

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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SPECIAL MEETING

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BEFORE: WILLIAM H. RYAN, JR., CHAIRMAN
David H. Woods, Commissioner
John J. McNally, III, Commissioner
Keith R. McCall, Commissioner
Gregory C. Fajt, Commissioner
Anthony C. Moscato, Commissioner
Ann Marie Kaiser, Commissioner
Robert C. Coyne, Representing Daniel P.
Meuser, Secretary of Revenue
Jennifer Langan, Designee for State
Treasurer, Robert McCord
Mickey Kane, Board Secretary

HEARING: Tuesday, November 18, 2014
1:00 p.m.

LOCATION: Pennsylvania Convention Center
1101 Arch Street
Philadelphia, PA 19107

WITNESSES: None

Reporter: Nicole R. Slick

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DISCUSSION AMONG PARTIES

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P R O C E E D I N G S

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CHAIRMAN:

Good afternoon. My name's Bill Ryan. I'm Chairman of the Pennsylvania Gaming Control Board. Before we begin today's proceeding, I would ask everyone to please turn off or at least put silent your cell phones and all other electronic devices. Thank you all very much.

We know that the Board's actions today are a matter of importance to all of you present and to all of those viewing these proceedings over the webcast. I therefore, request your assistance in this matter and I ask that you avoid interruptions as a courtesy to others, as well as to the court stenographer who can more easily take down all the important information she is charged with recording.

I thank all of you in advance for your cooperation. With us today is Bob Coyne representing the Department of Revenue, Secretary Dan Meuser. And Dan is an ex-officio member of the Board. Jennifer Langan, who is representing ex-officio member Bob McCord is unfortunately not here yet. She's on a train coming from Harrisburg and the train isn't making great progress, but she hopes to be here in the

1 not too distant future. I want to thank both of them
2 for making the effort to be here today.

3 All of the Board members are present
4 today and I will, therefore, call this meeting to
5 order. And the first thing I would ask everyone to do
6 is please stand for the pledge of allegiance.

7 PLEDGE OF ALLEGIANCE RECITED

8 CHAIRMAN:

9 Thank you very much ladies and
10 gentlemen. This meeting has been called as a special
11 meeting of the Gaming Control Board for the purpose of
12 addressing the issue of the pending applications for
13 the one existing Category 2 Slot Machine License
14 designated by the Pennsylvania Racehorse Development
15 and Gaming Act for the City of Philadelphia. In
16 accordance with the Pennsylvania Sunshine Law notice
17 of the special meeting was published in the City of
18 Philadelphia on Monday, November 10th, 2014 by the
19 Board's press release and by being placed on the
20 Board's website.

21 In addition, I announced today that the
22 Board held executive sessions on October 8th, November
23 5th, November 13th and again today, November 18th, for
24 the purpose of conducting quasi-judicial deliberations
25 related to the matters to be considered by the Board

1 today.

2 In 2004, the Pennsylvania Racehorse
3 Development and Gaming Act established the
4 Pennsylvania Gaming Control Board and provided the
5 Board with general jurisdiction over all gaming and
6 related activities, including but not limited to
7 overseeing acquisition operation of slot machines and
8 table games, and issuing, approving, renewing,
9 revoking, suspending, conditioning and denying Slot
10 Machine Licenses and Table Game Operation
11 Certificates.

12 The Board's comprised of three
13 gubernatorial and four legislative appointee members.
14 A qualified majority vote of the Board consisting of
15 at least one gubernatorial appointee and the four
16 legislative appointees is required for the approval,
17 issuance, denial or conditioning of any license. The
18 Act established that two Category 2 Slot Machine
19 Licenses are to be issued in the City of Philadelphia.
20 On December 20th, 2006 the Board determined during a
21 public meeting to initially award the two licenses
22 designated for the City of Philadelphia to HSP
23 SugarHouse Casino and to Philadelphia Entertainment
24 and Development Partners, often referred to as the
25 Foxwood's Casino project.

1 As has been well chronicled, the HSP
2 SugarHouse Casino was eventually built and has
3 commenced operations on North Delaware Avenue. The
4 Foxwood project was not built and its owners lost its
5 available financing. Eventually the Foxwood's license
6 was revoked due to its failure to maintain financial
7 suitability and its failure to commence operations
8 within the permitted time frame. With a Category 2
9 License not still being available, the Board decided
10 to reinstitute the process and issuing a license so
11 that the intent of the General Assembly to have two
12 Category 2 Slot Machine Casino Licenses in the City of
13 Philadelphia would be fulfilled.

14 Accordingly, the Board set an
15 application deadline on November 15th, 2012 for the
16 receipt of applications. By that deadline, the Board
17 received six applications for the available Category 2
18 License in Philadelphia. Those applications were
19 submitted by Market East Associates doing business as
20 Market 8; PA Gaming Ventures, LLC doing business as
21 Hollywood Casino Philadelphia; PHL Local Gaming, LLC
22 doing business as Casino Revolution; Stadium Casino,
23 LLC doing business as Live! Hotel and Casino; Tower
24 Entertainment, LLC doing business as The Provence and
25 Wynn PA, Inc. doing business as Wynn Philadelphia.

1 Wynn PA, Inc. withdrew its application in late 2013
2 and PA Gaming Ventures withdrew its application during
3 the summer of 2014. Thereafter, the Board was left
4 with four applicants from the available Category 2
5 Licenses in Philadelphia, the Market 8 project, the
6 PHL Local Gaming Casino Revolution project, the
7 Stadium Casino Live Hotel and Casino project and the
8 Tower Entertainment Provence project.

9 With respect to the Category 2
10 application received, the Board, through its Bureau of
11 Licensing and Bureau of Investigation and Enforcement
12 (BIE), engaged in an extensive review and
13 investigation of the applicants.

14 On December 18th, 2012 representatives
15 of the Board's Office of Chief Counsel (OCC), Office
16 of Hearings and Appeals (OHA) and Office of
17 Enforcement Counsel (OEC) met with all applicants to
18 provide an overview of the process and to answer
19 procedural questions. On February 12th, 2013 a public
20 hearing was held here at the Pennsylvania Convention
21 Center for the purpose of having all the applicants
22 introduce their projects to the public.

23 The Board then conducted four days of
24 public input hearings on April 11th and 12th, 2013 in
25 this building and on May 8th and May 9th, 2013 at the

1 Lincoln Financial Field in South Philadelphia.
2 Written public comments were also accepted by the
3 Board through December 31st, 2013.

4 To assist in educating the public, the
5 Board placed large amounts of information about the
6 projects on its website throughout the process
7 including local impact reports, traffic studies and
8 ownership interests.

9 On September 24th, 2013, the Board held
10 another public hearing at the Pennsylvania Convention
11 Center to hear testimony from the City of Philadelphia
12 and from representatives of AKRF, a consulting firm
13 retained by the city to review the various casino
14 proposals relative to each applicant's impact on the
15 city and the Commonwealth.

16 On December 12th, 2013, Board staff
17 conducted the first of two pre-hearing conferences
18 with all parties in attendance. At that meeting the
19 Board announced that suitability hearings would be
20 held on January the 28th, 29th and 30th, 2014 and
21 randomly through the order of applicant presentations.

22 On January 14, 2014 Board staff
23 conducted a second pre-hearing conference to address
24 any remaining issues with each applicant.
25 Representatives from the OEC and the Bureau of

1 Licensing were in attendance at each applicant's
2 pre-hearing conference. All applicants timely filed
3 pre-hearing memoranda identifying all evidence each
4 applicant intended to use in support of its
5 presentation before the Board.

6 The applicants also filed notices of
7 intent to compare, which permitted the applicants to
8 present evidence during their own suitability hearings
9 concerning competitors for the Category 2 License. In
10 order to demonstrate that their own projects should be
11 selected rather than that of a competing applicant.
12 The Board received three Petitions to Intervene in the
13 licensing hearings from current Category 2 Licensee
14 HSP SugarHouse Casino, James D. Schneller and Eastern
15 Pennsylvania Citizens Against Gambling and a joint
16 petition from the Congregation of Rodeph Shalom, the
17 Mathematics, Civics and Science Charter School and
18 Friends Select School.

19 On January 8th, 2014, the Board granted
20 limited intervention to SugarHouse and the
21 congregation from Rodeph Shalom, et al. Group
22 Schneller's Petitions to Intervene and all requests
23 for relief contained therein were denied. On January
24 28th through January 30th, 2014, the Board conducted
25 public suitability hearings for the purpose of taking

1 additional testimony and evidence from each applicant
2 concerning its proposed project and its eligibility
3 and suitability for licensure pursuant to the Act.

4 Additionally, the two groups that were
5 granted intervention in the licensing proceedings were
6 provided an opportunity to present evidence in support
7 of their positions. After the hearings the parties,
8 including the two interveners, were provided an
9 opportunity to object in writing to anything that
10 occurred during the course of the hearings. No post
11 hearing objections were filed by any of the parties.
12 Thereafter, the applicants and the two interveners
13 were provided an opportunity to submit a Post Hearing
14 Brief.

15 On February 5th, 2014, Stadium Casino
16 filed a petition to reopen the record to supplement
17 its application to include information pertaining to
18 the restructuring of one of its Principal entities,
19 Sterling Financial Services, Inc. As a result,
20 discussion of its ownership structure during Stadium
21 Casino's suitability hearing the petition was not
22 opposed by the OEC or any of the other applicants. At
23 the public meeting on February 26th, 2014, the Board
24 approved the petition and reopened the record for the
25 limited purpose of entering a revised structure for

1 Sterling Financial Services.

2 On February 26th, the Board provided the
3 opportunity for applicants and interveners to present
4 closing arguments to the Board. Thereafter, the Board
5 began the lengthy and complex undertaking of reviewing
6 all materials submitted, testimony provided and
7 arguments made for each of the applicants and the
8 interveners. In conjunction with the review of all
9 evidence the Board engaged in quasi-judicial
10 deliberations in closed Executive Session for the
11 purpose of discussing and evaluating the applicants
12 and to attempt to achieve a qualified majority of
13 support for a single applicant.

14 On November 6th, 2014, SugarHouse Casino
15 served a motion upon the Board and the applicants
16 requesting that the Board reopen the record in this
17 matter to accept additional information concerning the
18 current gaming market in the region, including the
19 expansion of gaming in other jurisdictions, a
20 contraction and closing of four casinos in Atlantic
21 City and resulting effect of these actions on casino
22 revenues.

23 The Board as a regulator of gaming is
24 very familiar with all of these issues and is
25 permitted to take official notice of actions in other

1 jurisdictions with respect to expansion and closings,
2 as well as the published revenues of our and other
3 jurisdictions. These are not matters about which we
4 require further information or argument. Therefore,
5 we will consider a motion to reopen the record upon
6 the documents already filed. May I have a motion?

7 MR. MCNALLY:

8 Mr. Chairman, as you have indicated, we
9 are familiar with the issues raised by SugarHouse in
10 this motion. We are permitted to take official notice
11 of those issues and facts based upon our role as
12 regulators with knowledge of matters in the public
13 domain, of matters generally known to gaming
14 regulators and of matters relating to officially
15 published revenue statistics. In fact, in considering
16 the issuance of the Category 2 License, we have
17 considered the issues identified by SugarHouse Casino
18 and do not believe additional evidence is necessary to
19 make a decision. As such, I move that the SugarHouse
20 Casino motion to reopen the record be denied.

21 CHAIRMAN:

22 Is there a second?

23 MR. MOSCATO:

24 Second.

25 CHAIRMAN:

1 All in favor.

2 ALL SAY AYE

3 CHAIRMAN:

4 Opposed? The motion carries. We will
5 now move on to consideration of the matter of the
6 Category 2 applicants. First let me say that much to
7 the credit of the Category 2 applicants, we have been
8 presented with four solid proposals, all of which are
9 eligible and suitable for licensure under the terms of
10 the Act. Those applicants not awarded the license
11 will, under the mandates of the Act, be denied a
12 license. Let me be clear that the denial will not be
13 because the unsuccessful applicants were found
14 unsuitable from a character and integrity standpoint,
15 but rather because the Board had the difficult task of
16 choosing which among four qualified candidates is in
17 the best position for licensure under all relevant
18 circumstances.

19 In determining which of these applicants
20 is to be approved for licensure, the Board has looked
21 at the full evidentiary record before us, looked to
22 the criteria for consideration of licenses spelled out
23 in the Act and exercised our discretion to arrive at a
24 decision which embodies the Act objectives, including
25 but not limited to the protection of the public and

1 the regulation of all activities involving gaming, the
2 public interest of the citizens of Pennsylvania and
3 the social effects of gaming, the integrity of the
4 control over slot machines in the Commonwealth and the
5 creation of new tax revenues, economic opportunities
6 and tourism for Pennsylvania. Needless to say a
7 process of the seven individual Board members
8 evaluating four competitive yet unique proposals is
9 difficult. Each member reviewed the applicants
10 against the various criteria of the Act and formulated
11 his or her own opinion and then the Board collectively
12 discussed the applicants to determine which, if any,
13 is deemed by the Board to be the best fit for the
14 Commonwealth given all the circumstances and
15 considerations.

16 Before we proceed any further, I would
17 like to publicly acknowledge the work of three groups
18 of people. First, the applicants and their counsel
19 have presented to this Board thorough and extensive
20 projects for consideration. They have done so clearly
21 and in a very professional manner. I thank them for
22 doing so.

23 Second, I especially want to acknowledge
24 the work of Board staff over the last two years in
25 helping to get the Board to this point. There are far

1 too many people to single out, but the Board staff has
2 worked tirelessly to process applications, investigate
3 the applicants, arrange for all of the Board's various
4 proceedings and assist in the preparation for this
5 day. The work which goes on behind the scenes to get
6 us to this point is voluminous. And I want to say
7 that we on the Board sincerely appreciate the hard
8 work and dedication of all of our staff.

9 I also want to thank John McNichol, CEO,
10 and his staff here at Pennsylvania Convention Center
11 for all of their assistance in arranging for the
12 numerous meetings that have been held in this building
13 in the past few years.

14 At this time, I would entertain motions
15 to approve an applicant for licensure.

16 MS. KAISER:

17 Mr. Chairman, following an extensive
18 review of records and deliberation by the Board, I
19 make a motion that the Board approve Stadium Casino,
20 LLC doing business as Live! Hotel and Casino a
21 Category 2 License in Philadelphia pursuant to the
22 terms and conditions to be imposed by the Board.

23 CHAIRMAN:

24 Is there a second?

25 MR. WOODS:

1 Second.

2 CHAIRMAN:

3 Will the Board Secretary please call
4 members of the Board?

5 MS. KANE:

6 Commissioner Fajt?

7 MR. FAJT:

8 Yes.

9 MS. KANE:

10 Commissioner McCall?

11 MR. MCCALL:

12 Yes.

13 MS. KANE:

14 Commissioner Moscato?

15 MR. MOSCATO:

16 Yes.

17 MS. KANE:

18 Commissioner Kaiser?

19 MS. KAISER:

20 Yes.

21 MS. KANE:

22 Commissioner McNally?

23 MR. MCNALLY:

24 Yes.

25 MS. KANE:

1 Commissioner Woods?

2 MR. WOODS:

3 Yes.

4 MS. KANE:

5 Chairman Ryan?

6 CHAIRMAN:

7 Yes. The motion passes. Stadium
8 Casino, LLC doing business as Live! Hotel and Casino
9 is approved by a qualified majority vote for a
10 Category 2 License in the City of Philadelphia.
11 Because the Board is constrained to issue only one
12 license, may I have a motion regarding the other three
13 applications?

14 MR. FAJT:

15 Mr. Chairman, because we're limited to
16 approving one license and Stadium Casino has obtained
17 qualified majority support for that license, I make a
18 motion the Board deny the application of Market East
19 Associates doing business as Market 8; PHL Local
20 Gaming, LLC doing business Casino Revolution and Tower
21 Entertainment, LLC doing business as The Provence.

22 MR. MCCALL:

23 Second.

24 CHAIRMAN:

25 Will the Board's Secretary please call

1 the members.

2 MS. KANE:

3 Commissioner Fajt?

4 MR. FAJT:

5 Yes.

6 MS. KANE:

7 Commissioner McCall?

8 MR. MCCALL:

9 Yes.

10 MS. KANE:

11 Commissioner Moscato?

12 MR. MOSCATO:

13 Yes.

14 MS. KANE:

15 Commissioner Kaiser?

16 MS. KAISER:

17 Yes.

18 MS. KANE:

19 Commissioner McNally?

20 MR. MCNALLY:

21 Yes.

22 MS. KANE:

23 Commissioner Woods?

24 MR. WOODS:

25 Yes.

1 MS. KANE:

2 Chairman Ryan?

3 CHAIRMAN:

4 Yes. The motion passes. The
5 applications of Market East Associates, PHL Local
6 Gaming and Tower Entertainment are denied. As a
7 reminder to everyone, today's proceeding is the
8 initial step of licensing. Today we are approving an
9 applicant for licensure.

10 The Board will, consistent with
11 administrative agency law, be issuing an Adjudication
12 and Order complete with Findings of Fact and
13 Conclusions of Law, which will set forth the findings
14 and rationale of the Board in reaching this decision.
15 We anticipate that the Adjudication and Order of this
16 matter will be distributed to the parties and posted
17 on the Board's website by the close of business today.

18 Any other party to this matter has 30
19 days from the date of the Board's issuance of the
20 final Adjudication and Order to appeal to the
21 Pennsylvania Supreme Court. The license will not be
22 issued until all appeals of the final order are
23 completed, all conditions complied with and all fees
24 paid.

25 The Board members will not be available

1 to discuss our comment --- discuss or comment upon the
2 reasons for the decision issued today because this is
3 a quasi-judicial decision which is subject to appeal
4 to the Pennsylvania Supreme Court. It would be
5 inconsistent with the expectations of that appeal
6 process for the Board to comment about the decision
7 outside a formal adjudication which, as I stated, will
8 set forth our reasons for today's decision.

9 This concludes the meeting of the
10 Pennsylvania Gaming Control Board for the purpose of
11 awarding the Category 2 License under the Pennsylvania
12 Racehorse Development and Gaming Act. I will now
13 accept a motion to adjourn.

14 MR. WOODS:

15 Mr. Chairman, having concluded the duty
16 of awarding this Category 2 License, I move for this
17 meeting to be adjourned.

18 CHAIRMAN:

19 Do I have a second?

20 MR. MOSCATO:

21 Second.

22 CHAIRMAN:

23 All in favor?

24 ALL SAY AYE

25 CHAIRMAN:

1 The motion carries and the meeting is
2 adjourned. The Board will hold its regularly
3 scheduled meeting tomorrow, November 19th. Thank you
4 very much ladies and gentlemen.

5 * * * * *

6 MEETING CONCLUDED AT 1:26 P.M.

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CERTIFICATE

I hereby certify that the foregoing proceedings, meeting held before Chairman Ryan was reported by me on 11/18/2014 and that I Nicole B. Slick read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.


Court Reporter