could get back to you on the exact
6 details with this. And again, this list is just a few
7 examples of what we do. We have probably in the range
8 of three to four requests a week that come through for
9 us for --- again, whether it's in-kind, voluntary,
10 monetary, whatever it may be. So, some of these,
11 again, showing that we're doing in the community
12 exactly what it is, we can get back to you later.

13 MR. MOSCATO:

14 Okay. That's fine. You can get back to
15 us. My last question. When you put a person on your
16 own exclusion list and that person enters your
17 property, what happens to that person?

18 MR. SHEA:

19 We would actually have our own security
20 team. We also allow the PGCB and Pennsylvania State
21 Police as well. We have a committee on our own
22 property that goes through compliance committee that
23 reviews every incident that goes through. Most likely
24 we're going to contact that and extend their exclusion
25 from there.

1 MR. MOSCATO:

2 And they're ejected from the property?

3 MR. SHEA:

4 Yes.

5 MR. MOSCATO:

6 Okay. Thank you.

7 PRESIDING OFFICER:

8 Just real quickly. As a point of
9 clarification, this hearing, it actually will remain
10 open because the Board will be conducting an
11 additional public hearing in the matter. But you can
12 submit that information on the Economic Development to
13 the Board's clerk and we will make sure it's made a
14 part of the record in this matter.

15 MR. SHEA:

16 Thank you.

17 MR. FAJT:

18 Thank you, Jay. Back to the number of
19 employees. If I saw the number correctly, it was
20 1,236. And we had testimony that about 65 percent of
21 those are full time, 35 percent part time. Does that
22 number, the 1,236, include both the casino and racing
23 employees?

24 MS. SHEARIN:

25 Yes, sir.

1 MR. FAJT:

2 It does, okay. And has that employment
3 number remained steady both to the number and then to
4 the part time and full time components of that number?

5 MS. SHEARIN:

6 The head count number in terms of the
7 employees has remained rather steady. We have seen a
8 slight increase in our part-time enrollment. We're
9 finding a lot of our employees are looking for a
10 second job. They may have another part-time position
11 or even a full-time position. Teachers potentially,
12 that either want to work weekends and pick up some
13 extra hours or seasonal and will work during the
14 summertime, and we'll keep them on and fill in at the
15 holidays and such. So we're finding more of that.
16 And with a lot of --- the Affordable Care Act. A lot
17 of folks are picking up part-time jobs. And that's
18 not sufficient, so they need a second part-time job
19 and we're able to accommodate that. And it works in
20 our business.

21 MR. FAJT:

22 Okay. To Mr. Hayles. The uptick of 20
23 percent in your racing handle, if you said what is
24 causing that, I missed it. But could you tell me what
25 you think is causing that uptick? And I realize that

1 three percent is the uptick on live handle, but the 20
2 percent overall. So, if you could address the 20
3 percent and the three percent?

4 MR. HAYLES:

5 Sure. I mean, a lot of that comes from
6 our simulcast where --- I think just our quality
7 product that we're putting out on the racetrack,
8 because of the purses that we're being allowed to pay
9 out on a daily basis, we're getting higher quality
10 horses running at our facility. And with the Penn
11 Mile as well this year, I mean, that's something that
12 has really raised awareness of the quality of
13 thoroughbreds at Penn National.

14 MR. FAJT:

15 Mainly for Mr. Shea. You had talked
16 earlier about the annual responsible gaming refresher
17 training for your employees. What is the duration of
18 that training?

19 MR. SHEA:

20 Thirty (30) minutes.

21 MR. FAJT:

22 Thirty (30) minutes. And then one last
23 question. I guess this is maybe to you, Jay. I
24 didn't see. Do we have anybody here from the
25 horseracing industry today to testify?

1 PRESIDING OFFICER:

2 There is not anyone signed up.

3 MR. FAJT:

4 Okay. All right. Thank you.

5 MR. MCCALL:

6 Jay, I have a question. And I think my
7 question's been answered, but I just kind of want to
8 follow up a little bit. I certainly want to say thank
9 you for the investment that you've made on the
10 horseracing side. I think oftentimes we lose sight of
11 the fact that the reason why the original Gaming Act
12 was passed was really to help that industry to save
13 live racing as well as agriculture here in the
14 Commonwealth of Pennsylvania. And you know, when we
15 do these hearings, I'm always curious to see what are
16 you doing to promote live racing. And of course, you
17 have the increased handle, but increased attendance
18 and handle is --- you know, is really a positive thing
19 because it's tough to get people to bet on horses when
20 you have slots and tables right next door. Can you
21 point to anything outside of the Penn Mile? And you
22 know, you certainly want to promote that and make that
23 bigger and better. But can you point to any other
24 thing where you're seeing this, you know, attendance
25 increasing?

1 MR. HAYLES:

2 Well, I think one of the things our
3 company does very well is that we haven't forgotten
4 the horseracing side. We have racetracks throughout
5 the country that it's not just about Penn National.
6 We promote racing globally as a company. Our Director
7 of Racing Operations constantly are in communication
8 with each other on how they can bring quality horses
9 to each of the racetracks, and we share a lot of that
10 information. We share a lot of best practices, things
11 that work have worked at Charlestown that could
12 potentially work at Penn National and at Zia Park and
13 Sam Houston in Texas.

14 So, I think for us it's really promoting
15 quality racing. It's getting our name out there and
16 attracting the best horses to our facility, the best
17 breeders, the best jockeys, because that's what
18 excites people. And the other thing that we work on
19 is the field sizes. We're starting to see some
20 diminishing field sizes in the industry. Not just
21 here, but throughout the industry. We need to get the
22 field sizes back up, and we're aware of that, because
23 that's something that really gets betters excited
24 about racing.

25 MR. MCCALL:

1 And why is that? I mean, that's
2 probably not something that we may be necessarily
3 involved with. But why is that? What do you as a
4 problem there?

5 MR. HAYLES:

6 You know, I've seen it ---.

7 MR. MCCALL:

8 Is it economics?

9 MR. HAYLES:

10 I think it's economics. I think it's,
11 you know, the breeding industry. The last few years
12 has become --- not as many people are involved in the
13 breeding industry. You're seeing the number of foals
14 that are being produced at various states throughout
15 the country going down. There's just less horses that
16 are available to run. I think some of the good things
17 that are coming out of our industry is the quality
18 standards that are being put into place with regard to
19 the drug testing and things like that. We're starting
20 to weed out some of those inferior quality horses that
21 are just trying to earn a paycheck.

22 MR. MCCALL:

23 Thank you.

24 MR. SNOWDEN:

25 Just to piggyback on some of the

1 comments. We've seen across the company portfolio
2 that really what is driving success in pockets at Penn
3 National, not all of our tracks are showing growth, is
4 innovation, trying new ideas, concepts and promoting
5 these stakes events. The stakes events have been
6 wildly successful. Penn National, as you saw the
7 numbers for the Penn Mile, we got the idea from our
8 Charles Town facility where we've got a Greatest
9 Stakes Race there that does exceptional and builds
10 upon that success annually. And so we're now taking
11 the stakes concept into other jurisdictions. We have
12 a stakes race at Zia Park in New Mexico. And in 2014,
13 we've got some ideas on actually having --- where the
14 horsemen, trainers, breeders are incentivized by
15 winning multiple stakes races throughout the country
16 at Penn National racecourses. So, we're trying to
17 build upon the innovation that we've seen some pockets
18 of success, and keep it fresh for customers. They
19 enjoy the big events. That's why the Derby is so
20 successful still, and the Del Mar racetrack in
21 Saratoga, the ones that really make these races
22 special. And the stakes events are really the
23 differentiators versus the standard races, the other
24 199 races a year.

25 MR. MCCALL:

1 For the dollars Pennsylvania provides
2 you can see the benefit at your facilities with the
3 dollars that we do incentivize breeding and stakes?

4 MR. SNOWDEN:

5 Yes. If you compare it to other markets
6 where they don't have the infusion of slot dollars,
7 tax dollars for purses, you see racing results and
8 attendance continue to decline, whereas they've been
9 more largely stabilized in markets where they're being
10 helped out on the gaming side.

11 MR. MCCALL:

12 Great. Thank you very much.

13 PRESIDING OFFICER:

14 I haven't no specific questions at this
15 time. I'd just like to welcome Bill to central
16 Pennsylvania. And in the manner of full disclosure, I
17 am Central Dauphin alumni and I represent the
18 Grantville Volunteer Fire Company. So, I can say
19 thank you very much in that regard.

20 In regard to Commissioner Moscato's
21 question about Dauphin County, I note that today we
22 have Dauphin County Commissioner Mike Pries in the
23 house, who's expected to make comment. And if perhaps
24 Mike could address some of Commissioner Moscato's
25 concerns during his presentation about that. So thank

1 you.

2 MR. WOODS:

3 Just one question. Are you able to
4 array for me the revenues associate with, I'll call
5 it, the casino/horseracing/gaming side versus your
6 entertainment, banquets and alternative use of the
7 facilities? Just a percentage.

8 MR. SHEARIN:

9 Obviously, most of our revenue comes
10 from the slot business. Secondly would be table
11 games. And then your racing and the food and beverage
12 operation and ancillary services are kind of equal in
13 terms of that. So, it's about --- it's probably a 85
14 percent, 5 percent, 5 percent, 5 percent.

15 MR. WOODS:

16 Thank you.

17 PRESIDING OFFICER:

18 Any further questions?

19 MR. MOSCATO:

20 Yeah, I do have one follow-up. When you
21 eject a horseman from your track, is that from all
22 Penn Nationals or just this one?

23 MR. HAYLES:

24 Each one is on an individual basis. We
25 will alert our other facilities that we have done

1 that. But until there's a violation at those other
2 facilities, it's up to them.

3 MR. MOSCATO:

4 Thank you. I'm really done this time.

5 PRESIDING OFFICER:

6 Counsel for OEC, you may proceed with
7 your presentation. And actually, just one
8 housecleaning matter. Is there any objection to the
9 presentation made today by Penn National to be entered
10 in and moved into the record?

11 ATTORNEY HOEFLICH:

12 No objection.

13 PRESIDING OFFICER:

14 That being the case, the presentation is
15 moved in and made a part of the record. And I would
16 ask, since there was some video on there, if we could
17 get a copy of the CD that contained that?

18 You may proceed, Mr. Hoeflich.

19 ATTORNEY HOEFLICH:

20 Thank you. Good morning. Good morning,
21 members of the Board. The OEC was established within
22 the Board's Bureau of Investigations and Enforcement
23 and advises the Bureau on all matters, including the
24 granting of licenses, permits and registrations, the
25 conduct of background investigations, audits and

1 inspections and violations of the Pennsylvania Race
2 Horse Development and Gaming Act, the regulations
3 promulgated there under, as well as the facilities'
4 internal controls. OEC also files recommendations and
5 objections related to the issuance of licenses,
6 permits and registrations on behalf of BIE, including
7 the renewal of slot machine licenses.

8 Pursuant to Section 1302 of the Gaming
9 Act, the Board may issue a Category 1 Slot Machine
10 License to a licensed racetrack facility that has been
11 issued a license from either the State Horse Racing
12 Commission or the State Harness Racing Commission.
13 Moreover, the Board may award a table game certificate
14 authorizing a slot machine licensee to conduct table
15 games pursuant to Section 13(a)(11) of the Act.

16 On September 27th, 2006, the Board
17 approved Hollywood Casino at Penn National a
18 conditional Category 1 Slot Machine License. On
19 February 8th, 2008, the Board issued a permanent
20 license, Category 1, to the casino. The Board renewed
21 Hollywood Casino's license on January 11th, 2010 and
22 granted a table games operation certificate to
23 Hollywood Casino on April 7th, 2010.

24 OEC intends to call a couple witnesses
25 today to testify about Hollywood Casino's suitability

1 for renewal of a slot machine license, including
2 representatives of the Pennsylvania State Police, the
3 Bureau of Casino Compliance and the BIE. OEC would
4 like to note one revision to the list of witnesses
5 previously provided. BIE Regional Director Michael
6 Rosenberry will be testifying in place of Elizabeth
7 Kotzmoyer. Counsel for Hollywood Casino was
8 previously notified of this change.

9 At this time, we'd like to call
10 Pennsylvania State Police Sergeant Jonathan Kinsey.

11 -----
12 SERGEANT JONATHAN KINSEY, HAVING BEEN PREVIOUSLY
13 SWORN, TESTIFIED AS FOLLOWS:

14 -----
15 DIRECT EXAMINATION

16 BY ATTORNEY HOEFLICH:

17 Q. For the record, can you please state your full
18 name and spell your last name?

19 A. Jonathan Kinsey, K-I-N-S-E-Y.

20 Q. And Sergeant Kinsey, how are you employed?

21 A. I'm employed by the Pennsylvania State Police for
22 the last 20 years.

23 Q. And where are you employed?

24 A. Currently I'm assigned as the officer commander
25 at Hollywood Casino at Penn National.

1 Q. And as the office commander, what are your
2 responsibilities with respect to Hollywood Casino?

3 A. I oversee the general workings of the office,
4 including scheduling, report correction, make sure ---
5 making sure our department policies are adhered to.

6 Q. Can you describe the role of the Pennsylvania
7 State Police at a licensed gaming facility?

8 A. We enforce the laws of the Commonwealth on the
9 gaming floor.

10 Q. And can you describe the relationship between
11 Pennsylvania State Police and the local police?

12 A. The casino is located in East Hanover Township,
13 and Pennsylvania State Police have primary
14 jurisdiction in that township.

15 Q. Can you describe the relationship between the
16 Pennsylvania State Police and the Bureau of Casino
17 Compliance?

18 A. We have a good working relationship. We're
19 co-located in the same office with the PGCB.

20 Q. And what is your relationship with the Hollywood
21 Casino staff?

22 A. We have a very healthy, professional working
23 relationship.

24 Q. And has the staff been cooperative in
25 investigations conducted by your office?

1 A. Yes, they have.

2 Q. Are you familiar with the Uniform Crime Reporting
3 System?

4 A. Yes, I am.

5 Q. Can you tell us about it?

6 A. It's a collective effort by federal, state and
7 local law enforcement agencies to generate accurate
8 crime data. On the state level, it's administered by
9 the Pennsylvania State Police. On the national level,
10 it's administered by the FBI. Their efforts have
11 resulted in an online database where the crime
12 statistics can be queried through different search
13 parameters to reach the appropriate results.

14 Q. And how often is this information edited or
15 updated?

16 A. We input data every month, so it would be on a
17 monthly basis.

18 Q. And is this available to the public?

19 A. Yes, it is.

20 Q. And where is it available?

21 A. The online presence --- it's www.PAUCRS.pa.gov.

22 Q. And is this --- can this be reduced into a
23 written form, a written report?

24 A. Yes, it can.

25 Q. I'm going to direct your attention to the slide