

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

* * * * *

PUBLIC MEETING

* * * * *

BEFORE: WILLIAM H. RYAN, JR., CHAIRMAN
Gregory C. Fajt; Annmarie Kaiser; Keith R.
McCall, John J. McNally, III; Anthony C.
Moscato; David W. Woods; Members
Matthew Meals, Representing George Greig,
Secretary of Agriculture
Christopher Craig, Representing Robert
McCord, State Treasurer
Robert Coyne, Representing Daniel Meuser,
Secretary of Revenue

HEARING: Wednesday, November 20, 2013
10:00 a.m.

LOCATION: Strawberry Square Complex
Second Floor
Harrisburg, PA 17101

WITNESSES: Paul DeAngelo, Ira Lubert, Michael Bowman,
Alex Figueras, Bill Hayles, Tim Shea

Reporter: Kimberly I. Faidley

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

1 A P P E A R A N C E S
2 OFFICE OF CHIEF COUNSEL
3 R. DOUGLAS SHERMAN, ESQUIRE
4 Chief Counsel
5 SUSAN YOCUM, ESQUIRE
6 Assistant Chief Counsel
7 STEPHEN S. COOK, ESQUIRE
8 Deputy Chief Counsel
9 OFFICE OF ENFORCEMENT COUNSEL
10 CYRUS PITRE, ESQUIRE
11 Chief Enforcement Counsel
12 GLENN STUART, ESQUIRE
13 Assistant Enforcement Counsel
14 JEFFREY P. HOEFLICH, ESQUIRE
15 Assistant Enforcement Counsel
16 JAMES ARMSTRONG, ESQUIRE
17 Assistant Enforcement Counsel
18 CASSANDRA FENSTERMAKER, ESQUIRE
19 Assistant Enforcement Counsel
20 DUSTIN MILLER, ESQUIRE
21 Assistant Enforcement Counsel
22 PA Gaming Control Board
23 P.O. Box 69060
24 Harrisburg, PA 17106-9060
25 Counsel for the Pennsylvania Gaming Control Board

1 A P P E A R A N C E S (cont'd)

2

3 JAMES A. DOHERTY, III, ESQUIRE

4 Doherty Hayes, LLC

5 1000 Bank Towers

6 321 Spruce Street

7 Scranton, PA 18503

8 Counsel for Paul DeAngelo

9

10 KEVIN C. HAYES, ESQUIRE

11 Doherty Hayes, LLC

12 1000 Bank Towers

13 321 Spruce Street

14 Scranton, PA 18503

15 Counsel for Valley Forge Casino Resort

16

17 MICHAEL D. SKLAR, ESQUIRE

18 Levine, Staller, Sklar, Chan, Brown and Donnelly, PA

19 3030 Atlantic Avenue

20 Atlantic City, NJ 08401

21 Counsel for Sugarhouse Casino

22

23

24

25

| | | |
|----|-------------------------------|---------|
| 1 | I N D E X | |
| 2 | OPENING REMARKS | |
| 3 | By Chairperson Ryan | 5 - 7 |
| 4 | PRESENTATION | |
| 5 | By Ms. Yantis | 7 - 8 |
| 6 | By Attorney Yocum | 8 - 9 |
| 7 | By Attorney Sherman | 9 - 13 |
| 8 | <u>WITNESS:</u> PAUL DEANGELO | |
| 9 | QUESTIONS BY BOARD | 14 - 16 |
| 10 | PRESENTATION | |
| 11 | By Attorney Cook | 17 - 22 |
| 12 | By Ms. Hensel | 22 - 31 |
| 13 | DISCUSSION AMONG PARTIES | 31 - 33 |
| 14 | PRESENTATION | |
| 15 | By Attorney Stuart | 33 - 37 |
| 16 | By Attorney Hayes | 38 - 43 |
| 17 | QUESTIONS BY BOARD | 44 - 77 |
| 18 | PRESENTATION | |
| 19 | By Attorney Hoeflich | 77 - 81 |
| 20 | By Attorney Armstrong | 81 - 85 |
| 21 | By Attorney Fenstermaker | 86 - 88 |
| 22 | By Attorney Miller | 88 - 92 |
| 23 | DISCUSSION AMONG PARTIES | 92 - 95 |
| 24 | CLOSING REMARKS | |
| 25 | By Chairman | 95 - 96 |

P R O C E E D I N G 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

CHAIRMAN:

Good morning, ladies and gentlemen. My name is Bill Ryan. I'm the Chairman of the Pennsylvania Gaming Control Board. Before we begin, I would ask everyone to please turn off cell phones, PDAs and other electric devices.

With us today is Matthew Meals representing Secretary of Agriculture, George Greig; Christopher Craig representing State Treasurer Robert McCord; and Bob Coyne representing the Secretary for the Department of Revenue, excuse me, Daniel Meuser. Thank you, gentlemen, for coming.

All the members of the Board are present. Therefore, I will call today's meeting to order. The first thing, I would ask everyone to please stand for the Pledge of Allegiance.

PLEDGE OF ALLEGIANCE RECITED

CHAIRMAN:

Thank you, ladies and gentlemen. First announcements. The Board held an Executive Session yesterday. The purpose of which was to discuss personnel matters and to conduct quasi judicial deliberations relating to matters being considered by

1 the Board today. Also, I would take this opportunity
2 to remind everyone that the Board has scheduled
3 suitability hearings for all of the applicants seeking
4 second Category 2 Slot Machine License for the City of
5 Philadelphia. Those suitability hearings will be held
6 on January 28th, 29th and 30th at the Pennsylvania
7 Convention Center in the City of Philadelphia.
8 Additionally, the Board will once again be extending
9 the public comment period in the matter of the
10 remaining Category 2 Slot Machine License. The public
11 comment period will be extended to December 31st,
12 2013.

13 First order of business on the schedule
14 would be to approve the minutes and the transcript of
15 the October 9, 2013 Board meeting. May I have such a
16 motion?

17 MR. WOODS:

18 Mr. Chairman, I move that the Board
19 approve the minutes and transcript of the October 9,
20 2013 meeting.

21 MR. FAJT:

22 Second.

23 CHAIRMAN:

24 All in favor?

25 ALL SAY AYE

1 CHAIRMAN:

2 Opposed? The motion carries.

3 Next would be Clair Yantis, Human
4 Resource Director. Claire?

5 MS. YANTIS:

6 Good morning Chairman, Board members.
7 The Office of Human Resources has one motion for your
8 consideration today, relative to the hiring of Mr.
9 David Gehman. Mr. Gehman has been selected for the
10 position of applications developer in the Office of
11 Information Technology and has completed the PGCB
12 interview process, background investigation and drug
13 screening. Mr. Gehman is recommended for hire by
14 Chief Technology Officer Michael Cruz. Unless you
15 have any questions, I ask that the Board consider a
16 motion to hire Mr. Gehman as indicated.

17 CHAIRMAN:

18 Any questions or comments from the
19 Board? Ex-officio members? May I have a motion?

20 MR. FAJT:

21 Mr. Chairman, I move that the Board
22 approve the applicant as proposed on the condition
23 that the necessary background investigation and drug
24 testing are completed.

25 MS. KAISER:

1 Second.

2 CHAIRMAN:

3 All in favor?

4 ALL SAY AYE

5 CHAIRMAN:

6 Opposed? The motion carries.

7 MS. YANTIS:

8 Thank you.

9 CHAIRMAN:

10 Thank you, Claire. Next, Chief Counsel

11 Doug Sherman. Doug?

12 ATTORNEY SHERMAN:

13 Good morning, Chairman, members of the
14 Board. Our first agenda item relates to a temporary
15 regulation, which Assistant Chief Counsel Susan Yocum
16 is here to present.

17 ATTORNEY YOCUM:

18 I have one rulemaking for your
19 consideration today. It is Temporary Rulemaking
20 125-179. This will add the new game of Lunar Poker to
21 the complement of games available for play. Included
22 in this rulemaking are the rules of play, the
23 permissible wagers and the payout odds. I'd be happy
24 to answer any questions you may have.

25 CHAIRMAN:

1 Any questions or comments from the
2 Board? Ex-officio members? May I have a motion?

3 MS. KAISER:

4 Mr. Chairman, I move that the Board
5 approve Temporary Regulation 125-179. And that the
6 Temporary Regulation be posted to the Board's
7 websites.

8 MR. MCCALL:

9 Second.

10 CHAIRMAN:

11 All in favor?

12 ALL SAY AYE

13 CHAIRMAN:

14 Opposed? The motion carries.

15 ATTORNEY YOCUM:

16 Thank you.

17 CHAIRMAN:

18 Thank you, Susan.

19 ATTORNEY SHERMAN:

20 Today the Board has two petitions before
21 it for consideration. Each of the matters will be
22 considered upon the documentary record which has been
23 provided to the Board in advance of the meeting. The
24 record is comprised of petitions, any responsive
25 pleadings and any other evidentiary material which has

1 been filed in the record.

2 The first Petition before the Board is
3 that of CORT Furniture Rentals' Petition to be removed
4 from the Prohibited Gaming Service Provider List.
5 CORT is a company that, as its name implies, provides
6 furniture rental services. They had initially filed a
7 Gaming Service Provider application with the Board in
8 October 2008. Upon review of the application, the
9 Bureau of Licensing had notified CORT by letter in
10 January 2010 that there were deficiencies that needed
11 to be cured before the application was complete. CORT
12 failed to cure the deficiencies, and as a result the
13 Board issued an Order on April 29th, 2010, placing
14 CORT on the Prohibited Gaming Service Provider List.

15 On September 16th, 2013 CORT filed its
16 current Petition to be removed from that list. CORT
17 has now been acquired by the Berkshire Hathaway
18 Corporation, which is a publicly-traded company. And
19 under the Board's regulations, a publicly-traded
20 company does not need to apply for certification as
21 long as they have completed the Gaming Service
22 Provider Form required by the Board.

23 The Office of Enforcement Counsel (OEC)
24 has not objected to the Board removing CORT from the
25 Prohibited List, so long as CORT submits the Publicly

1 Traded Gaming Service Provided Form to the Board,
2 along with the required filing fee, and pays a \$1,500
3 civil penalty in connection with its placement and
4 then removal from the list. The matter is now
5 appropriate for your consideration.

6 CHAIRMAN:

7 Any questions or comments from the
8 Board?

9 MR. MOSCATO:

10 One, Mr. Chairman. The company needs to
11 submit the required documentation within a timely
12 manner after the Board removes them?

13 ATTORNEY SHERMAN:

14 We typically, yeah, would expect that
15 we'd get it within 30 days, in any case they would not
16 be removed from the list, until such time as they
17 comply and pay those fees and costs.

18 MR. MOSCATO:

19 Thank you.

20 CHAIRMAN:

21 Any other questions or comments from the
22 Board? Ex-officio members? May I have a motion?

23 MR. MCCALL:

24 Mr. Chairman, I move that the Board
25 grant the Petition of CORT Furniture Rental as

1 described by the Office of Chief Counsel (OCC).

2 MR. MCNALLY:

3 Second.

4 CHAIRMAN:

5 All in favor?

6 ALL SAY AYE

7 CHAIRMAN:

8 Opposed? The motion carries.

9 ATTORNEY SHERMAN:

10 The second Petition before the Board is
11 that of Paul DeAngelo, who is requesting to be removed
12 from the Board's Involuntary Exclusion List.

13 In January 2011 Mr. DeAngelo and his
14 20-year-old son entered Mohegan Sun at Pocono Downs,
15 at which time Mr. DeAngelo engaged in gaming activity
16 with his son. As a result of the conduct, the Board
17 issued an Order on July 11th, 2012 adopting the
18 Consent Agreement between the OEC and Mr. DeAngelo,
19 placing him on the Board's Exclusion List for one year
20 from the date of the Order. The Consent Agreement
21 further provided that he have the ability to apply to
22 the Board for removal from the list after the one-year
23 period expired.

24 On September 24th of this year Mr.
25 DeAngelo, whose one-year term is now expired,

1 petitioned for removal from the list. The OEC has not
2 objected to that request. I would note that, for the
3 record, that both Mr. DeAngelo and his attorney, Jim
4 Doherty, are present today to address any questions
5 the Board may have. If there are none, or following
6 any answers to questions, the matter is appropriate
7 for the Board's consideration.

8 CHAIRMAN:

9 Any questions or comments from the
10 Board?

11 MR. FAJT:

12 Yes, Mr. Chairman. I'd like to have Mr.
13 Doherty and his client come to the table.

14 CHAIRMAN:

15 Mr. Doherty, could you please state your
16 name for the record?

17 ATTORNEY DOHERTY:

18 Sure. Jim Doherty, representing Mr.
19 Paul DeAngelo.

20 CHAIRMAN:

21 Spell your last name.

22 ATTORNEY DOHERTY:

23 D-O-H-E-R-T-Y.

24 CHAIRMAN:

25 Sir, I think you should probably be

1 sworn. Could you stand? And just state your name and
2 spell your last name.

3 MR. DEANGELO:

4 It's Paul DeAngelo. It's
5 D-E-A-N-G-E-L-O.

6 -----
7 PAUL DEANGELO, HAVING FIRST BEEN DULY SWORN, TESTIFIED
8 AS FOLLOWS:

9 -----

10 CHAIRMAN:

11 Greg?

12 MR. FAJT:

13 Thank you, Mr. Chairman. I'm troubled
14 by this case Mr. DeAngelo. I was troubled by it when
15 we first dealt with this issue over a year ago. I'm
16 still troubled by it, the fact that you would
17 knowingly take your son onto the gaming floor at
18 Mohegan Son when he was underage, serve him drinks,
19 let him gamble, knowing that that was a violation of
20 the law. And I understand that you entered into a
21 Consent Agreement way back when, and part of that was
22 that we would place you on the Exclusion List for at
23 least one year. I am bothered by that kind of
24 conduct. And I guess I just want to know what you
25 have to say for yourself.

1 A. Well, I wasn't aware of the Pennsylvania ruling
2 in terms of the age an individual needed to be. And
3 certainly, looking back on it now, I recognize that it
4 was a bad decision on my part, and certainly not
5 something that I should have done. And I take
6 responsibility for having done that. I had a long
7 conversation with my son. I have two sons, actually.
8 One is 29 now, one is 24. The son that was with me is
9 24. I didn't really realize exactly ---. My
10 brother's birthday was that day. I kind of got tied
11 up in what was happening with the family and the
12 excitement of things, and didn't even realize what I
13 was doing. So, it was a bad judgment on that
14 particular day on my part. But I fully understand
15 what I did was wrong, and I certainly appreciate your
16 concerns.

17 MR. FAJT:

18 Did you not know that the age for
19 drinking alcohol in Pennsylvania is 21?

20 A. Yeah, I did know that. And again, I just wasn't
21 --- didn't realize, you know, that he was having
22 drinks, and didn't full understand exactly ---.
23 Everybody was there that day. There was other people
24 talking and stuff. It wasn't just me and him. There
25 was a number of family members there. We were kind of

1 caught up in the whole moment of things, so to speak.

2 MR. FAJT:

3 One last question. Since you've been
4 placed on the Excluded Persons List on July 11th, 2012
5 have you gambled at any other Pennsylvania casinos?

6 A. No.

7 ATTORNEY DOHERTY:

8 And Mr. Commissioner, I'd like to point
9 out, Mr. DeAngelo has actually not been back to the
10 facility since the incident. So, we're almost on
11 three years now since he has actually been in a
12 Pennsylvania casino.

13 MR. FAJT:

14 Thank you. Thank you, Mr. Chairman.

15 CHAIRMAN:

16 Any other questions? Ex-officio
17 members? May I have a motion?

18 MR. MCNALLY:

19 Mr. Chairman, I move that the Board
20 grant the Petition of Paul DeAngelo as described by
21 the OCC.

22 CHAIRMAN:

23 Second?

24 MR. MOSCATO:

25 Second.

1 CHAIRMAN:

2 All in favor?

3 ALL SAY AYE

4 CHAIRMAN:

5 Opposed? The motion carries. Thank
6 you, gentlemen.

7 ATTORNEY DOHERTY:

8 Thank you.

9 ATTORNEY SHERMAN:

10 Next, presenting Surrenders and Reports
11 and Recommendations is Deputy Chief Counsel Steve
12 Cook.

13 ATTORNEY COOK:

14 Good morning.

15 CHAIRMAN:

16 Good morning, Steve.

17 ATTORNEY COOK:

18 The Board has received three unopposed
19 Petitions to surrender two Gaming Service Provider
20 Qualifications and a Principal License. The persons
21 that are subject to these Petitions are as follows.
22 For the benefit of the court reporter, I'll give her
23 the names --- correct spellings afterwards. Christina
24 Billis (phonetic), Allen Swanson (phonetic) and Gerald
25 Costlow (phonetic).

1 The OEC has no objections to these
2 Surrenders. As a result, if the Board were to grant
3 the same they'd be doing so without prejudice to each
4 of these persons. The matter is now ripe for the
5 Board's consideration.

6 CHAIRMAN:

7 Any questions or comments from the
8 Board? Ex-officio members? May I have a motion?

9 MR. MOSCATO:

10 Mr. Chairman, I move that the Board
11 issue Orders to approve the Surrenders as described by
12 the OCC.

13 MR. WOODS:

14 Second.

15 CHAIRMAN:

16 All in favor?

17 ALL SAY AYE

18 CHAIRMAN:

19 Opposed? The motion carries.

20 ATTORNEY COOK:

21 Before the Board today also is one
22 Report and Recommendation received from the Office of
23 Hearings and Appeals (OHA). The Report and
24 Recommendation pertains to the Gaming Employee Permit
25 of Darren Mitchell. The Report, along with the

1 evidentiary record from the hearing has been provided
2 to the Board in advance of this meeting. And
3 additionally, Mr. Mitchell has been advised that the
4 Board would be taking the matter up today. If Mr.
5 Mitchell is present in the room I would ask him to
6 come forward at this time.

7 Briefly, the Report and Recommendation
8 pertaining to Darren Mitchell relates to the OEC's
9 complaint to revoke Mr. Mitchell's Gaming Permit. Mr.
10 Mitchell submitted an application in July of 2010
11 seeking work as a table games dealer at Mount Airy.
12 On his application Mr. Mitchell stated that he'd
13 previously been employed at the Foxwoods Casino in
14 Connecticut, that he'd been discharged, suspended or
15 asked to resign from his position there, and that he
16 was noncompliant relative to his permit to work in
17 that jurisdiction.

18 Notwithstanding these disclosures, the
19 Board granted Mr. Mitchell a Pennsylvania Gaming
20 Employee Permit as the Bureau of Investigations and
21 Enforcement (BIE) had no objection to his application
22 --- his Gaming Employee Application. After being
23 awarded the Gaming Employee Permit, Mr. Mitchell began
24 work at Mount Airy as a table games dealer, and in
25 fact, worked in that facility for three years.

1 In 2012 while working at Mount Airy Mr.
2 Mitchell was offered a promotion to a dual rate
3 supervisor position, which resulted in him submitting
4 a G-2 Gaming Employee Application to the Board.
5 During BIE's investigation of that G-2 Application it
6 was discovered that Mr. Mitchell was arrested and
7 criminally charged in Connecticut with larceny and
8 conspiracy to commit larceny. This arrest occurred
9 after Mr. Mitchell received his Gaming Employee ---
10 his original Pennsylvania Gaming Employee Permit. And
11 as a condition of that permit, he was required to
12 report any arrests or run-ins with law enforcement,
13 but he failed to do so.

14 As a result of his failure to report his
15 arrest, as well as the underlying conduct leading to
16 the arrest, the OEC brought an enforcement action to
17 revoke Mr. Mitchell's Gaming Employee Permit. A
18 hearing was held on August 15, 2013, and both Mr.
19 Mitchell and the OEC appeared and offered evidence
20 into the record. At that hearing Mr. Mitchell
21 testified that he had entered into an ARD program in
22 Connecticut relative to the criminal charges, and that
23 his attorney in Connecticut advised him that he did
24 not have to report the arrest to the Board because of
25 the ARD outcome. Subsequently to that entry into the

1 ARD program, he completed the program and all the
2 criminal charges have been dismissed and expunged in
3 Connecticut.

4 The Report and Recommendation ultimately
5 issued by the Board's Hearing Officer recommends that
6 Mr. Mitchell's Gaming Permit be suspended rather than
7 revoked, as the Hearing Officer did not believe there
8 was sufficient evidence in the record to warrant a
9 Revocation. The OEC subsequently filed exceptions to
10 the Report and Recommendation, arguing that the
11 evidence presented did support a Revocation. It's
12 important to note for the record that during the
13 pendency of these proceedings Mr. Mitchell's Gaming
14 Permit expired. And as a result, at this point the
15 most severe sanction the Board could impose would be
16 to deny Mr. Mitchell the ability to reapply for any
17 form of licensure with the Board for a period of five
18 years.

19 So, with all that convoluted story being
20 presented, the Report and Recommendation with the
21 recommendation of a Suspension is before the Board for
22 consideration.

23 CHAIRMAN:

24 Any questions or comments from the
25 Board? Ex-officio members? May I have a motion?

1 MR. WOODS:

2 Mr. Chairman, I move that the Board
3 reject the Report and Recommendation issued by the OHA
4 regarding the Gaming Employee Permit Application of
5 Darren Mitchell as described by the OCC and that Mr.
6 Mitchell be denied the ability to apply for any permit
7 or registration with the Board for a period of five
8 years as if his Gaming Permit now expired has been
9 revoked.

10 MR. FAJT:

11 Second.

12 CHAIRMAN:

13 All in favor?

14 ALL SAY AYE

15 CHAIRMAN:

16 Opposed? The motion carries.

17 ATTORNEY SHERMAN:

18 Then that concludes all matters of the
19 OCC.

20 CHAIRMAN:

21 Thank you, gentlemen. Next, Susan
22 Hensel for the Bureau of Licensing. Good morning,
23 Susan.

24 MS. HENSEL:

25 Thank you, Chairman Ryan and members of

1 the Board. Before the Board today will be motions
2 regarding one slot machine manufacturer, as well as
3 486 Principal, Key, Gaming and Non-Gaming Employees.
4 In addition, there will be the consideration of 19
5 Gaming Service Provider Applications.

6 The first matter for your consideration
7 is the Renewal of a Slot Machine Manufacturer License
8 for Ainsworth Game Technology Limited. Ainsworth Game
9 Technology Limited is an Australian based company that
10 manufactures slot machines. The BIE has completed its
11 investigation of this company and the Bureau of
12 Licensing has provided you with the background
13 investigation and suitability report. I have provided
14 you with a draft Order and ask that you consider the
15 renewal of the Slot Machine Manufacturer License for
16 Ainsworth Game Technology Limited.

17 CHAIRMAN:

18 Any comments from Enforcement Counsel?

19 ATTORNEY PITRE:

20 Enforcement Counsel has no objection.

21 CHAIRMAN:

22 Any questions or comments from the
23 Board? Ex-officio members? May I have a motion?

24 MR. FAJT:

25 Mr. Chairman, I move that the Board

1 approve the Slot Machine Manufacturer Renewal License
2 of Ainsworth Game Technology Limited as described by
3 the Bureau of Licensing.

4 MS. KAISER:

5 Second.

6 CHAIRMAN:

7 All in favor?

8 ALL SAY AYE

9 CHAIRMAN:

10 Opposed? The motion carries.

11 MS. HENSEL:

12 Also for your consideration are
13 Principal and Key Employee Licenses. Prior to this
14 meeting the Bureau of Licensing provided you with a
15 proposed Order for one Principal and three Key
16 Employee Licenses for Slot Operator and Manufacture
17 Licensees. I ask that the Board consider the Order
18 approving these licenses.

19 CHAIRMAN:

20 Any comments from Enforcement Counsel?

21 ATTORNEY PITRE:

22 Enforcement Counsel has no objection.

23 CHAIRMAN:

24 Any questions or comments from the
25 Board? Ex-officio members? May I have a motion?

1 MS. KAISER:

2 Mr. Chairman, I move that the Board
3 approve the issuance of Principal and Key Employee
4 Licenses as described by the Bureau of Licensing.

5 MR. MCCALL:

6 Second.

7 CHAIRMAN:

8 All in favor?

9 ALL SAY AYE

10 CHAIRMAN:

11 Opposed? The motion carries.

12 MS. HENSEL:

13 Next there are Temporary Principal and
14 Key Employee Licenses. Prior to this meeting the
15 Bureau of Licensing provided you with an Order
16 regarding the issuance of Temporary Licenses for three
17 Principals and ten Key employees. I ask that the
18 Board consider the Order approving these licenses.

19 CHAIRMAN:

20 Any comments from Enforcement Counsel?

21 ATTORNEY PITRE:

22 Enforcement Counsel has no objection.

23 CHAIRMAN:

24 Any questions or comments from the
25 Board? Ex-officio members? May I have a motion?

1 MR. MCCALL:

2 Mr. Chairman, I move the Board approve
3 the issuance of Temporary Principal and Key Employee
4 Licenses as described by the Bureau of Licensing.

5 MR. MCNALLY:

6 Second.

7 CHAIRMAN:

8 All in favor?

9 ALL SAY AYE

10 CHAIRMAN:

11 Opposed? The motion carries.

12 MS. HENSEL:

13 Next are Gaming Permits and Non-Gaming
14 Registrations. Prior to this meeting the Bureau of
15 Licensing provided you with a list of 325 individuals
16 to whom the Bureau has granted temporary or full
17 occupation permits and 95 individuals to whom the
18 Bureau has granted registrations under the authority
19 delegated to the Bureau of Licensing. I ask that the
20 Board consider a motion approving the Order.

21 CHAIRMAN:

22 Any comments from Enforcement Counsel?

23 ATTORNEY PITRE:

24 Enforcement Counsel has no objection.

25 CHAIRMAN:

1 Any questions or comments from the
2 Board? Ex-officio members? May I have a motion?

3 MR. MCNALLY:

4 Mr. Chairman, I move that the Board
5 approve the issuance of Gaming Employee Permits and
6 Non-Gaming Employee Registrations as described by the
7 Bureau of Licensing.

8 CHAIRMAN:

9 Second?

10 MR. MOSCATO:

11 Second.

12 CHAIRMAN:

13 All in favor?

14 ALL SAY AYE

15 CHAIRMAN:

16 Opposed? The motion carries.

17 MS. HENSEL:

18 In addition, there is a Recommendation
19 of Denial for three Gaming Employee Applicants. The
20 Bureau of Licensing has provided you with the Order
21 addressing these applicants the OEC has recommended
22 for denial. The applicants failed to request a
23 hearing within the specified time period. I ask that
24 the Board consider the Orders denying the Gaming
25 Employee Applications.

1 CHAIRMAN:
2 Any comments from Enforcement Counsel?

3 ATTORNEY PITRE:
4 Enforcement Counsel requests denial in
5 each instance.

6 CHAIRMAN:
7 Any questions or comments from the
8 Board? Ex-officio members? May I have a motion?

9 MR. MOSCATO:
10 Yes, sir. I move that the Board approve
11 the denial of Gaming Employee Applications as
12 described by the Bureau of Licensing.

13 MR. WOODS:
14 Second.

15 CHAIRMAN:
16 All in favor?

17 ALL SAY AYE

18 CHAIRMAN:
19 Opposed? The motion carries.

20 MS. HENSEL:
21 Also for your consideration are
22 Withdrawal requests for Key, Employee, Gaming and
23 Non-Gaming Employee Applicants. In each case the
24 license, permit or registration is no longer required.
25 For today's meeting I have provided the Board with a

1 list of 4 Key Employee, 38 Gaming and 4 Non-Gaming
2 Employee Withdrawals for approval. I ask that the
3 Board consider the Orders approving the list of
4 Withdrawals.

5 CHAIRMAN:

6 Any comments from Enforcement Counsel?

7 ATTORNEY PITRE:

8 Enforcement Counsel has no objection.

9 CHAIRMAN:

10 Any questions or comments from the
11 Board? Ex-officio members? May I have a motion?

12 MR. WOODS:

13 Mr. Chairman, I move that the Board
14 approve the Withdrawals as described by the Bureau of
15 Licensing.

16 MR. FAJT:

17 Second.

18 CHAIRMAN:

19 All in favor?

20 ALL SAY AYE

21 CHAIRMAN:

22 Opposed? The motion carries.

23 MS. HENSEL:

24 Finally, for your consideration are
25 Gaming Service Provider Registrations. The Bureau of

1 Licensing provided you with an Order and an attached
2 list of 19 Registered Gaming Service Provider
3 Applicants. I ask that the Board consider the Order
4 registering these Gaming Service Providers.

5 CHAIRMAN:

6 Any comments from Enforcement Counsel?

7 ATTORNEY PITRE:

8 Enforcement Counsel has no objection.

9 CHAIRMAN:

10 Any questions or comments from the
11 Board? Ex-officio members? May I have a motion?

12 MR. FAJT:

13 Mr. Chairman, I move that the Board
14 issue an Order to approve the Applications for Gaming
15 Service Provider Registration as described by the
16 Bureau of Licensing.

17 CHAIRMAN:

18 Second?

19 MS. KAISER:

20 Second.

21 CHAIRMAN:

22 All in favor?

23 ALL SAY AYE

24 CHAIRMAN:

25 Opposed? The motion carries.

1 MS. HENSEL:

2 That concludes the matters of the Bureau
3 of Licensing.

4 CHAIRMAN:

5 Thanks, Susan. Next, OEC. Cyrus?

6 ATTORNEY PITRE:

7 We have six matters for the Board's
8 consideration today. Three of those matters are
9 Consent Agreements and three are Involuntary
10 Exclusions.

11 The first matter for the Board's
12 consideration is a Consent Agreement between the OEC
13 and Valley Forge Casino. Mr. Hayes is here on behalf
14 of Valley Forge. Glenn Stuart will present the matter
15 on behalf of the OEC. I believe Mr. Hayes has Mr.
16 Lubert with him and other individuals that may be
17 commenting.

18 CHAIRMAN:

19 Mr. Hayes, why don't you state your name
20 for the record?

21 ATTORNEY HAYES:

22 Yes, Mr. Chairman. Kevin Hayes of the
23 law firm of Doherty Hayes. It's H-A-Y-E-S. With me
24 on behalf of Valley Forge Casino Resort is Ira Lubert,
25 the chairman; Michael Bowman, the president and CEO;

1 and Alex Figueras, the vice president of finance.

2 CHAIRMAN:

3 Given the circumstance why don't we have
4 all three gentlemen --- I would assume all three are
5 here to answer possible questions from either OEC or
6 the Board. Would that be correct?

7 ATTORNEY HAYES:

8 That's correct.

9 CHAIRMAN:

10 Why don't we have all three gentlemen
11 sworn? Okay. Take them one at a time. Could you
12 state your name and spell your last name, sir?

13 MR. LUBERT:

14 Ira Lubert, L-U-B-E-R-T.

15 CHAIRMAN:

16 Sir?

17 MR. BOWMAN:

18 Michael Bowman, B-O-W-M-A-N.

19 MR. FIGUERAS:

20 Alex Figueras, F-I-G-U-E-R-A-S.

21 -----

22 WITNESSES SWORN EN MASSE:

23 -----

24 CHAIRMAN:

25 Okay. Gentlemen, you can have a seat.

1 Sir?

2 ATTORNEY STUART:

3 Thank you. Glenn Stuart, the OEC,
4 S-T-U-A-R-T. Presently before the Board for its
5 consideration is a Consent Agreement entered into
6 between the OEC and Category 3 Licensee Valley Forge
7 Casino Resort.

8 Between January 2013 and July 2013,
9 Valley Forge conducted a promotion called the Lucky
10 Day promotion. Under this promotion Valley Forge
11 provided \$20 in free slot play and a free \$20 gift
12 card to individuals signing up for a Players Club card
13 for the first time. According to the promotional
14 flier advertising Lucky Day, the \$20 gift card could
15 be utilized at various non-gaming amenities within
16 Valley Forge's resort, including restaurants and gift
17 shops. However, Valley Forge also permitted new
18 Players Club card members to immediately redeem the
19 \$20 gift card for a seasonal Dining Club membership,
20 or put it towards the cost of an annual Dining Club
21 membership. The Board previously determined the fair
22 market value of a Valley Forge seasonal Dining Club
23 membership to be \$20 and the fair market value of the
24 annual Dining Club membership to be \$59.

25 As a result, Valley Forge offered

1 seasonal Dining Club memberships for no financial
2 consideration and annual Dining Club memberships for
3 reduced consideration in violation of the Act,
4 Regulations and/or approved access plan. The
5 conversion of the \$20 gift card to a seasonal Dining
6 Club membership was accomplished by Valley Forge
7 Player Service Representatives and Supervisors using a
8 gift card loaded with approximately \$9,000. This gift
9 card was characterized as a Jumbo Card.

10 When a new Players Club card member
11 elected to convert the \$20 gift card to a seasonal
12 Dining Club membership, the Valley Forge employee
13 reconciled the transaction by swiping the Jumbo Card
14 through the Valley Forge micro system. As a result,
15 the Jumbo Card was reduced by \$20 to reflect the
16 exchange of the \$20 gift card for the \$20 seasonal
17 Dining Club membership. In each case, the new Players
18 Club card member never actually received a physical
19 \$20 gift card. The Jumbo Card can be loaded by any
20 Player Service Representative or Player Services
21 Supervisor up to the \$9,000 limit without approval
22 from a superior. However, such information is
23 reflected in the system information and system
24 information sent to the accounting department.

25 BIE's investigation revealed that Valley

1 Forge failed to maintain proper management oversight
2 of the Jumbo Cards, and Valley Forge permitted the
3 Jumbo Cards to be stored and maintained in an unsecure
4 and vulnerable location that is accessible by all
5 Valley Forge employees, as well as the general public,
6 therefore allowing the Jumbo Cards to be subject to
7 manipulation. However, BIE's investigation revealed
8 that there was no actual instances of manipulation.
9 BIE recommended Valley Forge further safeguard the
10 non-gaming assets at Valley Forge at the Valley
11 Services desk, and Valley Forge promptly implemented
12 each recommendation. As a result, Valley Forge
13 properly failed to safeguard its assets in violation
14 of the Act.

15 Moreover, the Dining Club memberships at
16 Valley Forge all had common expiration dates
17 regardless of the date an individual obtained the
18 membership. For example, a seasonal Dining Club
19 membership obtained on March 15th did not expire until
20 July 1st, effectively providing a new membership
21 holder more days of membership benefits than the
22 approximately 91 days in a season. According to
23 Valley Forge this procedure was implemented for
24 recordkeeping and data maintenance, as well as
25 marketing purposes, as it was difficult to track tens

1 of thousands of memberships which were expiring at
2 different times. Additionally, according to Valley
3 Forge, the common expiration date was also established
4 in hopes of making the membership program less
5 confusing to patrons, as patrons could more easily
6 remember that their membership expired at month's end.

7 Upon notification of this violation by
8 BIE, Valley Forge took steps to change its program so
9 that all annual and seasonal memberships would expire
10 exactly 90 days and 365 days respectively after the
11 date of issuance. BIE has confirmed that all
12 memberships now expire after 90 days and 365 days. As
13 a result, by providing extended days of membership
14 benefits, Valley Forge violated the Act, Regulations
15 and the Board-approved access plan.

16 Finally, the redemption of the \$20 gift
17 card for a Dining Club membership was not included on
18 any promotional flier, and Valley Forge did not submit
19 details of the Lucky Day promotion to the Board, as
20 required under 465a.2., Subsection (a)(7) of the
21 Board's regulations and Section 465a.2.(c), Subsection
22 7 of Valley Forge's approved internal controls,
23 thereby placing Valley Forge in violation of the Act,
24 Regulations and its Board-approved internal controls.

25 The terms of the Consent Agreement would

1 require Valley Forge to pay a civil penalty totaling
2 \$200,000 for the aforementioned violations. The
3 parties have agreed that Valley Forge must pay \$50,000
4 within five days of the Board's acceptance of the
5 Consent Agreement, and the remaining \$150,000 over the
6 course of one calendar year. Valley Forge will also
7 remit \$2,500 to the Board for BIE and OEC's expenses
8 incurred during this investigation relating to this
9 Consent Agreement. Valley Forge has also agreed to
10 amend its system of internal controls to include
11 procedures for safeguarding assets as it pertains to
12 non-gaming-related revenue and promotional items, as
13 well as for six months after the Board acceptance of
14 this Consent Agreement the submission to the Board for
15 approval including detailed descriptions of all
16 promotions involving memberships, gift cards and
17 solicitations of new Players Card members with a
18 duration of time in excess of 30 days.

19 Valley Forge has requested the
20 opportunity to address the Board regarding the
21 possible adjustment of the amount of the civil
22 penalty. However, the OEC is of the opinion that the
23 assessed fine is more than justified. As such, this
24 Consent Agreement is now ripe for Board consideration.

25 CHAIRMAN:

1 Counsel?

2 ATTORNEY HAYES:

3 Mr. Chairman, members of the Board,
4 again, I'm Kevin Hayes. I thank you for the
5 opportunity to present my client's position with
6 regard to this matter. Let me begin by saying Valley
7 Forge fully acknowledges that its marketing staff
8 failed to submit the proper notification to the Gaming
9 Control Board staff regarding the Lucky Day promotion.
10 All parties agree that prior notification, not
11 approval, is required for promotions. Moreover, the
12 OEC has fully acknowledged that this failure was not
13 intentional. I can tell you that in July of this year
14 Valley Forge has hired a new vice president of
15 marketing, who has served in a similar capacity at
16 another Pennsylvania property, and she is committed to
17 not letting this happen again.

18 Since the Board's approval of Valley
19 Forge's Access Petition back in December of 2011 and
20 the approval of the initial internal controls
21 addressing the access plan, Valley Forge's management
22 team has come to me sometimes on a daily basis with
23 various proposed marketing and promotional offerings
24 in order to determine whether the proposal complies
25 with the Category 3 Access Restrictions. The Lucky

1 Day promotion was no exception to this practice. The
2 Lucky Day promotion, which is described in the Consent
3 Agreement, was presented to me by management for my
4 legal review prior to its implementation. Upon review
5 of the statute, the Board's regulations and Valley
6 Forge's internal controls, I reported to management
7 that there was nothing that prohibited Valley Forge
8 from, number one, issuing a complementary gift card as
9 part of a new Player Club acquisition program, and
10 number two, allowing that complementary gift card to
11 be redeemed for anything at the resort, including
12 resort memberships.

13 I am someone who is intimately involved
14 in the drafting of the internal controls for the
15 access plan. I knew every sentence in there, and I
16 did not see anything in there that would prohibit that
17 arrangement. I understand that some might reach
18 another conclusion based on their interpretation of
19 the spirit of the Act, however I do not believe that
20 there is any provision in the law that specifically
21 prohibits that. As with all new marketing and
22 operational programs that will touch the Category 3
23 Access Restrictions, there is simply no precedent to
24 provide Valley Forge with guidance.

25 As this Board knows, casinos throughout

1 the state offer various promotional items as part of
2 new Player Club acquisition programs, including free
3 slot play, free meals, free hotel rooms. Valley Forge
4 had initially planned on implementing Lucky Day with
5 offering only \$20 in free slot play. However, based
6 on what was being offered in the Southeastern
7 Pennsylvania market, they determined that it would not
8 be sufficient or competitive. They felt that they
9 needed to add something additional to make this
10 program competitive from what was being offered at the
11 time. During that same period of time, Valley Forge's
12 non-gaming revenues, including its restaurant and
13 nightclub, continued to struggle, resulting in the
14 reduction of hours of operation. Offering a \$20 gift
15 card through the Lucky Day promotion presented Valley
16 Forge with the opportunity to introduce new Player
17 Club cardholders to its non-gaming amenities,
18 including its Dining Club membership.

19 The program was implemented in January
20 and intended to be a limited time new Player Club
21 acquisition program. When the OEC notified Valley
22 Forge in July that they believed that it violated the
23 spirit of the law, Valley Forge had already begun to
24 roll out its next Player Club acquisition program.

25 We fully respect the OEC's authority and

1 their opinion that Lucky Day violated the spirit of
2 the law. However, as indicated in the Consent
3 Agreement before you, we respectfully disagree that
4 there is any provision in the Gaming Act, Regulations
5 or the internal controls that specifically prohibits
6 this program. In this regard, we also realize that
7 virtually every promotion, marketing plan or
8 operational plan that touches the Category 3 Access
9 Restrictions will be an issue of first impression for
10 the OEC and this Board. As indicated in the Consent
11 Agreement, Valley Forge has entered this Consent
12 Agreement because it does not want to participate in a
13 costly and time consuming legal proceeding over a
14 program that it is not certain that it would want to
15 implement in the future.

16 As you recall, Parx Casino filed an
17 appeal of this Board's approval of the December 29,
18 2011 Order approving our initial access plan. That
19 matter wasn't resolved by the Commonwealth Court until
20 April of 2013. This, of course, came on the heels of
21 the two years of litigation which held up our license
22 after this Board's approval. Valley Forge simply does
23 not have the means or the desire to incur additional
24 legal expenses at this time over this issue.

25 If this Board accepts the interpretation

1 of the law set forth by the OEC and is inclined to
2 assess a penalty, we would ask that it would be
3 reduced from the number that is provided based on the
4 proportionality with Valley Forge's size and in
5 recognition that this violation was unintentional and
6 it's the first relating to Valley Forge's access plan.
7 Again, given the precedent for the Category 3 Access
8 Restrictions and the fact that this presents an issue
9 of first impression, we think should carry great
10 weight in the assessment of the appropriate fine, if
11 any.

12 Lastly, any assumption that Valley Forge
13 achieved a windfall benefit from this promotion based
14 on a review of our year over year revenues is
15 misplaced. 36.7 percent of those patrons who obtained
16 memberships through the Lucky Day promotion came to
17 the facility on one occasion, the day they signed up,
18 and never returned. By the end of October of this
19 year, less than four percent of all those individuals
20 who acquired memberships through the program --- less
21 than four percent were still members. So, less than
22 four percent of the total individuals who acquired
23 memberships through the Lucky Day promotion were still
24 members by the end of October.

25 Again, I want to thank you for the

1 opportunity you have provided me to address this
2 issue, and will be happy to field any questions that
3 you may have regarding this Consent Agreement.

4 CHAIRMAN:

5 Mr. Stuart?

6 ATTORNEY PITRE:

7 Mr. Chairman, if I may, I think Mr.
8 Hayes and I disagree on one thing. OEC is not of the
9 position that it's a violation of the spirit of the
10 law. Our position is it's a direct violation of 1305
11 1.1 as it relates to Category 3 facilities. So, it's
12 not so much the spirit of the law. We think that this
13 is a direct violation of that part of the Act.

14 CHAIRMAN:

15 In other words, you're not talking about
16 spirits here, you're talking about the letter of the
17 law itself?

18 ATTORNEY PITRE:

19 Correct.

20 CHAIRMAN:

21 Okay. I'm glad you straightened that
22 out.

23 ATTORNEY PITRE:

24 And the Board's interpretation, if the
25 Board agrees with our interpretation of that, we'd ask

1 that the Board approve the Consent Agreement
2 indicating that.

3 CHAIRMAN:

4 Anything else from Enforcement Counsel?

5 ATTORNEY PITRE:

6 No, sir.

7 CHAIRMAN:

8 Any questions from the Board? Annmarie?

9 MS. KAISER:

10 I have some concerns with this Consent
11 Agreement. They really fall into two areas. And I
12 understand you're a Category 3 License, but Valley
13 Forge knew when they were seeking this license what
14 the legal requirements were. The General Assembly
15 wrote the law. It's the Board's duty to enforce that
16 law, and it's your duty to obey that law.

17 I do not dispute that you have concerns
18 with trying to find appropriate membership programs
19 that comply with the law, but that doesn't mean you
20 can turn a blind eye to the law. I find it
21 problematic to say that there was not an intent to
22 violate the law. I believe there was an intentional
23 disregard, as evidenced by some of the conduct with
24 the use of verbal scripts, not including information
25 on fliers. And from my perspective, it looks like it

1 was to avoid detection.

2 To suggest that this was a minor
3 oversight or a mere misinterpretation is problematic,
4 and I think it's almost disingenuous. The terms of
5 the agreement that I have a problem with are
6 paragraphs three and four, where it's indicated that it
7 was not intentional. And I also struggle with the
8 notion that it should be paid in installments. I
9 don't believe the reasons provided are adequate. I
10 don't think there was a --- I don't think this was
11 some minor internal control problem and I don't think
12 there has been any demonstration of some financial
13 hardship or a lack of intentional conduct. So, those
14 are the concerns that I have with the agreement at
15 this time.

16 CHAIRMAN:

17 Tony?

18 MR. MOSCATO:

19 Yes, Mr. Chairman. Mr. Hayes, you
20 mentioned that the program was rolled out as a limited
21 time program?

22 ATTORNEY HAYES:

23 That's correct.

24 MR. MOSCATO:

25 And it went from, I believe, January to

1 July?

2 ATTORNEY HAYES:

3 That's correct.

4 MR. MOSCATO:

5 Is that what the intent of the program
6 was, it was supposed to be nine months?

7 ATTORNEY HAYES:

8 I think that it was --- the intent was
9 to roll it out, and then the development of an
10 additional Player Club acquisition program would take
11 its place. During that point in time we had a
12 transition in our marketing team. We brought in new
13 marketing directors on, and they were --- there was a
14 new development of the next program.

15 Mr. Chairman, would I be able --- will I
16 have an opportunity to address the concerns of Board
17 Member Kaiser?

18 CHAIRMAN:

19 Certainly.

20 ATTORNEY HAYES:

21 Okay. With regard to the --- first of
22 all, with regard to the advertisement, it has been the
23 practice --- based on independent market ---
24 independent experts in the industry who have furnished
25 reports on behalf of Valley Forge, and outside

1 marketing consultants have told Valley Forge you do
2 not advertise access or membership on anything because
3 that differentiates you from the marketplace because
4 it's perceived as an overwhelming negative for Valley
5 Forge. So, that's been the policy throughout. None
6 of our advertisements will talk about --- will address
7 the issue of access or memberships. It's always
8 communicated once --- the thought is let's get them to
9 the property, and then we'll communicate to them what
10 they need to do in order to make use of the casino
11 floor. So, that was never the intent to disguise the
12 offering.

13 MS. KAISER:

14 Can you understand though from our
15 perception ---

16 ATTORNEY HAYES:

17 Right.

18 MS. KAISER:

19 --- that it looks like you're trying ---

20 ATTORNEY HAYES:

21 Right.

22 MS. KAISER:

23 --- to avoid detection or not spell out
24 that that was the purpose, that was the an --- you
25 know, that they could use it for that?

1 ATTORNEY HAYES:

2 I can understand that. I can understand
3 that that may be the perception. But if you look
4 universally at all of the collateral that is produced
5 at Valley Forge, you'll never see a reference to
6 access or to memberships. That's been their policy
7 since they received that feedback after their ---
8 several months of operation. So, that's --- I can
9 tell you, that was not intentional, intentional
10 disguise of that part.

11 As far as the failure of the submission
12 of the notification, I don't have an explanation as to
13 why it was not submitted. The requirement is you
14 submit the notification two days prior to
15 implementation. It's not for approval. It's just for
16 --- I think to have it on file. The person who was
17 responsible for that is no longer with the company.
18 That came to our attention in July --- at least to my
19 attention, that that was a failure on the part of
20 Valley Forge, and that person is no longer with the
21 company. That's all I can tell you. That was not
22 intentional. And ---.

23 MS. KAISER:

24 Can you explain the use of the Jumbo
25 Card?

1 ATTORNEY HAYES:

2 The purpose of the Jumbo Card was really
3 to reduce the transactional time that occur at the
4 Valley Services desk. So, in other words, if someone
5 came up to Valley Services and said I want to sign up
6 for a Players Club card, here, you get \$20 in free
7 slot play, you get a \$20 gift card. You can use the
8 \$20 gift card anywhere in the resort, including to buy
9 a Dining membership. If they said they wanted to use
10 a Dining membership, instead of handing them the card
11 and then handing it back to them, they would say okay,
12 you want to use it towards a Dining Club membership.
13 Instead of wasting a gift card where they indicated
14 they wanted a membership ---. It was all for purposes
15 of easing the time of transaction. It was registered
16 as a sale, just as if a gift card had been issued and
17 returned. It was treated in all respects like a sale.

18 And then we received comments from the
19 BIE as to how we could safeguard the Jumbo Card, and
20 we followed those, but there was no evidence that
21 there was any type of malfeasant or manipulation of
22 the card through the course of the investigation.

23 MS. KAISER:

24 Okay. I'll let some other
25 Commissioners ---.

1 MR. MOSCATO:

2 I wasn't done, Mr. Chairman.

3 CHAIRMAN:

4 I didn't think you were, Tony.

5 ATTORNEY HAYES:

6 I'm sorry.

7 MR. MOSCATO:

8 Mr. Hayes, I'm normally a very laidback
9 man, but I found that to be very disrespectful.

10 ATTORNEY HAYES:

11 Oh, I apologize.

12 CHAIRMAN:

13 I apologize also, Tony. I thought he
14 had addressed the question. But I apologize to you.

15 MR. MOSCATO:

16 So, what you're telling me is that
17 although the program was a limited time program, there
18 was no set time for it?

19 ATTORNEY HAYES:

20 As far as I know, there was --- it
21 wasn't going to be in perpetuity. I don't know if the
22 marketing team could tell me when it was actually
23 going --- when the planned end date was, but there was
24 a planned ---.

25 MR. MOSCATO:

1 But there definitely was an end date
2 sometime?

3 ATTORNEY HAYES:

4 Yes.

5 MR. LUBERT:

6 Could I interject?

7 CHAIRMAN:

8 Yes.

9 MR. LUBERT:

10 I think they were just measuring the
11 results of the program, is what management told the
12 Board. And based on how we felt the program was
13 going, we would determine if it would continue or end,
14 but there's definitely an end date at some point.

15 MR. MOSCATO:

16 How was the OEC made aware of this?

17 ATTORNEY PITRE:

18 I don't know if you recall or not,
19 Commissioner Moscato, but I believe when Valley Forge
20 filed their Petition to --- I think it was to amend,
21 their access plan, which was subsequently withdrawn,
22 Parx filed an Answer, and attached to Parx's Answer
23 was an allegation. The Board did not take up that
24 allegation. The Board referred that to BIE for
25 investigation. That's what led to this entire

1 investigation. I think that was sometime in April, if
2 I'm not mistaken, or May.

3 MR. MOSCATO:

4 Okay. And my last question, as the
5 Player Service Reps used the Jumbo Card to pay for the
6 membership was there any type of reward program for
7 the number of members they may have signed up?

8 ATTORNEY HAYES:

9 I'm not aware of a program. I can
10 certainly find out.

11 MR. MOSCATO:

12 Thank you.

13 CHAIRMAN:

14 Greg?

15 MR. FAJT:

16 Thank you, Mr. Chairman. I guess I'll
17 start with Mr. Stuart. I also had some questions that
18 Mr. Hayes answered about the Lucky Day promotion and
19 the fact that, you know, you said that you understood
20 the law, you knew the law, you worked for the Gaming
21 Control Board at one time, but yet this thing wasn't
22 submitted. And I understand your answer about the
23 person was dismissed, and I accept that.

24 Mr. Stuart, I have some questions about
25 Count One. And in our materials on Count One it says

1 that the Lucky Day promotion was advertised with
2 promotional fliers at the casino. Fliers indicated
3 that by signing up for a Players Club card, which one
4 could do before entering the casino, the individual
5 would receive \$20 in free slot play and a \$20 Valley
6 Forge gift card.

7 Maybe I'm wrong on this, but I thought
8 that there were statements made ---. This is kind of
9 a trick question because there were statements made by
10 representatives of Valley Forge that that was not
11 going to be the case, somebody was not going to get a
12 quid pro quo directly from the casino for paying for
13 --- you know, for their de minimus \$10 fee, and then
14 they walk in and get a Players Club card and they get
15 reimbursed that \$10 and then some. Am I mistaken on
16 that?

17 ATTORNEY STUART:

18 I think you are correct. I think that
19 was early on before they were licensed.

20 ATTORNEY PITRE:

21 I think Mr. Scheri made those comments.

22 ATTORNEY STUART:

23 Mr. Scheri made the comments whether or
24 not they were living up to that, I don't know. We
25 didn't take that as a quid pro quo, that you know,

1 here's your reimbursement for the \$20 --- or for your
2 access fee, so to speak. And we didn't really have an
3 issue with the \$20 gift card as long as it was being
4 redeemed at a non-gaming amenity. It was actually a
5 great idea to have a cross market between the gaming
6 people and the restaurant people to the non-gaming
7 amenities.

8 MR. FAJT:

9 What about the \$20 in free slot play,
10 you know? Who's not going to pay \$10 to get \$20 in
11 free slot play and then \$20 for, you know, another
12 amenity in the casino? You get \$40 for \$10.

13 ATTORNEY PITRE:

14 The law requires that to get access an
15 individual take \$10 out of their pocket ---.

16 MR. FAJT:

17 I understand that.

18 ATTORNEY PITRE:

19 Once an individual is on the casino
20 floor, the position is that person may be entitled to
21 free slot play if the casino chooses to issue that
22 free slot play, as they would be at any other casino
23 in the Commonwealth as long as they are on the gaming
24 floor legally and follow the law in gaining access to
25 the gaming floor.

1 Now, for whatever reason, Valley Forge
2 --- I don't know if they tried that in the past and it
3 didn't work well. For whatever reason, they tried a
4 new promotion in this regard. We've met in the past
5 to discuss because Category 3s are in a different
6 position to discuss different promotions that they can
7 and cannot do. I don't think that this is different
8 than any that we've allowed to occur with our other
9 Category 3 Licensees where an individual has gotten
10 onto the gaming floor legally. Then if the casino
11 wants to offer them free slot play promotion for
12 individuals occurring on the floor, we don't find that
13 to be a direct violation of the law.

14 MR. FAJT:

15 Well, I have to tell you, that was not
16 my understanding when Mr. Scheri was here. And I ---

17 ATTORNEY PITRE:

18 No, you're correct. Mr. Scheri ---.

19 MR. FAJT:

20 --- did read his comments. And my
21 understanding was there was not going to be a quid pro
22 quo for a non-de minimus payment of \$10. And the
23 question ---. This was on September 14th of 2011.
24 Mr. Scheri was asked, in terms of non-de minimus
25 compensation do you have any plans to reimburse Access

1 Card holders or club members for any non-de minimus
2 compensation paid or membership fees. His answer was
3 no. Follow-up question, so you won't be giving free
4 play to any persons based on their hotel room or ---.
5 Mr. Scheri cut the question off. He said absolutely
6 not, absolutely not. Do you plan to market free play
7 as an incentive to buy the amenity? No, not to buy
8 the amenity. And then he went on to say we reserve
9 the right to market to our customers in a way that is
10 in accordance with the casinos, but completely not
11 related to the amenity whatsoever.

12 I find those comments directly on point
13 and directly contrary to what we're saying here today.
14 Go ahead, Mr. Stuart. And then, Mr. Hayes, you'll get
15 a chance.

16 ATTORNEY PITRE:

17 Yeah. The other thing too is that those
18 --- when a casino wants to offer free slot play, those
19 are submitted for approval and implemented in their
20 internal controls. And it goes through the approval
21 process that internal controls normally go through.
22 So, these are not things occurring with a blind eye or
23 with the Gaming Control Board staff being in the dark.

24 MR. FAJT:

25 But that's not what Mr. Scheri said.

1 Mr. Hayes.

2 ATTORNEY HAYES:

3 I'd like to make --- what I think he
4 --- because he's not here to explain what he said.
5 But I can tell what our discussions were at the time
6 is that we weren't going to say okay, you have a meal
7 and we're going to throw on --- give you \$10 of free
8 slot play just to --- so that when you pay your \$10
9 that's going to be a complete quid pro quo. What
10 we're talking about here is a new Player Club
11 acquisition program, in other words, someone just
12 signing up for a Players Club card.

13 To give the chronology of that, when we
14 first opened, as does every casino in Pennsylvania, we
15 offered free slot play. It was \$15 free slot play.
16 It was not well received. It didn't have the return
17 anywhere near what we expected. Later that year we
18 offered \$100 in free slot play, which was far too rich
19 for us. We ended up ---. It wasn't a successful
20 program because we, frankly, lost too much money.
21 This was a natural progression of the different
22 programs we offered.

23 But I think when Mr. Scheri was being
24 asked --- that question was are you going to give ---
25 when someone spends money in one of the retail places

1 or at a restaurant are you going to give them, just as
2 an exchange, free slot play to offset that. This is
3 just --- this is for when we're signing people up to
4 get Players Club cards. Player Club cards is, you
5 know, at every property. I think there's a
6 distinguishment there.

7 MR. FAJT:

8 I think my opinion is that's a
9 distinction without a difference, but I'm finished.
10 Thank you, Mr. Chairman.

11 CHAIRMAN:

12 Keith?

13 MR. MCCALL:

14 All my question have been asked.

15 CHAIRMAN:

16 John?

17 MR. MCNALLY:

18 Just a couple questions. You said that
19 there was actually no benefit in this promotion that
20 you provided; correct?

21 ATTORNEY HAYES:

22 There was a benefit. I didn't say there
23 wasn't any benefit.

24 MR. MCNALLY:

25 But you'll acknowledge that you got the

1 names of 48,000 people that are on your mailing list
2 and have been receiving other promotions and are
3 coming out to your casino; correct?

4 ATTORNEY HAYES:

5 That's correct.

6 MR. MCNALLY:

7 I have a problem with the timing on one
8 particular issue in response to some previous
9 questions. You reported this promotion and a problem
10 with it came to your attention in July; correct?

11 ATTORNEY HAYES:

12 No. That was the time that we were told
13 that it was, at least from the Board's perspective ---
14 that it was a problem from the Board's perspective.

15 MR. MCNALLY:

16 But you knew as early as April that one
17 of your competitors thought that there was a problem
18 with it; correct?

19 ATTORNEY HAYES:

20 Actually, February 22nd Parx filed in
21 their Petition to Intervene our Petition for a revised
22 Dining Club membership program --- they asserted
23 allegations that we were administering an unlawful
24 promotion. So, at that point we knew, you know, that
25 claim was out there. We didn't think it was

1 meritorious. That's why we ---. If we thought that
2 there was an issue there, we would have pulled it at
3 that point. We didn't think that it was a problem.

4 MR. MCNALLY:

5 And in that regard, you found out
6 roughly a month after the promotion started there was
7 an issue there; correct? Well someone had raised an
8 issue.

9 ATTORNEY HAYES:

10 Well, do keep in mind that Parx has
11 taken an interest in every aspect of Valley Forge's
12 access restrictions since we --- prior to us opening.
13 So, for them to make an allegation against us was not
14 something that was new or that was of a concern. We
15 believed that we had the law on our side and that the
16 promotion was completely lawful. So, we understood at
17 that time that anybody who --- that everybody, at
18 least on the Gaming Board level, knew that there was a
19 promotion being offered that Parx claimed was
20 unlawful.

21 MR. MCNALLY:

22 Cyrus had indicated that on prior
23 occasions you had worked with them hammering out some
24 of the details of promotions; is that an accurate
25 statement?

1 ATTORNEY HAYES:

2 That's correct.

3 MR. MCNALLY:

4 Why then in February when this was first
5 questioned didn't you go to the OEC and try to work
6 this out?

7 ATTORNEY HAYES:

8 To be honest, Commissioner, I didn't
9 believe that there was a problem with this promotion.
10 You know, there's --- I mean if you look on our
11 calendar that's posted on our website, there's
12 promotions that are offered every day for different
13 types of players. This wasn't one that rose to a
14 level that I thought was a violation or was
15 concerning. I had discussions with his office, and it
16 was just --- I dismissed the allegations.

17 MR. MCNALLY:

18 When did you have discussions with their
19 office prior to this promotion?

20 ATTORNEY HAYES:

21 Well, certainly after --- when we were
22 responding to the February 22nd, 2013 Petition to
23 Intervene and certainly after the Board issued an
24 Order commissioning the investigation on April 3rd,
25 2013.

1 MR. MCNALLY:

2 Did you suspend the promotion at that
3 time?

4 ATTORNEY HAYES:

5 No, we did not.

6 MR. MCNALLY:

7 You indicated that your promotional
8 people, your experts said not to put any of this
9 information on any promotional items; correct, with
10 regard to the restrictions or the Access Plan?

11 ATTORNEY HAYES:

12 Not to highlight as ---. It's something
13 that differentiated us in the marketplace.

14 MR. MCNALLY:

15 But the idea was --- part of this was to
16 introduce people to the other amenities; correct?

17 ATTORNEY HAYES:

18 Correct.

19 MR. MCNALLY:

20 With regard to the script, that was
21 provided to your marketing folks, who drafted that
22 script?

23 ATTORNEY HAYES:

24 I think it was a compilation of people,
25 but primarily administered through the human resources

1 department, as they do all training. All employee
2 training goes through their office.

3 MR. MCNALLY:

4 Did you review that script?

5 ATTORNEY HAYES:

6 I believe I did review the script.

7 MR. MCNALLY:

8 Was that script submitted to the OEC?

9 ATTORNEY HAYES:

10 It was.

11 MR. MCNALLY:

12 You indicated only four percent of your
13 members are current members; correct?

14 ATTORNEY HAYES:

15 Four percent of those members --- of the
16 individuals who acquired the resort membership through
17 the Lucky Day program are currently members.

18 MR. MCNALLY:

19 And some of those members are annual
20 members; correct?

21 ATTORNEY HAYES:

22 To be honest I don't know if there's a
23 differential.

24 MR. BROWN:

25 Some are?

1 ATTORNEY HAYES:

2 Some would be.

3 MR. MCNALLY:

4 Have you notified any of those members,
5 either the seasonal or the annual members that it
6 would no longer be renewed?

7 ATTORNEY HAYES:

8 No, we have not.

9 MR. MCNALLY:

10 Have you indicated they would not be
11 honored?

12 ATTORNEY HAYES:

13 No. The four percent who are currently
14 members either would --- at this point would have ---
15 they would have renewed themselves. They could have
16 renewed their own membership. In other words, their
17 membership expired and they renewed it.

18 MR. MCNALLY:

19 That's all the questions I have.

20 ATTORNEY HAYES:

21 Right. Yeah, exactly. If they were an
22 annual member they would have made up the difference
23 of the \$20.

24 MR. MCNALLY:

25 That's all I have, Your Honor.

1 CHAIRMAN:

2 Dave?

3 MR. WOODS:

4 Thank you, Mr. Chairman. A few
5 questions with regard to Count Three, Mr. Hayes. What
6 line in the statute or the regulations could you point
7 to that would allow Valley Forge to go beyond 90 days
8 and if indeed when you were doing that, did you have
9 any discussions with the Gaming Board concerning that?

10 ATTORNEY HAYES:

11 We agree with the Gaming Board that
12 there was a --- it doesn't go --- there's no language
13 that would allow for that. What happened was in March
14 of this year they were rolling out a one-card which
15 could be your ---. One of the complaints we have is
16 everybody has all these different cards. That one
17 card could be both your membership card and your
18 Players Club card. And when that was being rolled
19 out, some reviewed language that said seasonal ---
20 thought this wouldn't be a material problem if they
21 were given extra days. As soon as OEC brought --- or
22 BIE brought that to our attention it was immediately
23 ---. We contacted the programmer to undo it. And it
24 took some time to undo the programming, and then ---
25 but it was ceased by I think August 12th.

1 MR. WOODS:

2 Follow-up with Commissioner McNally's
3 mentioned about notification of folks. There was a
4 certain number of cards given for a year. Have they
5 been notified that the date has been changed for which
6 their year long membership would be available?

7 ATTORNEY HAYES:

8 Well first, none were given for a year.
9 You're talking about the ones who would have used the
10 gift card towards the purchase of it?

11 MR. WOODS:

12 Right.

13 ATTORNEY HAYES:

14 As far as I know, there's been no
15 notification to those people.

16 MR. WOODS:

17 So, they are still on a end of the month
18 basis?

19 MR. LUBERT:

20 Might I clarify? For any annual member,
21 they would have spent \$59 for that membership and had
22 \$20 put towards it using the gift card. So, they
23 would have bought an annual membership for \$59 and
24 spent \$39 in cash and \$20 with the gift card.

25 MR. WOODS:

1 Concerning promotions, since the opening
2 of Valley Forge do you have any idea of how many
3 promotional plans have been submitted to us for, I
4 guess, review or just submission?

5 ATTORNEY HAYES:

6 I don't, Commissioner. I wouldn't even
7 be able to give a good estimate. But there's a dozen
8 a month, I'd say. Maybe more.

9 MR. WOODS:

10 Do you believe that this Lucky Day
11 promotion was the only one that has not come to our
12 attention, been submitted?

13 ATTORNEY HAYES:

14 I don't know that as I sit here today.
15 I can tell you that as we go forward that we have ---
16 we put additional safeguards in place that ---. The
17 vice president of marketing works with the compliance
18 manager and has an ongoing communication going with
19 your Bureau of Gaming Operations to make sure that
20 everything is ---. What the regulations require is
21 two days prior to the implementation of it.

22 MR. WOODS:

23 In those cases, if the --- you said that
24 this individual who was responsible for marketing is
25 no longer with you, is it over this one violation, one

1 issue?

2 ATTORNEY HAYES:

3 That's not my understanding as to why
4 she's not with --- why she's not here. But to be
5 honest with you, I don't know the exact reason why
6 she's no longer with the company, so ---.

7 MR. WOODS:

8 Having been an employee of this Board
9 and an employee of the Gaming Commission, do you find
10 opportunities in which you discuss operations and so
11 forth with counsel here when you have questions, have
12 you reached out on occasion?

13 ATTORNEY HAYES:

14 Yes. Yes.

15 MR. WOODS:

16 And on this very specific issue you felt
17 there was no need to reach out to counsel since it's a
18 matter of first impression?

19 ATTORNEY HAYES:

20 Well, to be honest, Commissioner, almost
21 every issue we're presented with is the first time a
22 Category 3 is doing it. I have reached out to the
23 staff, who is very cooperative and very helpful. I
24 understand that they can't give legal opinions or
25 advisory opinions. And I don't recall why I didn't

1 talk to anyone for this promotion, other than to
2 believe that I thought it was a clear --- the law ---.
3 In my opinion, there was nothing in the law that
4 clearly --- that said that this was a violation. I
5 mean I understand ---. I still don't see that, what
6 provision in the law prevents the promotion.

7 MR. MCCALL:

8 Did you write a Memorandum of Law in
9 that regard on this promotion to your client?

10 ATTORNEY HAYES:

11 I believe I did.

12 MR. MCCALL:

13 Was that provided to OEC?

14 ATTORNEY HAYES:

15 No.

16 MR. WOODS:

17 That's all my questions.

18 CHAIRMAN:

19 Ex-officio members, any questions? If I
20 can, --- I think some of my colleagues may have
21 further questions. Perhaps what I make is more of a
22 statement. But I'll ask the question again. Mr.
23 Hayes, it's your position, your client's position that
24 Valley Forge did not intend to violate the law?

25 ATTORNEY HAYES:

1 That's correct.

2 CHAIRMAN:

3 Is that correct?

4 ATTORNEY HAYES:

5 That's correct.

6 CHAIRMAN:

7 With all due respect, sir, I don't buy
8 that. That makes no sense to me. That's illogical to
9 me, that's irrational to me based on everything that
10 has been presented to this Board. I believe this was
11 an intentional attempt to avoid admittedly difficult,
12 cumbersome access restrictions, and the intent here
13 was to get people into the casino without having to
14 deal with those cumbersome access restrictions. And
15 that's the reality that I think is before us.

16 Greg?

17 MR. FAJT:

18 Thank you, Mr. Chairman. One follow-up
19 to Mr. Stuart based on Commissioner Woods' comment.
20 Are you aware of any other promotions of Valley Forge
21 that were not submitted to the Gaming Control Board?

22 ATTORNEY STUART:

23 Those go to the Bureau of Gaming
24 Operations, so we do not --- we're not privy to that
25 information. It goes for review. And if they see an

1 issue then it might get referred over. We are working
2 with the Bureau of Gaming Operations now in light of
3 this promotion. We'll have more lines of
4 communication with them to see if there's any issues.
5 So, it's on everyone's radar now. I'm not sure --- I
6 can't say for sure whether Valley Forge has not
7 submitted other promotions.

8 MR. FAJT:

9 I think we're going to take a ---.

10 MR. LUBERT:

11 Excuse me. Might I make a quick ---?

12 MR. FAJT:

13 Yeah. Let me finish, please. Thank
14 you. We're going to take a break here. But in that
15 break, Kevin or Glenn, somebody can check with the
16 Gaming Office to see if there were any other
17 promotions of Valley Forge that were not submitted to
18 the Gaming Board other than this Lady Luck (sic)
19 promotion.

20 ATTORNEY PITRE:

21 I don't want to interrupt you.

22 MR. FAJT:

23 I'm finished.

24 ATTORNEY PITRE:

25 It would probably be impossible to find

1 out that quickly ---

2 MR. FAJT:

3 Okay.

4 ATTORNEY PITRE:

5 --- because that will require BIE to go
6 onsite and do an investigative review, then contact
7 the Gaming Office to see what the Gaming Office has on
8 its files so we can have --- we can compare the two.

9 MR. FAJT:

10 Fair enough. Thank you.

11 CHAIRMAN:

12 Mr. Lubert?

13 MR. LUBERT:

14 Thank you very much. I'll be brief. I
15 just wanted to clarify based on your statement,
16 Commissioner Ryan. When our marketing department was
17 trying to create ways ---. And I absolutely agree
18 that the motivation of our marketing department was to
19 try to get as many customers as we can get on the
20 floor of the casino in a legal fashion. We tried
21 through a hit and miss approach different programs on
22 an ongoing basis. Our procedure is that every time a
23 program came up we would review it with our counsel
24 and make sure it passed his judgment to be able to go
25 forward with that program. And then it would come to

1 our board, which I chair, and they would present the
2 program to me based on that --- us, not just me, and
3 we would agree or approve that program to go into
4 practice.

5 We've already stated there were at least
6 two situations ---. The large credit card, if you
7 will, and the fact --- with the seasonal membership
8 that we really did wrong. And that was wrong. But it
9 was based on the advice of our counsel, that he said
10 this marketing program did not violate the law and we
11 went forward with it. And I just wanted to clarify,
12 we're not proud of those results. But this is
13 reputational for me, and it's very important for me to
14 just look you in the eye and tell you that it was not
15 intentional on anybody's part, on this board of Valley
16 Forge.

17 CHAIRMAN:

18 Thank you, Mr. Lubert.

19 ATTORNEY PITRE:

20 Chairman Ryan, I've been trying to
21 support Valley Forge in any way, but when we
22 negotiated the Consent Agreement the reason why we
23 didn't move forward and say it was intentional or
24 willful was because advice of counsel is a plausible
25 defense to an intentional or willful misconduct.

1 However, if we had to file a complaint and go through
2 the whole process, we would have to make that offer of
3 proof to the Board and they would have to put up their
4 defense, and the Board would have to issue an
5 adjudication. So, for purposes of the Consent
6 Agreement, because they offered that defense and it's
7 a plausible defense in that regard, I cannot sit here
8 and say that it was intentional or willful based upon
9 what they've offered and with regard to the Consent
10 Agreement.

11 I would hope that Mr. Hayes who
12 regularly comes before the Board to practice and that
13 Mr. Lubert, who is licensed through three entities,
14 including Valley Forge and is seeking licensure with
15 regard to a fourth, would not come before the Board
16 and offer untruths. So, I take them for what they
17 present here. And if they say that it wasn't
18 intentional, I can't sit here and say that it was
19 absolutely intentional. That would be something that
20 we would have to be proved through the course of the
21 evidentiary proceedings. So, I just offer that for
22 the Board's consideration.

23 CHAIRMAN:

24 I understand. Thank you. Excuse me.
25 John, I'm sorry.

1 MR. MCNALLY:

2 My question is do we have a copy of the
3 script that we could review?

4 ATTORNEY PITRE:

5 We cannot offer that script to you
6 without Valley Forge's consent because this is not an
7 evidentiary hearing. It's just based upon the Consent
8 Agreement that we've offered up to the Board.

9 MR. MCNALLY:

10 Do we have your consent?

11 ATTORNEY HAYES:

12 Yeah, I have no objection to ---.

13 MR. MCNALLY:

14 The same question with regard to the
15 Memorandum of Law.

16 ATTORNEY HAYES:

17 As far as --- to my Memorandum of Law to
18 my client, I would have to object to that based on
19 privilege.

20 MR. MCNALLY:

21 But didn't you just waive the privilege
22 by claiming advice of counsel?

23 ATTORNEY HAYES:

24 That's not my position, no, at all. I
25 don't have the --- no, I would object to that.

1 CHAIRMAN:

2 Keith?

3 MR. MCCALL:

4 I just want to make a statement. I
5 don't want to belabor this point and I know I'm
6 probably speaking to the choir when I say this. The
7 fact of the matter is I think if you look at the
8 Category 3 License, the Resort Licenses on paper, when
9 the legislature was considering putting that in place
10 it was a great idea. I think in practicality, when
11 the rubber hits the road it doesn't work. And that's
12 --- sitting here listening to all of this banter, just
13 reinforces my argument that --- you know, we're
14 regulators of the law and we're going to look at what
15 the law says and we're going to regulate and enforce
16 to the letter of the law. Certainly, we don't want to
17 carry a big stick in this regard, but the fact of the
18 matter is that what you have done at your licensed
19 facility is outside the letter of the law, and we have
20 to react to that.

21 I can't encourage you enough to go
22 across the street and work on the legislature to
23 change the law on the access and the patron of the
24 amenities provisions of the law, because we understand
25 how cumbersome ---. And how you get generally a very

1 negative reaction to that access to your facilities.
2 But the only way that's going to happen is if the
3 legislature changes that, not any action that this
4 Board can take.

5 CHAIRMAN:

6 Thank you. Anything else from either
7 side? All right. The Board will take a brief recess
8 to consider the matter. It's now about 11:14. We
9 will reconvene at 11:25. Thank you.

10 BRIEF RECESS

11 CHAIRMAN:

12 We'll turn to the matter the Board just
13 had under consideration later this morning. At this
14 the time we will move on to the next matter on the
15 agenda, which is Mountainview Thoroughbred Racing.

16 ATTORNEY PITRE:

17 That's correct. Members of Mountainview
18 can come forward. Assistant Enforcement Jeff Hoeflich
19 will present the Consent Agreement for the Board's
20 consideration.

21 ATTORNEY HOEFLICH:

22 Good morning, Chairman Ryan, members of
23 the Board. Jeff Hoeflich, H-O-E-F-L-I-C-H. Would you
24 like to have the members of Mountainview Thoroughbred
25 sworn in?

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

CHAIRMAN:

Probably should. Anyone who's not an attorney, I'd ask you to please stand. And if you will, state your name first for the record and spell your last name.

MR. HAYLES:

Bill Hayles, H-A-Y-L-E-S.

CHAIRMAN:

And your position, sir?

MR. HAYLES:

General manager.

CHAIRMAN:

Thank you. Sir?

MR. SHEA:

Tim Shea, S-H-E-A, assistant general manager.

CHAIRMAN:

I'd ask that the two witnesses be sworn.

WITNESSES SWORN EN MASSE

CHAIRMAN:

Jeff?

ATTORNEY HOEFLICH:

Thank you, Chairman. We have today for

1 the Board's consideration a Consent Agreement between
2 the OEC and Mountainview Thoroughbred Racing
3 Association, doing business as Hollywood Casino at
4 Penn National Racecourse.

5 In April 2013 the BIE requested copies
6 of credit files associated with an audit conducted by
7 the Bureau of Gaming Operations. During the course of
8 BIE's review of documents it was discovered that from
9 July 2010 through February 2013 Hollywood Casino's
10 credit department was not following Hollywood Casino
11 internal controls and Board regulations associated
12 with separate individuals for verification approval
13 and having two individuals approve a line of credit.
14 In several instances, no signature or approval
15 information was provided, even though a credit
16 application was approved.

17 In July 2013 Hollywood Casino revised
18 the credit department's procedures for verification
19 and approval of credit applications. In addition,
20 Hollywood Casino implemented a comprehensive internal
21 audit which will be conducted by Hollywood Casino's
22 internal audit staff twice a year for the credit
23 department.

24 The parties have agreed that within five
25 days of the Board's Order Hollywood Casino shall pay a

1 civil penalty in the amount of \$70,000 and \$2,500 for
2 costs incurred by the OEC, the BIE and other related
3 staff in connection with this Consent Agreement. The
4 OEC is here today to answer any questions the Board
5 may have regarding this Consent Agreement.

6 CHAIRMAN:

7 Okay. Any response from Mountainview?

8 MR. HAYLES:

9 Mr. Chairman, members of the Board,
10 clearly there were some gaps in communication previous
11 to us making some changes to our internal controls in
12 this procedure. All I can say is that I think the
13 steps that we have taken going forward will make sure
14 that this never happens again.

15 CHAIRMAN:

16 Any questions or comments from the
17 Board? Ex-officio members? May I have a motion?

18 MR. MCCALL:

19 Mr. Chairman, I move that the Board
20 approve the Consent Agreement between the OEC and
21 Mountainview Thoroughbred Racing Association as
22 described by the OEC.

23 MR. MCNALLY:

24 Second.

25 CHAIRMAN:

1 All in favor?

2 ALL SAY AYE

3 CHAIRMAN:

4 Opposed? The motion carries. Thank
5 you, gentlemen.

6 ATTORNEY HOEFLICH:

7 Thank you.

8 ATTORNEY PITRE:

9 The next matter that we have for the
10 Board's consideration is a Consent Agreement between
11 HSP Gaming, LP, doing business as Sugarhouse Casino
12 and the OEC. I believe Mr. Sklar is here on behalf of
13 Sugarhouse. Jim Armstrong, Assistant Enforcement
14 Counsel, will present the matter for the Board's
15 consideration. If the Board recalls this matter was
16 previously before the Board and the Consent Agreement
17 was rejected. We've revised the Consent Agreement and
18 we now offer it up for the Board's consideration.

19 CHAIRMAN:

20 Okay. Mr. Armstrong?

21 ATTORNEY ARMSTRONG:

22 Thank you. James Armstrong with the
23 OEC. A-R-M-S-T-R-O-N-G. This next matter on the
24 agenda is for your reconsideration. It's a modified
25 Consent Agreement reached between the OEC and

1 Sugarhouse Casino regarding a subject on the Board's
2 Self-Exclusion List being permitted to gamble at
3 Sugarhouse Casino.

4 I'll refresh you with the facts. On
5 February 21st of 2013 the Board's Casino Compliance
6 Bureau assigned to Sugarhouse reported to the OEC that
7 a person on the Board's Self-Exclusion List was
8 observed gambling at a Craps game. The investigation
9 revealed that the self-excluded person arrived at the
10 casino on Monday, February 18th and remained at the
11 casino for at least three days until he was recognized
12 by Sugarhouse personnel as being a subject on the
13 Board's Self-Exclusion List.

14 Surveillance coverage showed that the
15 self-excluded person played Craps off and on at three
16 tables. He alternated between tables and was observed
17 in pit four almost the entire time. The self-excluded
18 person placed himself on the Board's Self-Exclusion
19 List at Sugarhouse on January 4th of 2012. Sugarhouse
20 personnel confiscated \$3 in gaming chips from the
21 self-excluded person. He was turned over to the
22 Pennsylvania State Police, who charged him with
23 defiant trespass, a misdemeanor.

24 The self-excluded person was previously
25 found to have twice violated the Board's

1 Self-Exclusion List at Sugarhouse Casino. The first
2 incident was on January 16th, shortly after he placed
3 himself on the Board's Self-Exclusion List. The
4 second was on July 3rd. The second violation was the
5 basis for another Consent Agreement between Sugarhouse
6 and the OEC. It was approved by the Board on December
7 12th of last year.

8 The self-excluded person placed himself
9 on this list for one year. On March 22nd of this year
10 he was successful in petitioning the Board to remove
11 himself from the Self-Exclusion List. Commissioners
12 at the Board's meeting on July 17th of this year
13 through the OEC and Sugarhouse Casino presented the
14 Consent Agreement to resolve this matter, which was to
15 impose a \$15,000 civil penalty. That Consent
16 Agreement was rejected by the Board.

17 The parties have renegotiated the
18 Consent Agreement, and the OEC and Sugarhouse Casino
19 respectfully request that the Board approve the
20 proposed modified Consent Agreement and stipulation
21 settlement which requires Sugarhouse to institute
22 policies and training to prevent similar violations of
23 the Board's Self-Exclusion List, that Sugarhouse pay a
24 civil penalty of \$20,000 and that Sugarhouse pay a fee
25 of \$2,500 for costs incurred by Board staff in

1 connection with the investigation and assessment in
2 settlement on this matter. We'd be glad to answer any
3 questions you may have. Thank you.

4 CHAIRMAN:

5 Mr. Sklar?

6 ATTORNEY SKLAR:

7 Good morning Mr. Chairman,
8 Commissioners. Michael Sklar, S-K-L-A-R, on behalf of
9 Sugarhouse Casino. The only thing I just want to add,
10 Rose Cook, who was with me at the last hearing, she
11 had alluded to a couple procedures that she had come
12 up with to try to prevent this kind of incident from
13 happening in the future, and a couple procedures have
14 been put in place. The first is if any unknown patron
15 is recognized to be in the casino for 24 hours, team
16 members are to notify surveillance and surveillance
17 will attempt to identify that person by looking
18 through the Self-Excluded List.

19 And secondly, table games supervisors
20 ---. It was the issue here with the transition from
21 one shift to the next. Table games supervisors now
22 are required, if there's --- if they recognize ---.
23 Again, it's an unrelated person. If they recognize a
24 patron has been there the entire shift, they are to
25 notify the oncoming supervisor, by the way, this guy

1 has been here for eight hours, keep an eye on him.
2 So, again, just to try to keep the tracking in place.
3 And if there's any kind of red flags, hopefully it
4 will be caught.

5 CHAIRMAN:

6 Questions, comments from the Board?
7 Ex-officio members? May I have a motion?

8 MR. MCNALLY:

9 Mr. Chairman, I move that the Board
10 approve the Consent Agreement between the OEC and HSP
11 Gaming, LP as described by Enforcement Counsel.

12 CHAIRMAN:

13 Second?

14 MR. MOSCATO:

15 Second.

16 CHAIRMAN:

17 All in favor?

18 ALL SAY AYE

19 CHAIRMAN:

20 Opposed? The motion carries. Thank
21 you, sir.

22 ATTORNEY SKLAR:

23 Thank you.

24 CHAIRMAN:

25 Thank you, Mr. Armstrong.

1 ATTORNEY PITRE:

2 The next matter that we have for the
3 Board's consideration ---.

4 CHAIRMAN:

5 Excuse me. I'm sorry. I don't mean to
6 interrupt you, Cyrus, but I should note that Matthew
7 Meals, representing the Secretary of Agriculture had
8 to leave the meeting. I just note that for the
9 record.

10 ATTORNEY PITRE:

11 The next matter that we have for the
12 Board's consideration is the Involuntary Exclusion of
13 Ralph Abbruzzi. That matter will be presented by
14 Assistant Enforcement Counsel Cassandra Fenstermaker.

15 ATTORNEY FENSTERMAKER:

16 Good morning, Chairman Ryan, members of
17 the Board.

18 CHAIRMAN:

19 Good morning.

20 ATTORNEY FENSTERMAKER:

21 Cassandra Fenstermaker,
22 F-E-N-S-T-E-R-M-A-K-E-R. On September 4th, 2013 the
23 OEC filed a Petition to place Ralph Abbruzzi on the
24 Board's Exclusion List based on his criminal history,
25 his associations and his patronage of Commonwealth

1 casinos. In 1999 Mr. Abbruzzi was indicted by a
2 federal grand jury along with several other
3 defendants, including Joseph Merlino, for racketeering
4 and related charges. Mr. Abruzzi pled guilty to one
5 count of racketeering in August 2000. Mr. Abruzzi was
6 also indicted by a Pennsylvania grand jury in 2008 for
7 his involvement in a Philadelphia bookmaking and
8 loan-sharking operation. Mr. Abruzzi pled guilty to
9 one count of criminal use of a communication facility
10 on March 9th, 2009. Mr. Abruzzi has patronized both
11 Harrah's Philadelphia Casino and Racetrack and Parx
12 Casino.

13 The Petition was served by First Class
14 and Certified Mail. Mr. Abruzzi failed to respond to
15 the complaint in any way. Therefore, all facts
16 alleged in the complaint are deemed admitted. Our
17 request to enter judgment upon default was filed on
18 November 5th, 2013. At this time the OEC requests
19 that Mr. Ralph Abruzzi be added to the Board's
20 Exclusion List.

21 CHAIRMAN:

22 Is Ralph Abruzzi in the hearing room?
23 Any questions or comments from the Board? Ex-officio
24 members? May I have a motion?

25 MR. MOSCATO:

1 Yes, sir. I move that the Board issue
2 an Order to approve the addition of Ralph Abruzzi to
3 the PGCB Involuntary Exclusion List as described by
4 the OEC.

5 MR. WOODS:

6 Second.

7 CHAIRMAN:

8 All in favor?

9 ALL SAY AYE

10 CHAIRMAN:

11 Opposed? The motion carries.

12 ATTORNEY FENSTERMAKER:

13 Thank you.

14 CHAIRMAN:

15 Thanks, Cassandra.

16 ATTORNEY PITRE:

17 The next matter we have on the agenda in
18 the involuntary exclusion of Danny Ngo. That matter
19 and the subsequent matter will be handled by Assistant
20 Enforcement Counsel Dustin Miller.

21 ATTORNEY MILLER:

22 Good morning, Chairman Ryan, members of
23 the Board. Dustin Miller on behalf of the OEC. The
24 next matter today is a request for placement on the
25 Board's Exclusion List involving Danny Ngo. The OEC

1 filed a Petition to place Mr. Ngo on the Exclusion
2 List for leaving his 18-month-old son in his
3 automobile in the parking lot of Parx Casino on July
4 6th, 2013 while he went inside the casino and gambled.
5 In the July 6th, 2013 incident Mr. Ngo entered Park
6 Casino at approximately 9:05 p.m. and began playing
7 Blackjack. At 9:25 p.m. Parx Casino security
8 personnel located Mr. Ngo's child alone in his vehicle
9 in the parking lot.

10 Bensalem Township Police were called to
11 the scene, and at the time of the incident the outside
12 temperature was in the high 80s. Bensalem Police
13 climbed through the sunroof of Mr. Ngo's vehicle to
14 free the child. Mr. Ngo was charged with one count of
15 recklessly endangering another person and one count of
16 endangering the welfare of children for the incident.

17 A Petition to place Mr. Ngo on the
18 Exclusion List was served upon Mr. Ngo to the address
19 listed on the criminal complaint failed against him by
20 both Certified and First Class Mail. Mr. Ngo did not
21 respond to the filing in any way. Due to Mr. Ngo's
22 failure to respond, the averments in the Petition are
23 deemed to be admitted as fact and his right to a
24 hearing has been waived.

25 On November 5th, 2013 the OEC filed a

1 request to enter judgment upon default. The matter is
2 now before the Board to consider the placement of
3 Danny Ngo on the Board's Excluded Persons List.

4 CHAIRMAN:

5 Is Danny Ngo in the hearing room? Any
6 questions or comments from the Board? Ex-officio
7 members? May I have a motion?

8 MR. WOODS:

9 Mr. Chairman, I move that the Board
10 issue an Order to approve the addition of Danny Ngo to
11 the PGCB Involuntary Exclusion List as described by
12 the OEC.

13 MR. FAJT:

14 Second.

15 CHAIRMAN:

16 All in favor?

17 ALL SAY AYE

18 CHAIRMAN:

19 Opposed? The motion carries.

20 ATTORNEY MILLER:

21 The final matter on the Board's agenda
22 today is a request for placement regarding Yu Guo Tan
23 on the Excluded Persons List. The OEC filed a
24 petition to place Mr. Tan on the Exclusion List for
25 cheating while playing Pai Gow Tiles at Parx Casino on

1 March 16th, 2013. On March 16th, 2013 Mr. Tan
2 switched tiles between two different gaming positions
3 in order to either win or push bets that he made on
4 three occasions between 2:56 p.m. and 3:06 p.m. Mr.
5 Tan was arrested by onsite Pennsylvania State Troopers
6 and charged with three counts of knowingly by trick or
7 fraud or fraudulent scheme to win or attempt to win
8 cash, property or prize from a licensed facility, and
9 also three counts of unlawfully taking or claiming
10 money from a slot machine or table game with the
11 intent to defraud.

12 On August 7th, 2013 Mr. Tan pleaded
13 guilty to all charges and was sentenced to one year of
14 probation, 50 hours of community service, payment of
15 costs of prosecution, and ordered to stay away from
16 all gambling institutions in Pennsylvania. The
17 petition to place Mr. Tan on the Exclusion List was
18 properly served upon him at his home address by both
19 Certified and First Class Mail. Mr. Tan did not
20 respond to the filing in any way. Due to Mr. Tan's
21 failure to respond, the averments in the petition are
22 deemed to be admitted as fact and his right to a
23 hearing has been waived.

24 On November 5th, 2013 the OEC filed a
25 request to enter judgment upon default. The matter is

1 now before the Board to consider the placement of Yu
2 Guo Tan on the Board's Excluded Persons List.

3 CHAIRMAN:

4 Is Yu Guo Tan in the hearing room? Any
5 questions or comments from the Board? Ex-officio
6 members? May I have a motion?

7 MR. FAJT:

8 Mr. Chairman, I move that the Board
9 issue an Order to approve the addition of Yu Guo Tan
10 to the PGCB Involuntary Exclusion List as described by
11 the OEC.

12 MS. KAISER:

13 Second.

14 CHAIRMAN:

15 All in favor?

16 ALL SAY AYE

17 CHAIRMAN:

18 Opposed? The motion carries.

19 ATTORNEY MILLER:

20 Thank you.

21 CHAIRMAN:

22 Thank you, Dustin. We will now return
23 to the matter involving Valley Forge. Is the Consent
24 Decree in a form now that Counsel wishes to proceed?

25 ATTORNEY PITRE:

1 As far as we're concerned, it is.

2 CHAIRMAN:

3 All right. May I have a motion?

4 MR. FAJT:

5 Mr. Chairman?

6 CHAIRMAN:

7 I'm sorry.

8 MR. FAJT:

9 I'm sorry. Can I make one comment?

10 Cyrus, to follow-up on my previous motion, I do want
11 to make it part of the record and a request of the
12 Board that your office in conjunction with the Gaming
13 Office or anybody else at the Gaming Control Board to
14 go down to Valley Forge and review all of the prior
15 Valley Forge promotions to assure that they were
16 submitted to the Gaming Control Board. And if they
17 were or were not, I reserve the right to make
18 additional statements and make additional comments
19 based on the outcome of that investigation.

20 ATTORNEY PITRE:

21 I understand. We will ensure that the
22 whole Board is aware of the outcome of that
23 investigation.

24 MR. FAJT:

25 Thank you.

1 MS. KAISER:

2 Mr. Chairman, I have a question before
3 we proceed.

4 CHAIRMAN:

5 Go right ahead.

6 MS. KAISER:

7 It's my understanding that there has
8 been a revision to the Agreement, that you have agreed
9 to remove paragraphs three and four of the Consent
10 Agreement.

11 ATTORNEY HAYES:

12 That's correct.

13 MS. KAISER:

14 And also that the \$200,000 civil penalty
15 will be paid all at once, not in installments.

16 ATTORNEY HAYES:

17 Within 30 days is the time frame?

18 MS. KAISER:

19 Yes.

20 ATTORNEY HAYES:

21 That's correct.

22 CHAIRMAN:

23 May I have a motion in this matter?

24 MS. KAISER:

25 Mr. Chairman, I move that the Board

1 approve the Consent Agreement between the OEC and
2 Valley Forge with the exception of paragraphs three
3 and four of the Consent Agreement. Additionally, I
4 would move that the \$200,000 civil penalty proposed in
5 the Consent Agreement be paid in full within 30 days.

6 CHAIRMAN:

7 Second?

8 MR. MCCALL:

9 Second.

10 CHAIRMAN:

11 All in favor?

12 ALL SAY AYE

13 CHAIRMAN:

14 Opposed? The motion carries. Thank
15 you, gentlemen.

16 ATTORNEY PITRE:

17 That concludes our business. Thank you.

18 CHAIRMAN:

19 Ladies and gentlemen, I believe that
20 concludes today's meeting. Our next scheduled public
21 meeting will be Wednesday, December 11th in this room.
22 The meeting will begin at 10:00 a.m. Any final
23 comments from the Board or Ex-officios? May I have a
24 motion to adjourn?

25 MS. KAISER:

1 Mr. Chairman, I move that we adjourn the
2 meeting.

3 MR. MCCALL:

4 Second.

5 CHAIRMAN:

6 All right. The meeting is adjourned.
7 Thank you all very much.

8 * * * * *

9 MEETING CONCLUDED AT 11:45 A.M.

10 * * * * *

11

12

13

14

15

16

17

18

19

20

21

22

23

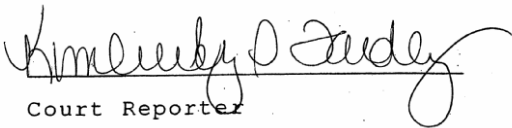
24

25

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

CERTIFICATE

I hereby certify that the foregoing proceedings,
hearing held before Chairman Ryan was reported by me
on 11/20/2013 and that I Kimberly I. Faidley read this
transcript and that I attest that this transcript is a
true and accurate record of the proceeding.


Court Reporter