

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

* * * * *

IN RE: PRESQUE ISLE DOWNS, INC., LICENSE RENEWAL

* * * * *

PUBLIC HEARING

* * * * *

BEFORE: Linda Lloyd, Director, Presiding Officer

William H. Ryan, Chairman

David W. Woods, Commissioner

John J. McNally, III, Commissioner

Gregory C. Fajt, Commissioner

AnnMarie Kaiser, Commissioner

Anthony C. Moscato, Commissioner

HEARING: Thursday, October 2, 2014

9:30 a.m.

LOCATION: Summit Township Board of Supervisors

1230 Townhall Road

Suite 100

Erie, PA 16509

WITNESSES: Jeff Favre, Gary Carano, Fred Clark,

Christopher Bush, Tom Smith, Jay Berthelsen

Reporter: Shannon C. Fortsch

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

A P P E A R A N C E S

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

THOMAS DIEHL, ESQUIRE

Presque Isle Down, Inc.

8199 Perry Highway

Erie, PA 16509

Counsel for Presque Isle Downs, Inc.

DUSTIN L. MILLER, ESQUIRE

Assistant Enforcement Counsel

NAN A. DAVENPORT, ESQUIRE

Deputy Chief Enforcement Counsel

Office of Enforcement Counsel

P.O. Box 69060

Harrisburg, PA 17106

Counsel for Gaming Control Board

I N D E X

1		
2		
3	OPENING REMARKS	
4	By Presiding Officer	6 - 8
5	TESTIMONY	
6	By Mr. Favre	9 - 12
7	By Mr. Carano	12 - 16
8	By Mr. Favre	16 - 18
9	By Mr. Clark	18 - 21
10	By Mr. Favre	21
11	DISUCSSION AMONG PARTIES	22 - 23
12	CROSS EXAMINATION	
13	By Attorney Miller	23 - 31
14	QUESTIONS FROM BOARD	32 - 45
15	<u>WITNESS:</u> CHRISTOPHER BUSH	
16	DIRECT EXAMINATION	
17	By Attorney Miller	46 - 53
18	QUESTIONS FROM BOARD	54
19	<u>WITNESS:</u> Tom Smith	
20	DIRECT EXAMINATION	
21	By Attorney Miller	55 - 57
22	<u>WITNESS:</u> Jay Berthelsen	
23	DIRECT EXAMINATION	
24	By Attorney Miller	58 - 62
25	DISCUSSION AMONG PARTIES	61 - 70

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

I N D E X (cont.)

STATEMENT

By Mr. Wiley	71 - 73
By Mr. Fabrizio	73 - 77
By Mr. Bizzarro	77 - 78
By Ms. Agostine	79 - 81
By Mr. Sinnott	81 - 84
By Mr. Batchelor	84 - 85
By Ms. Stork	86 - 87
By Mr. McKeown	87 - 89
By Mr. Sherrod	89 - 93
By Mr. Oliver	93 - 95
By Mr. Scott	95 - 96

CLOSING REMARKS

By Presiding Officer	96 - 97
----------------------	---------

E X H I B I T S

			Page	Page
	<u>Number</u>	<u>Description</u>	<u>Offered</u>	<u>Admitted</u>
1				
2				
3				
4				
5	PID-1	Presentation	31	32*
6	H-1	Public Comments	46	46*
7	OEC-1	Uniform Crime Report	63	66*
8	OEC-2	OEC Letters	64	66*
9	OEC-3	Liquor Control Letter	64	66*
10	OEC-4	Gaming Memo	64	66*
11	OEC-5	Consent Agreement	65	66*
12	OEC-6	Compliance Conferences	65	66*
13	OEC-7	Warning Letters	66	66*
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				

*Exhibit Not Attached

P R O C E E D I N G S

PRESIDING OFFICER:

1
2 -----
3
4 Okay. Good morning everyone. I am
5 Linda Lloyd and I'm the Presiding Officer assigned by
6 the Board to conduct this portion of the Category 1
7 License Renewal Hearing for Presque Isle Downs,
8 Incorporated. Before we begin, please turn off, or at
9 least to vibrate, all of your electronic devices. As
10 the Presiding Officer, I call this hearing to order.
11 The date is Thursday, October 2nd, 2014, the time is
12 9:33. Our location is Summit Township Building at
13 1230 Townhall Road West, Suite 100, Erie, PA 16509.

14 The Pennsylvania Race Horse Development
15 and Gaming Act requires at Section 1326 that an
16 operator's license shall be subject to renewal by the
17 Board every three years. This License Renewal Hearing
18 is convened by the Board pursuant to the mandated
19 found in Section 1205(b)(1)(i) of the Gaming Act,
20 which requires the Board to conduct a Public Hearing
21 for any License Renewal Application. This hearing was
22 advertised on the Board's website and announced by the
23 Board at several meetings, and advertised in local
24 newspapers.

25 The Board members present today for the

1 hearing are to my immediate right, Chairman Bill Ryan
2 and down the line from him, Commissioner John McNally
3 and Commissioner David Woods and to my immediate left,
4 Commissioner Greg Fajt, AnnMarie Kaiser, and Anthony
5 Moscato. The hearing will begin with the presentation
6 by Presque Isle Downs, and the Board's Enforcement
7 Counsel will have an opportunity to Cross Examine
8 witnesses. And if the Board desires can ask
9 questions.

10 After Presque Isle's concluded its
11 presentation, the Board's Office of Enforcement
12 Counsel (OEC) will make its presentation with Presque
13 Isle's attorney having the ability to cross examine
14 any witnesses presented by the Board's counsel. After
15 the close of testimony and evidence from both parties,
16 those individuals that have been registered to speak
17 today at the hearing from the public, we will have a
18 public comment period. Elected government officials
19 will have ten minutes each, representatives from
20 community groups will have five minutes and
21 individuals will have three.

22 Following the close of public comment,
23 Presque Isle Downs and our OEC can each provide a
24 closing statement if they wish. This is an official
25 Administrative Hearing, so please treat it as if you

1 were attending a court proceeding. All witnesses,
 2 speak loudly and clearly so our Court Reporter over
 3 here can understand you and record what we are saying
 4 here today. If anyone has any questions about the
 5 hearing, there are Board Staff in the room
 6 circulating, you can ask them questions. So, let's
 7 begin by having all Presque Isle and OEC witnesses who
 8 will testify today, please stand and raise your right
 9 hand to be sworn by the court reporter?

10 -----

11 WITNESSES SWORN EN MASSE

12 -----

13 PRESIDING OFFICER:

14 Thank you. And Presque Isle.

15 ATTORNEY DIEHL:

16 For the record, I'm Tom Diehl,
 17 D-I-E-H-L, in-house counsel for Presque Isle Downs,
 18 Incorporated. You had a lot of people stand up, I
 19 assure you we're going to have three primary speakers.
 20 It will be the General Manager from Presque Isle Down,
 21 Jeff Favre, followed by Gary Carano also to my left,
 22 the CEO of El Dorado Resorts, Incorporated. And the
 23 third primary speaker will be Fred Clark of Clark
 24 Resources, also out of Harrisburg. With that, the
 25 remaining speakers will be here as an as needed basis.

1 We simply had them sworn in try and streamline the
2 process. So with that, I'm going to had it over to
3 Jeff.

4 MR. FAVRE:

5 Thank you.

6 ATTORNEY DIEHL:

7 The initial two slides are statutory
8 requirements that we've put in for the Board's
9 convenience. It simply indicates that we're prepared
10 at this time and have gone through both the requisite
11 gaming licensures as well as the racing licensure to
12 have this proceeding.

13 MR. FAVRE:

14 Mr. Chairman, Board, for the record,
15 Jeff Favre, F-A-V-R-E, Vice President and General
16 Manager of Presque Isle Downs and Casino. I'm happy
17 and pleased to be here today, thank you. Presque Isle
18 Downs, Inc., as part of El Dorado Resorts,
19 Incorporated, is a public company traded on the NASDAQ
20 Exchange. The company maintains financial records in
21 accordance with generally accepted accounting
22 principles, GAAP. The company maintains a system of
23 internal controls to monitor compliance with
24 regulatory requirements and effectiveness of internal
25 controls over financial recording, Sarbanes-Oxley

1 requirements.

2 This slide is primarily addressing the
3 competition, you know, pre and post, which has opened
4 up in Ohio. As you can see on the left side is six
5 casinos in 2011. Primarily you had, you know, the
6 Rivers, the Meadows, Wheeling Allen, Mountaineer,
7 which is our sister property, as well as ourselves.
8 And of course Seneca Salamanca to the east, which is
9 owned by the Seneca Tribe, proudly owned and operated.
10 They're the only company that does not report to the
11 public. In 2014 we now have ten casinos that we
12 compete against. You had the Horseshoe in Cleveland
13 open in May of 2012. You had ThistleDown open in
14 April of 2013, and then you had Rocksino Hard Rock in
15 Northfield open in December of 2013.

16 Most recently, as of September 17th, you
17 had Hollywood Mahoning Valley Racecourse property
18 open. So, the competitive landscape has certainly
19 become a lot more intense. We believe that it's very
20 near the point of saturation and mature. And as we
21 move on, you'll see the next slide just kind of
22 talking about the distance in regards to the
23 properties from Presque Isle. Seneca Alleghany being
24 the closest property at 76 miles from Presque Isle
25 Downs in Erie. ThistleDown being 96.5 miles and then

1 Horseshoe being at 99 miles, Penn National at 99, and
2 Northfield Park at 101.5.

3 Continuing to move. This slide, the
4 first column over to the far left from January of 2012
5 represents Presque Isle Down's share of the market in
6 2012 prior to any Ohio casinos opening. The remaining
7 columns represent the impact of each accessible Ohio
8 casino opening and the erosion of Presque Isle Down's
9 market share. As you can see, to the far left as it
10 trends to the right, a lot more blue when the
11 competition wasn't in the market. The further you get
12 to the right, as the competition comes online, the
13 less blue that you see.

14 Moving on, this is table games revenue
15 or win. First column to the far left represents
16 January 2012 Presque Isle Downs' share of the market
17 prior to the Horseshoe Cleveland Casino opening. The
18 remaining columns represent the impact that the
19 Horseshoe Cleveland had on Presque Isle Downs, the
20 erosion of the market share. As you can see once
21 again when the competition came online, less blue.
22 The next slide is Presque Isle Downs gross gaming
23 revenue.

24 In 2011, gross gaming revenue was right
25 at \$188.4 million, 2012 reduced to \$169.6 million.

1 2012 again is when the Horseshoe Cleveland opened in
2 May. And then 2013, \$144.6 million, and then the 12
3 months ending in June 2014, \$135.9 million. The 23.3
4 percent decline in gross gaming revenue from 2011 to
5 2013. The next slide is our average employee
6 headcount. In 2011 980, 2012 961, 2013 930, and then
7 the second quarter of 2014 885. As you can see, the
8 decline in employee headcount is not nearly as drastic
9 as the gross gaming revenue decline.

10 The relationship here, although my
11 bosses probably don't think it's too good of a
12 correlation, probably would like to see it closer to
13 the 23.3, but I think that the 5.1 percent decline
14 shows that, you know, we're doing everything we can to
15 manage our labor in relationship as the gross revenue
16 declines, but also taking into consideration
17 protecting the jobs, which I think is very important.
18 And we take protecting those jobs very serious.
19 Moving forward, at this time I'd like to turn it over
20 to our Chairman and CEO, Mr. Gary Carano.

21 MR. CARANO:

22 Good morning. Gary Carano, C-A-R-A-N-O,
23 Chairman and Chief Executive Officer of El Dorado
24 Resorts. And we're very happy and privileged, we
25 feel, to be in front of you again. It seems like we

1 were just with you a short time ago. And very happy
2 to be here in the Commonwealth and the great City of
3 Erie, Pennsylvania. This slide shows our excitement
4 about this new company, El Dorado Resorts, as you may
5 recall in Nevada we started our company out in 1973
6 with the El Dorado Reno.

7 Our father was a gaming attorney, and we
8 built that property in 1973, which is the flagship of
9 our company until we merged with MTR. Silver Legacy
10 is a great story, we have a 50/50 joint venture with
11 MGM Mirage --- or not MGM Mirage any more, MGM
12 International, one of the largest gaming companies in
13 America, and they allow us to manage that property.
14 That property is 1,700 rooms and a full service resort
15 in Reno, Nevada.

16 In 2005 our family was lucky enough to
17 be able to purchase the Hollywood Casino in
18 Shreveport, Louisiana that was not doing very well.
19 We purchased that property, infused not that much
20 capital into that company in 2005 and literally
21 tripled the net profits in three years. And then just
22 recently, it seems like we've been working on this
23 project for a little while, but a little over about a
24 year and a half ago we had the opportunity to engage
25 with MTR Gaming, which we feel is a great gaming

1 company and has had great success over the years.

2 Joe Billhimer has led that company and
3 will continue to be our chief operating officer. We
4 feel that the property across the street, or across
5 the street from where we stayed last night, Presque
6 Isle is a great property. We feel that the population
7 base of Erie County with only one casino has
8 opportunity and we feel, as Jeff said, we're not
9 worried about the employee count because I think Jeff
10 and the team has done a great job managing that
11 property. What we're more concerned about is
12 increasing revenues. So, we think there's opportunity
13 with this population base in this area.

14 One thing we'd like to mention also, one
15 of our brothers, Greg, the culinarian of our family,
16 is moving to the Columbus area. And as you all know
17 better than I do, we call it the golden triangle back
18 here with these three properties, are within three
19 hours of each other driving. So Greg's going to
20 spending a lot of time in this great City of Erie.
21 And we're very, very excited about bringing our family
22 culture, which I probably made this comment to you
23 before, our family culture was we never could afford
24 Frank Sinatra for entertainment so we differentiated
25 ourselves with wine and food.

1 Our family owns Ferrari-Carano Wines, my
2 father, his real love is Ferrari-Carano Wines. And I
3 was told last night, I called dad last night, we need
4 to get more of it offered in this great State of
5 Pennsylvania. But food and wine is one our main
6 cultures along with how we treated people, not only
7 our players but our team members, as one of our main
8 cultures.

9 I think that I spoke a little bit about
10 this, but the excitement that we have and the
11 opportunity we have for this new company is the great
12 combination of six great assets across America. So,
13 we have the ability for our players and our team
14 members to come out in this position to the great
15 Commonwealth of Pennsylvania, and we do have both
16 players and team members that are excited about this
17 opportunity. The diversification, some markets are
18 tougher than others, so we have that opportunity too
19 with the diversification across America. The
20 financial position, we have two indentures currently
21 in place. Our bonds are looking forward to
22 refinancing, possibly in the next year, with our debt
23 on the MTR side, it's expensive debt as you know. And
24 we see that as a great possibility and a great
25 potential to make our financial position even stronger

1 than it is.

2 Synergies, we haven't been really
3 involved that much yet with Joe and his team. Again,
4 when we purchased Hollywood Casino in Shreveport in
5 2005, we saw a lot of low hanging fruit as far as
6 expenses and synergies. Joe and his team at MTR have
7 a great company. There's going to be some synergies,
8 our main goal is to take two great companies that have
9 been running well, two great practices, and take the
10 best practices of both and meld them into one team and
11 one direction.

12 I guess that is my conclusion, it'd be
13 great to answer any questions after we're finished.
14 But one thing, again as my father, a gaming attorney
15 and now the little wine maker we call him, we do not
16 take our opportunity to have a gaming license for
17 granted. We know that it's a privilege and we
18 appreciate this opportunity to be in front of you
19 again for this opportunity to renew our license at
20 Presque Isle. Thank you.

21 MR. FAVRE:

22 As we continue to move forward, the
23 economic impact to the Commonwealth. I'd like to add
24 that Presque Isle Downs is the 12th largest employer
25 in Erie County, something that we are proud of. The

1 local original capital investment was \$242 million,
2 incremental investment was \$26 million. You can see
3 the land valued at \$69 million, building at \$114
4 million, furniture and equipment at \$85 million.

5 Continuing with the economic impact
6 local impact from 2007 through 2014 quarter two, \$392.1
7 million state gaming tax, \$92.6 million local share
8 assessment. \$133.5 million, race horse development
9 fund, \$57.7 million economic development and tourism.
10 \$22.1 million administrative fees, real estate taxes
11 at \$13.2 million, sales and use tax at \$3.3 million.
12 Continuing with the economic local impact, again
13 through the second quarter of 2014 payroll \$135.1
14 million, payroll taxes \$17 million, employee benefits
15 \$15.6 million.

16 Just a recap of the previous slides,
17 Presque Isle Downs has generated more than \$698
18 million in gaming taxes and fees for the Commonwealth
19 and has paid in excess of \$33.5 million in sales and
20 use, payroll and real estate taxes since its
21 inception. Local business enterprise equals 57
22 percent of all purchases made from 2007 through 2013,
23 59 percent excluding slot machines. In regard to
24 horseracing, Presque Isle Downs has invested more than
25 \$29.9 million on the original construction of the

1 racetrack, barns and related buildings. Has built
2 four additional barns at a cost of 32.8 million,
3 expanded to accommodate table games and spent more
4 that \$589,000 on a new pari-mutuel area, lawn/picnic
5 area and horsemen bleachers. Has committed to
6 spending an additional \$330,000 on upgrades of the
7 barns and racing area in 2014. Now I'd like to turn
8 it over to our diversity consultant, Mr. Fred Clark,
9 from Clark Resources.

10 MR. MCNALLY:

11 Madam Chairman, if I could before Fred
12 takes the stage. I'd like to congratulate Fred
13 personally. I understand recently he was appointed
14 Chairman of the Governor's Commission on African
15 American Affairs. And I know he does a great job from
16 Presque Isle and I look forward to --- great job for
17 the Commonwealth of Pennsylvania.

18 MR. CLARK:

19 Thank you. Ladies and gentlemen, first
20 of all Clark Resource is a diversity company, we're
21 consultants, we're monitoring the diversity plan. At
22 Presque Isle our main responsibility is workforce,
23 supplies and contracting. At Presque Isle we've had
24 some historic numbers, some great numbers over the
25 recent years, especially in contracting and with our

1 participation, which will show in the later slides.

2 The overall commitment and review
3 process is work with Rita Smith and Jennifer Se, who
4 are behind me. They've done an outstanding job, once
5 we get to the numbers, at doing the reporting and
6 turning it over to the Gaming Control Board. Some of
7 the things that we focus on is a good faith effort,
8 which many of you are familiar with when you look at
9 your own report, which is outstanding by the way. And
10 how you guys got to those numbers and overall
11 commitment of good faith effort. I think the
12 Commonwealth of Pennsylvania, by making it much easier
13 for minority and women that own business to register
14 by self-certification has helped and will help in the
15 future. And I think you'll see even those numbers go
16 up. When you look at the team that we're working
17 with, the diversity team, senior management at Presque
18 Isle Downs, I've talked about Jennifer Se and Rita
19 Smith, but with us today is Debbie Howl and Rosemary
20 Williams who have leadership roles at Presque Isle who
21 helped with this diversity plan.

22 The demographics at Presque Isle are
23 very interesting, and one of the things that I think
24 that is most interesting is that 40 percent of the
25 workforce is women at Presque Isle Downs. And when

1 you look at it, 95 percent of it is from the Erie
2 County and the region. So, when you look at it
3 demographically by race, when you think about it, the
4 region is made up of five percent persons of color.
5 When you look at Erie County, 13 percent is of color.
6 But when you look at their numbers of employees, 20
7 percent of the workforce is persons of color compared
8 to the region, which is basically the three counties
9 made up of five percent persons of color.

10 The community outreach, how we got to
11 some of these numbers of 20 percent participation is
12 obviously the good works of Jennifer Se and her team
13 and Jeff Favre conducting job fairs and outreach
14 sessions throughout the region. We also participate
15 in a lot of local and charity events, in fact we just
16 recently participated with the Dr. Martin Luther King
17 Center, which is probably one of the premier minority
18 organizations in Erie. We are lead sponsors in two of
19 their events, in fact we're probably going to be one
20 of three. And we're trying to position ourselves in
21 organizations, even on Boards, to be more interactive
22 with the community.

23 The MBE/WBE outreach sessions, whether
24 it's job fair or participation in work or contracting,
25 is really trying to work with those entities who wish

1 to do business with Presque Isle and help them and
2 show them how they can get involved and learn how to
3 do business with Presque Isle Downs. And at this
4 time, I'll turn it back over to Jeff.

5 MR. FAVRE:

6 Thank you, Fred. Our charitable
7 contributions and community outreach, I can tell you
8 that one of the first things I was tasked with upon my
9 arrival from Mr. Billhimer was to put a renewed
10 emphasis and focus on community outreach. And I
11 think, you know, immediately went to task on that.
12 And one of the things that we recognize is that we
13 wasn't recording and disclosing all of our charity
14 outreach efforts, or community outreach efforts,
15 properly. So, we disclosed restated numbers, which
16 are in front of you now. In 2011 the amount was
17 \$85,818, 2012 \$89,587, in 2013 \$175,360. I can tell
18 you that we're extremely focused on the community and
19 we'll continue to be focused. And without a doubt, be
20 a good community partner. So, that pretty much
21 concludes our presentation. Thank you very much for
22 this opportunity and we'll turn it back over to Mr.
23 Diehl.

24 ATTORNEY DIEHL:

25 Yeah. And while that concludes the

1 speakers that we have set up, I did want to address an
2 administrative issue with respect to the stipulations
3 that we and OEC had executed earlier today with
4 respect to acknowledging two prior Liquor Control
5 Board violations since our last renewal of 2011. We
6 simply wanted to indicate that the violations took
7 place at the end of 2010, it was November 2010, and
8 one in January of 2011. Each incidence, one concerned
9 serving alcohol to a minor and the other was serving
10 alcohol a few minutes before the starting time on
11 Sunday of 11:00 a.m.

12 We simply want to acknowledge that the
13 corrective actions we would take, as you imagine, was
14 to retrain our employees. We have not received
15 violations since and we are in good standing with the
16 Pennsylvania Liquor Control Board in all respects. We
17 take those type of things seriously and wanted to put
18 that out there. So, with that said, that would be the
19 conclusion of our initial presentation. We'd hand it
20 over to OEC for any type of Cross that they would deem
21 appropriate.

22 PRESIDING OFFICER:

23 Mr. Miller.

24 ATTORNEY MILLER:

25 Good morning, Director Lloyd, Chairman

1 Ryan, members of the Board. Dustin Miller on behalf
2 of the OEC, M-I-L-L-E-R. Let's start at slide six and
3 seven where you have your competitors listed on there.
4 And one of the ones you have listed on there is the
5 potential Lawrence County Racino. Do you know off
6 hand, whoever most appropriate, do you know off hand
7 how far away the Lawrence County Casino would be?

8 MR. FAVRE:

9 I'm going to make an assumption here. I
10 will not say it is 100 percent accurate. But if you
11 look on slide seven, when you look at Penn National at
12 99 miles, I think you're probably looking at a 20 to
13 15 mile difference to Lawrence County. So, I think
14 that it would be reasonable and fair to assume that
15 the distance would be somewhere around 79 miles.

16 ATTORNEY MILLER:

17 Thank you. And now I want to turn our
18 attention to slide 11. That deal with the average
19 employee headcount. And I would like to ask you, if
20 you know off hand, what is the breakdown between full-
21 time and part-time employees?

22 MR. FAVRE:

23 I do not have the precise amount. But I
24 can tell you that without a doubt the majority are
25 full time. As far as full time equivalents or FTEs,

1 currently we're about 755 full-time equivalents. I
2 would without a doubt be willing to say that the
3 lion's share is full time.

4 ATTORNEY MILLER:

5 I guess from the range of this slide,
6 2011 to 2014, has there been any more shift towards
7 part-time or has it pretty much been steady?

8 MR. FAVRE:

9 It's probably unfair to make a comment
10 prior to my arrival, being that I wasn't here. So, I
11 think it would be unfair for me to say. I can tell
12 you that, you know, we will always have a need for
13 part-time employment in regards to being able to
14 adequately and properly manage our business. So,
15 there will always be that need. I can tell you also
16 that in the event that a part-time employee does work
17 full-time hours, that we will certainly place them in
18 a full-time position. Therefore, offering benefits
19 available to them and I think that focus will not
20 shift or change from what I previously stated and we
21 will continue with that same position moving forward.

22 ATTORNEY MILLER:

23 That does feed into that next question,
24 the full time employees are granted benefits?

25 MR. FAVRE:

1 They are offered to them, some do not.
2 But we certainly have a very competitive package and I
3 would say that without a doubt most of our employees
4 do take advantage of that. Some may not because they
5 may have a significant other or a spouse that, you
6 know, has a plan that they participate with another
7 company that could be a better plan so they take
8 advantage of that. But full-time certainly does take
9 advantage of it, and it is very competitive.

10 ATTORNEY MILLER:

11 And so then it would be correct to say
12 that part-time employees do not have benefits
13 available?

14 MR. FAVRE:

15 No, they do not.

16 ATTORNEY MILLER:

17 The next area I want to go to will on
18 slide 21, and that's regarding the horse racing
19 component. I see on there that you make reference to
20 building four additional barns and also some upgrade
21 of the barns, and also that you're spending an
22 additional \$330,000 on upgrades to the barns. Are
23 there any plans right now to build any more barns?

24 MR. FAVRE:

25 We are currently in compliance with our

1 agreement with the Horse Racing Commission. We are
2 currently really going to look at the competition as
3 it comes in, you know, the crop pull has certainly
4 been down with Austintown, Hollywood Mahoning Valley
5 coming in, we're just going to take and try and
6 understand the market better to make a decision
7 whether or not it makes sense to build the barns. The
8 commitment at this time is neutral, meaning that we
9 have not decided one way or the other. So, I think
10 it's going to take some time for it to shake it out.
11 The understanding, I believe, was we would revisit the
12 issue or the matter at the first of the year and make
13 a determination at that time what we will do moving
14 forward.

15 ATTORNEY MILLER:

16 But at this time, the Horse Racing
17 Commission is fine with your position?

18 MR. FAVRE:

19 Yes, sir.

20 ATTORNEY MILLER:

21 Also along the lines regarding horse
22 racing, several days ago an article came out that the
23 number of break downs of the horses participating in
24 races at Presque Isle Downs increased from 2013 to
25 2014. And I'd like you to address that at this time.

1 Is there any specific reason for that, that you know
2 of?

3 MR. FAVRE:

4 We had 1.7 injuries per 1,000 starts,
5 which is still below the national average, but however
6 is up over the previous year. I'm probably not the
7 best to speak in regard to this, because I'm not the
8 expert when it comes to horses, but I can tell you
9 that I am not aware of any definitive reason why that
10 would be the case, and maybe it's coincidental, I'm
11 not exactly sure. But I don't know, I can defer to
12 Rosemary or Debbie, who was sworn in earlier, if
13 they'd like to speak to it.

14 MS. WILLIAMS:

15 In looking at the breakdown, you have to
16 take a lot of in half. The state veterinarian would
17 probably be the best person to talk to about that.
18 But it depends on the horse's age, how many races
19 they've run. So, there's a lot of analysis that goes
20 into that. Like Jeff said, Presque Isle Downs is
21 still under the national average, which is 1.9. So,
22 the surface to the state's surface, it's an --- of the
23 best synthetic surfaces in the county.

24 ATTORNEY MILLER:

25 And I did see that in the article, that

1 it did point out that Presque had a synthetic surface.

2 ATTORNEY DIEHL:

3 Just briefly, if I may interject for the
4 record, that was Rosemary Williams, the Director of
5 Racing.

6 ATTORNEY MILLER:

7 Okay. Now let's go back to the slides,
8 I guess slides eight and nine. Those slides pretty
9 much go to the competition that you guys are facing in
10 this area from other casinos. At this time, could you
11 address what future plans you might have to compete?

12 MR. FAVRE:

13 Sure, absolutely. I think that first
14 I'd like to make the comment that some of those plans
15 have already been put into place and most recently we
16 have seen improved results. I also would like to add
17 that by no means are we out of the woods yet or
18 completely turned the corner, we certainly have a lot
19 of work left ahead of us and will continue to battle
20 and fight for our fair share of market share back.

21 I think it comes to, you know, first
22 really pulling the team together to focus on one goal,
23 one objective, working in harmony to accomplish that
24 goal. Trying to get 900 people on the same page and
25 doing that is not such an easy task, one that I take

1 extremely serious and one that I certainly believe the
2 team at Presque Isle is certainly ready and engaged to
3 do it. I think the other is, you know, we have to put
4 a renewed focus on our local market, primarily Erie
5 County.

6 I think earlier, as Mr. Carano stated,
7 the population of Erie County being 280,000 and being
8 the only casino in the market that does present
9 opportunity and potential for us. And I think that
10 building a wall around Erie County, so to speak, to
11 protect that business is extremely important for us.
12 And, you know, the marketing efforts have to become
13 very laser focused, very targeted with a consistent
14 program in place that people will respond to. And I
15 think we have to bring some out of the box thinking,
16 some creative ways of doing things that allows us to
17 recapture market share.

18 You know, the competition is only
19 getting more intense so that's not going away.
20 They're going to be fighting for the same customers as
21 us, so the ones that can be more effective are the
22 ones that can, you know, be first of mind, top of mind
23 awareness. And has a consistent program that people
24 will want to continue to respond to. And I think that
25 will certainly help us turn the corner and recapture

1 some of the share that we have lost. In fact, I think
2 that we've already started doing that, but again we
3 certainly have a long ways to go.

4 ATTORNEY MILLER:

5 It's noted in your slides that the
6 Austintown Penn National Casino opened, I believe in
7 September of this year.

8 MR. FAVRE:

9 September 17th.

10 ATTORNEY MILLER:

11 Have you felt any effect from that so
12 far?

13 MR. FAVRE:

14 It's really probably premature to say
15 because there's so much that is going on in the market
16 when you look at everything. If I had to put a number
17 to it, at this point in time it would very difficult
18 to do, but probably a one percent impact.

19 ATTORNEY MILLER:

20 Okay. Now the last question I have here
21 is regarding the final part of your presentation, the
22 Liquor Control violations. Attorney Diehl, do you
23 know off hand, is there a certain point where those
24 violations would fall off Presque Isle's record?

25 ATTORNEY DIEHL:

1 Yeah, I believe it's three. With
2 respect to the strikes, it's three years I believe.

3 ATTORNEY MILLER:

4 Three years. So, you would be getting
5 close to that this year, maybe this month?

6 ATTORNEY DIEHL:

7 That's correct.

8 ATTORNEY MILLER:

9 All right. At this time I don't have
10 any further questions.

11 PRESIDING OFFICER:

12 Mr. Diehl, do you have any questions for
13 your people?

14 ATTORNEY DIEHL:

15 No Redirect. And from a procedural
16 standpoint, I'll leave it to the Hearing Officer's
17 discretion, we can either move for the admission of
18 our presentation into evidence now, or we can reserve
19 until the end of OEC's presentation.

20 PRESIDING OFFICER:

21 OEC, any objection to the PowerPoint?

22 ATTORNEY MILLER:

23 We don't have any objection.

24 PRESIDING OFFICER:

25 Okay. We'll enter that as PID Exhibit

1 Number One to the hearing.

2 (PID Exhibit One marked for
3 identification.)

4 PRESIDING OFFICER:

5 And do any of the Board members have
6 questions? We'll start with Mr. Woods.

7 MR. WOODS:

8 If I could draw your attention to page
9 28 on charitable contribution, just a couple questions
10 and a clarification. I believe you said in your
11 testimony that you've restated the numbers based on
12 now capturing all that you were doing in the
13 community.

14 MR. FAVRE:

15 Yes, sir.

16 MR. WOODS:

17 Are these the numbers that have been
18 recaptured?

19 MR. FAVRE:

20 Yes, these are the restated new numbers
21 that we have disclosed that was part of the diversity
22 report that was just released by you all.

23 MR. WOODS:

24 And does El Dorado as a whole, and maybe
25 you'd be the better person to answer it, have a target

1 number versus revenue for community outreach
2 charitable contributions, and how does this number, I
3 guess in 2013, \$175,000 compare to some of your other
4 facilities around the county?

5 MR. CARANO:

6 Commissioner, I don't have an exact
7 number per property. But I would tell you that our
8 family is very involved in every community that we're
9 in, not only from family members, like I said my
10 brother Greg will be moving to the region. And Greg
11 will definitely be participating with the local
12 communities, not only in the charitable situation but
13 in all aspects of the community in the same way in
14 Shreveport and in the same way in Reno.

15 So, we are an engaged family and we
16 definitely understand the importance of having a
17 sincere environment with the community instead of the
18 opposite. So, I don't have the exact numbers, to
19 answer your question specifically, but I want you to
20 understand the culture of our family and of the El
21 Dorado history, that we are very, very involved in our
22 communities.

23 MR. WOODS:

24 With the restated numbers, seeing about
25 an \$85,000 increase in the last year, I did not know

1 if that reflected a desire to move towards a certain
2 percentage of revenues or something to that effect.
3 Why has that changed, obviously in the positive
4 direction? But I was just wondering why that took
5 place.

6 MR. CLARK:

7 The change came up because we were
8 calculating it wrong, how we were --- the numbers.
9 So, that's probably the biggest reason. The second
10 reason is that Mr. Billhimer and Jeff clearly
11 understood that we had to do significantly more, that
12 that was not acceptable. And another reason is
13 because the three elected officials clearly brought it
14 to our attention, Representative Fabrizio, Senator
15 Wiley and Brian Rosario, Representative Rosario,
16 certainly wanted to help us identify that this number
17 needed to be increased.

18 And I think what you'll see is two
19 things, one that number not only will increase but
20 what I've come to learn, I think in diversity, no
21 matter what type of plane you have, if the person at
22 the time isn't committed to it you're not going to get
23 to that number. And I can tell you in the short
24 period of time that I've worked with the Caranos I'm
25 totally convinced that this number will be even

1 greater. And at the top, it has to start. And I've
2 not met, of all my clients that I've worked with, the
3 Caranos really, really believe at the top that this is
4 important with any organization.

5 MR. WOODS:

6 Thank you. And this last question,
7 knowing that there's something called snow up here
8 quite often any plans on building a garage associated
9 with the facility?

10 MR. CARANO:

11 Obviously we are familiar with weather
12 out in the west, even though we have droughts. But
13 specifically, no. We haven't had the opportunity yet
14 to really put our arms around Presque Isle to
15 determine how important various attributes of
16 potential amenities. Non-gaming amenities, as you all
17 know, are a driving force in our industry these days.
18 It's just not about slot machines and table games and
19 poker tables. Obviously amenities that we are looking
20 at, it all depends on revenue and a parking garage is
21 one. We make our own wine, we roast our own coffee,
22 we make our own pasta. Our pasta will be shipped out
23 here.

24 A parking garage is definitely on the
25 list of amenities. Prioritization, we haven't had

1 that opportunity yet. We make our own beer in Reno,
2 Nevada. So, a microbrewery, whether or not we make
3 our own beer or brand, branding is very important.
4 And it's named Brew Brothers after four brothers, and
5 it upset our sister but my dad's wife, in charge of
6 marketing, made that decision so I skated on that one.
7 But branding is very important and we might bring our
8 Brew Brothers. But as far as the specific question to
9 garage, no we haven't had that specific discussion
10 about where are we going to put our dollars so that we
11 can get our best return on our investments.

12 MR. WOODS:

13 Thank you. No further questions.

14 MR. MCNALLY:

15 Just briefly, I'd like to congratulate
16 you. Quite frankly, with seeing the challenges that
17 you faced the last two years, how it's affected your
18 GGR, I'm very impressed with your commitment to your
19 employees. And while we see this arrow going this
20 way, we see your commitment to the community increase,
21 and I'd like to congratulate you. I don't know if you
22 have a relationship with the local food bank, but
23 being from a family that's in the food industry a
24 couple of us commissioners were at the casino last
25 night and had a wonderful buffet there. The question

1 was asked what do you do with all this food? I know
2 there are legal challenges and hurdles that you have
3 to overcome but I perhaps would like to see more of an
4 increase in your in-kind contributions to the local
5 community food bank ---.

6 MR. CARANO:

7 We appreciate that. And just a follow
8 up on that, I think that from the brief diligence
9 we've done in this last year, one culture that we have
10 in our family and our company is not to turn over
11 management. Jeff's only been here six months and I
12 think that the property, as I understand it, has had
13 four general managers since it was built in 2007.
14 Jeff I think has done an outstanding job.

15 We come from an athletic family,
16 obviously Jeff comes from an athletic family and that
17 competition, that burning desire to compete, we really
18 appreciate it. And I think Jeff and his team --- we
19 had team rallies yesterday with our team members and
20 had a great reception from them. And I was one of the
21 speakers, and I felt comfortable with them and I felt
22 they felt comfortable with us, and I think that's a
23 testament to the stability that he is bringing to that
24 team. And as far as the food bank, absolutely we'd
25 love to look at that.

1 PRESIDING OFFICER:

2 Greg?

3 MR. FAJT:

4 Thank you, Linda. First of all
5 congratulations on your diversity numbers, that is
6 something that I and the Board pays particular
7 attention to. And your numbers are significant from
8 somebody who's from Western Pennsylvania and familiar
9 with the Erie area, those are great numbers. A couple
10 of questions on the charitable contributions, one for
11 OEC that I'll get to in a minute. But for you, can I
12 dig down a little bit deeper on how your charitable
13 numbers, to follow up on Commissioner Woods' comment,
14 how were they restated? Can you tell us what you did
15 differently?

16 MR. FAVRE:

17 If I remember correctly, and Rita, she
18 can correct it.

19 MR. FAJT:

20 Could you please stand up, introduce
21 yourself and answer the question?

22 MS. SMITH:

23 Rita Smith. Yes, what had happened was
24 there was different --- company that was going to ---
25 that was preparing the charitable contributions. And

1 sometimes it's the question you ask, so they asked for
2 charitable contributions, which we didn't have any ---
3 on the C-3s. And so --- and they reported. And they
4 missed the community outreach and the in-kind
5 donations. And so it was brought to my attention
6 earlier that our numbers were off. And when we went
7 back and started doing research, we found that the
8 numbers reported were incorrect. I contacted --- we
9 went through the process, we restated all the numbers
10 correctly and then we moved that reporting process to
11 the county. So, there's no confusion as to what ---.

12 MR. FAJT:

13 So, is it fair to say your restated
14 numbers would include an hourly wage or does it
15 include volunteer efforts. So, if Mr. Favre goes out
16 and attends a Board meeting for the United Way of
17 Erie, is his allocable share of salary in that number?

18 MS. SMITH:

19 No.

20 MR. FAJT:

21 Okay.

22 MS. SMITH:

23 It is not. We don't include employee
24 hours, we include employee contributions, as an
25 example the community food bank, we run a huge

1 campaign for them, the community food bank up here
2 beginning in November for our customers to contribute,
3 for our employees to contribute. And I don't remember
4 the number, but --- the contribution. This is
5 Jennifer Se, Director of Marketing.

6 MS. SE:

7 We do a promotion every year where we
8 ask employees to bring in two cans of ---. We have
9 been a leading contributor every year to the food
10 bank, several tons a food are collected and sent to
11 the food bank every year.

12 MR. FAJT:

13 So, is the free play that you give out,
14 is that included in your contribution?

15 MS. SE:

16 No.

17 MR. FAJT:

18 Okay. Just trying to get to the bottom
19 of the number. Thank you. Question for OEC, my last
20 question, do we have a bellwether or a benchmark of
21 charitable contributions from other casinos based on
22 their GTR? The number \$175,000 quite frankly looks
23 low to me. I would think that it's significantly
24 lower than other casinos in the Commonwealth. So, I'm
25 just trying to get an apples to apples comparison, so

1 could I just ask if you or somebody in our
2 organization could go back and look at the charitable
3 contributions of other casinos and maybe use it as a
4 percentage of their GTR, just so we can get a better
5 feel for how PID compares to other casinos.

6 ATTORNEY MILLER:

7 Okay.

8 MR. FAJT:

9 Thank you. Thank you, Linda.

10 MS. KAISER:

11 Just two quick questions. Going back to
12 the parking, can you tell me how many parking spaces
13 that you do have available and how many spaces are
14 handicapped?

15 MR. FAVRE:

16 Sorry about that, I was looking at the
17 previous question ---

18 MS. KAISER:

19 No problem at all.

20 MR. FAVRE:

21 --- in regards to the donations as a
22 percentage to gaming revenue. The specific parking
23 spaces, I don't have a specific number. I can tell
24 you that we certainly have more handicap parking
25 spaces than we're required to have. In fact, I called

1 the guest yesterday morning who wrote me a letter and
2 she had several things to, not necessarily complain
3 but, make suggestions or recommendations that we can
4 do to improve. One of them was to assign parking for
5 large SUVs, truck, large trucks to a specific area.
6 And why do we have so many darn handicap parking
7 spaces.

8 So, in speaking with her, you know, I
9 said that we do have more handicap parking spaces than
10 we're required to have as well as that we also offer
11 free valet to those guests certain days of the week.
12 She's also a gold member whom we offer free valet to,
13 which she was aware of but she still wanted to make
14 the statement that we need to have the parking for
15 large SUVs and trucks be specific to one area. She
16 still was adamant about that. But the point being
17 that we do have more handicap parking spaces than
18 we're required to have.

19 MS. KAISER:

20 Okay. Thanks. Just another quick
21 question, every casino has this issue to a degree.
22 But how do you handle the issue of minors trying to
23 enter the property, and is that something you
24 frequently encounter?

25 MR. FAVRE:

1 I don't want to say that we have it
2 frequently but it does happen often. I can tell you
3 that our focus on it is without a doubt at the highest
4 urgency, we take it extremely serious. In fact, we
5 routinely bring it up and remind ourselves that we
6 can't become complacent, because all it takes is, you
7 know, that one event or that one circumstance that
8 gives us a black eye. And it's one that we certainly
9 don't want to have.

10 For the most part I'd say that we do a
11 pretty darn good job. For the individual that is
12 trying to be cunning or deceiving, that might make it
13 a little bit more difficult at times, but I believe
14 that our controls and checks are in place that allows
15 us to pretty much identify and prohibit that from
16 happening without a doubt the majority of the time.

17 MS. KAISER:

18 And you utilize technology to check the
19 IDs, identifications?

20 MR. FAVRE:

21 Yes, ma'am.

22 MS. KAISER:

23 Okay. Thanks.

24 MR. MOSCATO:

25 Just a request and a quick question.

1 The request would be, could you provide to the Board a
2 list of your charitable contributions and amounts?

3 MR. FAVRE:

4 At this moment in time, I can't.

5 MR. MOSCATO:

6 No, at your convenience.

7 MR. FAVRE:

8 Absolutely, we can certainly be more
9 than happy to provide that to you all.

10 PRESIDING OFFICER:

11 And Mr. Diehl, if you just send that in,
12 the Board clerk will distribute it to the Board.

13 ATTORNEY DIEHL:

14 Yeah. Just a follow up on that point,
15 we can certainly do so. And that dovetails very
16 nicely with Commissioner Fajt's comment early with
17 respect to tracking charitable contributions against
18 the benchmark, such as gross casino revenue. Mr.
19 Favre handed me a spreadsheet, it appears that we do
20 that internally. What I expect to do is, perhaps I
21 recommend sharing that with OEC so we can vet that
22 information, make sure it's accurate and submit that
23 to you as well. And I believe it will show that we
24 are competitive.

25 MR. MOSCATO:

1 Thank you for that. And the question I
2 had, of the 95 employees that your contingent has been
3 reduced by, was that done by firing, by layoff, by
4 attrition or a combination?

5 MR. FAVRE:

6 I'd probably say it's certainly a
7 combination, but the majority of it has been done
8 through attrition.

9 MR. MOSCATO:

10 Thank you.

11 PRESIDING OFFICER:

12 Either counsel have any follow up after
13 the Board's questions?

14 ATTORNEY DIEHL:

15 We do not.

16 PRESIDING OFFICER:

17 Okay. I have one housekeeping matter
18 before we move on to do our OEC. The Board has
19 received four written public comments, one from the
20 Pennsylvania Horseman's Benevolence Association
21 Protective Association in support of the renewal. And
22 three public comments from individuals who apparently
23 have problems with the smoking in your casino. So,
24 you might want to take a look at these. I'll send
25 them to your counsel and address these. And I think

1 one woman, and she might be the one you referenced,
2 has some problems with your handicap parking.

3 MR. FAVRE:

4 Could very well be.

5 PRESIDING OFFICER:

6 So, we'll enter those into the record as
7 Hearing Exhibit Number One.

8 (Hearing Exhibit One marked for
9 identification.)

10 PRESIDING OFFICER:

11 And I'll distribute those to counsel
12 when I get back to Harrisburg tomorrow. So, OEC.

13 ATTORNEY MILLER:

14 Thank you. At this time we'd like to
15 call our first witness, Sergeant Christopher Bush.

16 -----

17 CHRISTOPHER BUSH, HAVING BEEN PREVIOUSLY SWORN,
18 TESTIFIED AS FOLLOWS:

19 -----

20 DIRECT EXAMINATION

21 BY ATTORNEY MILLER:

22 Q. Good morning, Sergeant Bush. Can you identify
23 yourself for the record, please?

24 A. I'm Sergeant Christopher Bush, the Office
25 Commander of Presque Isle Downs Casino Gaming

1 Enforcement Office for the Pennsylvania State Police.

2 Q. How long have you been with PSP, Sergeant Bush?

3 A. Over 18 years.

4 Q. Let's go into the role of Pennsylvania State
5 Police at the licensed facility. What's the
6 jurisdiction that Pennsylvania State Police has at
7 Presque Isle Downs?

8 A. The defined jurisdiction is anything that's on
9 the carpeted gaming floor and any of the ancillary
10 areas that you can only access by going across a
11 carpeted gaming floor. We at our casino, we actually
12 cover a little bit more than that. We cover the
13 buffet, we cover the back patio where the horseracing
14 is, and most criminal incidents that happen in the
15 parking lot. Also, the clubhouse upstairs.

16 Q. You do extend out into the parking lot?

17 A. We do extend out in the parking lot but Troop E,
18 Erie actually covers like any traffic accidents out in
19 the parking lot. And they have covered some criminal
20 incidents out in the parking lot.

21 Q. At this time I want to talk about the Uniform
22 Crime Reporting system. Are you familiar with that
23 system?

24 A. Yes, I am familiar with the Uniform Crime Report.

25 Q. I see our staff has put a slide up there on the

1 projector, is that the Uniform Crime Reporting system?

2 A. Yes, it is.

3 Q. Which agency compiles the information contained
4 in that system?

5 A. The agency that compiles the information
6 contained in that system would be the FBI. But as far
7 as the compilation at each particular area, like our
8 office compiles our stats and then we enter them into
9 the computer.

10 Q. Is this available to the public?

11 A. It is available to the public. You can get to it
12 by going through the Pennsylvania State Police
13 website. There's a link that takes you to Uniform
14 Crime Reporting.

15 Q. Now just take a look at this slide, Sergeant
16 Bush, what are we looking at right there on that
17 slide?

18 A. On that, the Uniform Crime Report is broken down
19 into types of crimes. And as you can see there, the
20 first one is, they're broken into two parts. The
21 first one you see, larceny/theft, that covers actually
22 a wide variety of thefts that occur. And then part
23 two, you have your other assaults that aren't
24 aggravated, forgeries, fraud, vandalism, drug
25 possessions, drug sale manufacturing. Liquor law,

1 which would be like underage drinking, public
2 drunkenness, disorderly conduct, other offenses that
3 aren't specifically classified in the first range of
4 offenses, and those actually have a UCR of 260, just a
5 classification code that they use.

6 Q. Now that particular slide that we're looking at,
7 what time period would that be for?

8 A. That would be for 2011. It also has the prior
9 year, which would be 2010.

10 Q. And how frequently is the information on the UCR
11 updated?

12 A. We are required to input it into the system
13 monthly, it's required to be up in by the 10th of each
14 month.

15 Q. And can that information entered in later?

16 A. Yes, it can. If for some reason we became aware
17 of an incident that had occurred in the prior month,
18 like this being October, let's say it's October 12th.
19 Our UCRs for the month of September have already been
20 input. But somebody reports a crime that occurred
21 back in September or even August, we can go back and
22 add that to the August UCRs.

23 Q. And can the number of offenses be reduced later?

24 A. The number of offenses reported cannot be
25 reduced. I think you're referring to the one question

1 as far as unfounded. The number of offenses reported
2 still stay the same, but the number of actual offenses
3 that occurred changes. So, if we find a report to be
4 an unfounded report, let's say someone tells us they
5 had something stolen from them and during our
6 investigation we find out it didn't actually get
7 stolen, that they never lost it or anything, they're
8 making a false report, we would classify that as an
9 unfounded report. But the report still stays on the
10 UCR as being reported to us, it just doesn't stay as
11 an actual offense.

12 Q. Do you manually put this information into the
13 UCR?

14 A. No, actually one of corporals puts the
15 information into the UCR.

16 Q. But it is manually inputted in, it's not like a
17 program that automatically fills it in?

18 A. Correct, correct. As he corrects the reports, he
19 does what we call UCR them, and then he writes
20 everything on a sheet and then he inputs that stuff
21 into the computer.

22 Q. Rich, could you flip to the next slide? I'm just
23 going to run through these pretty quick. Could you
24 tell us which one that is?

25 A. That is 2012, and once again it shows like a

1 comparison to 2011, the year prior.

2 Q. Now can you go into the next slide, too? And
3 then the last one. Now on that one, that one is a
4 little different. It says year to date August 2014.

5 A. Correct.

6 Q. Is that the most up to date one that would be
7 available, or would September's actually be available
8 at this point?

9 A. I don't believe September's would be available
10 until September 10th.

11 Q. Now you've reviewed all those ---.

12 A. I mean October 10th, I apologize.

13 Q. Yeah. You've reviewed all those slides, you
14 know, previously. Is there any trends that you could
15 decipher out of those?

16 A. As far as any trends, I would say no. The number
17 of thefts have increased, but also the number of
18 forgeries have decreased. And it changes, it
19 fluctuates from year to year. It just depends on
20 whether people --- a lot of times people don't even
21 report when they have something stolen. So, I think
22 that depends on the actual victim and the reports
23 coming in to us.

24 Q. Was there a significant number of violent crimes
25 of Presque Isle Downs?

1 A. Definitely not.

2 Q. How about crimes involving people under the age
3 of 21?

4 A. No, there actually is not. I've been the Office
5 Commander at Presque Isle Downs and Casino since the
6 end of April 2013 and I can count on one hand, I
7 think, the number of underage offenses.

8 Q. Is there any conclusion that you can draw based
9 upon the crime statistics of different licensed
10 facilities in Pennsylvania based on the data contained
11 in the UCR?

12 A. It definitely goes with the population and the
13 amount of people that are coming in. Prior to being
14 the Office Commander at Presque Isle Downs and Casino,
15 I was the Office Commander at Rivers, which I believe
16 is probably the busiest casino in the State, and they
17 have a lot more crimes, have a lot more thefts, a lot
18 more ---.

19 Q. I'm going to circle back, the Pennsylvania State
20 Police, do you guys work with the casino staff and
21 also the bar staff casino compliance representatives?

22 A. Uh-huh (yes).

23 Q. And do you have any problems there, any problems?
24 You have a working relationship with either of those
25 groups?

1 A. No, actually I get along really well with the
2 Presque Isle Downs and Casino staff. We have a great
3 working relationship, anything they need they ask me
4 and I do my best of comply and get them whatever they
5 need. And it works vice versa. They do the same for
6 me if I need something. As far as with the Gaming
7 Control Board, we have a great working relationship
8 with them. I mean, our offices are actually adjoining
9 and I talk to those folks every day.

10 Q. Finally, are there any issues or concerns that
11 you have that would negatively impact the suitability
12 of Presque Isle Downs?

13 A. No, I have no concerns or anything negative to
14 say about them.

15 ATTORNEY MILLER:

16 Thank you, Sergeant Bush. I don't have
17 any further questions for you.

18 PRESIDING OFFICER:

19 Mr. Diehl, any questions?

20 ATTORNEY DIEHL:

21 We have no Cross either, thank you.

22 A. Okay. Thank you.

23 PRESIDING OFFICER:

24 Hold on just one second.

25 A. I apologize.

1 PRESIDING OFFICER:

2 Any of the Board members have a question
3 for Mr. Bush? Okay.

4 CHAIRMAN RYAN:

5 Just one question. Does the troop have
6 general jurisdiction in Summit Township?

7 A. Yes, the Troop E, Lawrence Park Barracks, Erie
8 Barracks as they call it, does have jurisdiction
9 outside the casino, which is in Summit Township. They
10 cover all of Summit Township.

11 CHAIRMAN RYAN:

12 In other word, Summit Township does not
13 have its own police department; correct?

14 A. No, they do not have their own police department.

15 CHAIRMAN RYAN:

16 All right. Thank you, sir.

17 A. No problem.

18 PRESIDING OFFICER:

19 Okay.

20 ATTORNEY MILLER:

21 At this time I'd like to call Agent Tom
22 Smith to the stand, please.

23 -----
24 TOM SMITH, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED AS
25 FOLLOWS:

1 -----
2 DIRECT EXAMINATION
3 BY ATTORNEY MILLER:
4 Q. Good morning, Agent Smith.
5 A. Good morning.
6 Q. Could you state your full name and spell your
7 last name for the record, please?
8 A. Tom Smith, S-M-I-T-H.
9 Q. And what's your title?
10 A. I'm an investigator with the Pennsylvania Gaming
11 Control Board, Bureau of Investigation Enforcement
12 (BIE).
13 Q. And how long have you held that position?
14 A. Approximately eight years and nine months.
15 Q. And what ---?
16 BRIEF INTERRUPTION
17 BY ATTORNEY MILLER:
18 Q. Could you go through some of your job
19 responsibilities as an agent for BIE?
20 A. BIE performs background investigations on
21 individuals and entities applying for gaming licenses,
22 permits or certifications. And in addition, there are
23 miscellaneous investigations related to casino
24 activities that BIE investigates.
25 Q. In your professional capacity, have you been

1 involved in the investigation of Presque Isle Downs
2 renewal application?

3 A. I have.

4 Q. And at this time is that background investigation
5 complete?

6 A. It is not.

7 Q. And just generally, can you tell us what the
8 scope of a typical renewal investigation is?

9 A. Well a typical renewal investigation is about a
10 three-year period. The investigator examines the
11 Applicant's criminal history, civil litigations, see
12 if they have any liens or judgments filed against
13 them. They check the regulatory compliance, see if
14 they made any political contributions, specifically in
15 Pennsylvania, see if they filed for any bankruptcies.
16 We checked their finances through a credit report and
17 a cash flow analysis and/or net worth analysis, and
18 make sure they're current with all their taxes.

19 Q. Now you do that for entities and principals.

20 A. Correct.

21 Q. And affiliates?

22 A. Correct.

23 Q. Tell us what tools do you use.

24 A. Some of the tools that we use, we do open source
25 database searches, we use credit reports and we have a

1 form we send to the FBI to check and see if they're in
2 the system. We just a 4506 form where we check to
3 make sure that they're federal taxes are filed, things
4 like that.

5 Q. Now for the individuals, do you do personal
6 interviews with those people?

7 A. We do.

8 Q. So far in your investigation, I realize it's not
9 complete yet, but so far has Presque Isle been
10 cooperative during the course of your investigation?

11 A. Yes, they have.

12 Q. And for our edification, after your
13 investigation's complete, what's the next step in the
14 process?

15 A. After the investigation's complete and we collect
16 all the information necessary, what we do is the
17 investigator writes an ROI, which is a report on
18 investigation. Then it's submitted to the
19 investigative supervisor and ultimately ends up with
20 OEC.

21 ATTORNEY MILLER:

22 Thank you, Agent Smith. I don't have
23 any further questions for the witness.

24 PRESIDING OFFICER:

25 Mr. Diehl?

1 ATTORNEY DIEHL:

2 I have no questions.

3 PRESIDING OFFICER:

4 Board members, any questions? Okay.

5 ATTORNEY MILLER:

6 My last witness today, I'd like to call
7 Jay Berthelsen to the stand, please.

8 -----

9 JAY BERTHELSEN, HAVING BEEN PREVIOUSLY SWORN,
10 TESTIFIED AS FOLLOWS:

11 -----

12 DIRECT EXAMINATION

13 BY ATTORNEY MILLER:

14 Q. Mr. Berthelsen, could you state your full name
15 and spell your name for the record, please?

16 A. Jay Berthelsen, B-E-R-T-H-E-L-S-E-N.

17 Q. Mr. Berthelsen, what's your title?

18 A. Senior supervisor for the Bureau of Casino
19 Compliance.

20 Q. How long have you been in that position?

21 A. Five years.

22 PRESIDING OFFICER:

23 Can you pull your microphone, one or the
24 other just a little bit? I know you have a big voice
25 but our poor court reporter over here is straining.

1 A. Sorry.

2 BY ATTORNEY MILLER:

3 Q. What are your job duties as a senior supervisor?

4 A. To oversee over 115 employees, to make sure our
5 relationship with all casinos are compliant with our
6 regulations and, you know, congenial.

7 Q. Can you provide the role of the Bureau of Casino
8 Compliance at a licensed gaming facility?

9 A. Sure. Under the purview of the Board and
10 direction of the Board, our mission is to protect to
11 the patron, which encapsulates security, surveillance,
12 24/7 patrol, if you will, of the casino floor.

13 Q. And who are the people that are actually in the
14 casino from your ---?

15 A. Casino representatives.

16 Q. And do they actually go out on the gaming floor
17 and patrol the gaming floor?

18 A. As much as they can, yes, sir.

19 Q. The Bureau of Casino Compliance, do they ensure
20 that the employees of Presque Isle Downs are properly
21 licensed?

22 A. On a continuing basis, yes, they do. A plethora
23 of duties, they get more and more as time goes by.
24 Yes.

25 Q. That would involve like checking the credentials?

1 A. Yes. All credentials need to be displayed in one
2 fashion or form.

3 Q. Does that go also for the vendors that come into
4 the casino?

5 A. The vendors are checked by security and by us to
6 make sure that they are in our database and are up to
7 date.

8 Q. Properly licensed?

9 A. Yes, sir.

10 Q. What kind of access does the Bureau of Casino
11 Compliance have within Presque Isle Casino?

12 A. We have unfettered access. We can go anywhere we
13 want, whenever we want. Wherever it requires us to
14 be.

15 Q. And how about with the patrons of Presque Isle,
16 or any casino, does the Bureau of Casino Compliance
17 have any interaction with the patrons?

18 A. Yes. Our paramount mission is to protect them
19 and to listen to them, and to answer as many
20 complaints --- resolve as many complaints as we can.
21 We take them to the casino, sometimes they go to us,
22 and so on and so forth.

23 Q. Now you're aware of the Board's self-exclusion
24 list, the ability of a patron to come in and put
25 themselves on the self-exclusion list. Is the Bureau

1 of Casino Compliance involved in that process at all?

2 A. On a continuing basis, I believe there's in
3 excess of 7,000 on the self-exclusions list right now.
4 And we do predominantly most of the intakes.

5 Q. So, when a patron comes in and wants to sign up
6 on the self-exclusion list, do you guys look for signs
7 of like intoxication or coercion or things of that
8 nature, make sure that the person wants to be on the
9 list?

10 A. It has to be 100 percent free will of the
11 individual that's asking for the exclusion, yes. It
12 can be nobody else other than a language situation.

13 Q. Then you would call in an interpreter or
14 something, if they need an interpreter.

15 A. That's correct.

16 Q. Mr. Berthelson, could you describe your
17 relationship with Pennsylvania State Police or Casino
18 Compliance?

19 A. Well with my former career, I'd like to assume we
20 are their brothers in arms. We cooperate with them,
21 we help them out as much as we can and vice versa.

22 Q. And how about with Presque Isle Downs staff, do
23 you guys have a cooperative relationship with them as
24 well?

25 A. We have a very professional and cooperative

1 relationship, yes, sir.

2 Q. Have you been in a situation where you would find
3 a violation and need to do a compliance review, you
4 haven't had any problems with cooperation in that kind
5 of instance?

6 A. I believe they are more worried about that than
7 sometimes we are. They self-report and they are 100
8 percent cooperative.

9 Q. Is there any, you know, common or biggest
10 regulatory issue that comes up at Presque Isle?

11 A. They suffer the same challenges as the other 11
12 casinos across the state. They hold no monopoly on
13 any particular issue.

14 Q. Okay. And with that, is there any issues or
15 concerns that you have that would negatively impact
16 Presque Isle Downs' suitability for continued
17 licensure?

18 A. I have none and there's none known.

19 ATTORNEY MILLER:

20 Thank you, Mr. Berthelsen, I don't have
21 any further questions for you.

22 PRESIDING OFFICER:

23 Mr. Diehl?

24 ATTORNEY DIEHL:

25 I have no questions for Mr. Berthelsen

1 either.

2 PRESIDING OFFICER:

3 Okay. Any Board member? No, okay.

4 ATTORNEY MILLER:

5 I have a couple housecleaning matters
6 then at this time. I'd like to move into evidence the
7 slides of the UCR that have been marked as OEC Exhibit
8 Number One that Sergeant Bush testified to.

9 (Office of Enforcement Counsel Exhibit
10 One marked for identification.)

11 PRESIDING OFFICER:

12 Okay.

13 ATTORNEY DIEHL:

14 There'd be no objection to that.

15 PRESIDING OFFICER:

16 Okay.

17 ATTORNEY MILLER:

18 And then the final matter we have today,
19 we've entered into a Stipulation with Presque Isle
20 regarding a number of exhibits. I'd like to go
21 through that Stipulation right now and then move it
22 into evidence. We also received a letter from the
23 Horseman's Benevolent and Protective Association,
24 that's in OEC Exhibit Two.

25 (Office of Enforcement Counsel Exhibit

1 Two marked for identification.)

2 ATTORNEY MILLER:

3 Also, we've received a letter from the
4 Pennsylvania State Horse Race Commission, and that was
5 issued to Kevin Kyle, our Director of Racetrack Gaming
6 for the Gaming Control Board. And that states that
7 Presque Isle Downs is in good standing with the
8 Commission. And that's also included in OEC Exhibit
9 Two. We have received a letter from the Bureau of
10 Liquor Control Enforcement stating that there have
11 been two citations and adjudications against Presque
12 Isle since Presque Isle's Category 1 Slot Machine
13 License was last renewed, and that is included in OEC
14 Exhibit Three.

15 (Office of Enforcement Counsel Exhibit
16 Three marked for identification.)

17 ATTORNEY MILLER:

18 On September 24th, 2014, the Office of
19 Compulsive and Problem Gambling of the Pennsylvania
20 Gaming Control Board issued a memo of to the OEC
21 noting that Presque Isle has submitted a compulsive
22 and problem gambling plan, and that also Presque Isle
23 was currently in compliance with that approved plan.
24 That is marked as OEC Exhibit Four.

25 (Office of Enforcement Counsel Exhibit

1 Four marked for identification.)

2 ATTORNEY MILLER:

3 Since their last renewal, the OEC and
4 Presque Isle have entered into on Board approved
5 Consent Agreement, and we've attached that as OEC
6 Exhibit Five.

7 (Office of Enforcement Counsel Exhibit
8 Five marked for identification.)

9 ATTORNEY MILLER:

10 Presque Isle fully complied with it's
11 obligations under that Consent Agreement by paying a
12 \$5,000 civil penalty, among various other remedies,
13 including employee training. Since they were last
14 renewed, the OEC conducted two compliance conferences
15 at Presque Isle's facility, and that's attached as OEC
16 Exhibit Number Six.

17 (Office of Enforcement Counsel Exhibit
18 Six marked for identification.)

19 ATTORNEY MILLER:

20 That includes the compliance conference
21 memorandums and the responses thereto. And in each
22 instance, Presque Isle took corrective measures to
23 remedy the concerns of OEC with respect to each
24 compliance conference. And then finally, the OEC sent
25 Presque Isle 19 warning letters since the last time

1 they were renewed, and Presque Isle appropriately
2 responded to each and every warning letter. So, we'd
3 like to move that stipulation into the record.

4 (Office of Enforcement Counsel Exhibit
5 Seven marked for identification.)

6 ATTORNEY MILLER:

7 I would note that OEC Exhibit Six and
8 Seven and Eight, sorry. Six, Seven and Eight we'd
9 like to move in as confidential exhibits.

10 PRESIDING OFFICER:

11 What would Exhibit Eight be?

12 ATTORNEY MILLER:

13 Maybe it's me. Maybe the stipulation is
14 incorrect, then. Maybe it's included with OEC Exhibit
15 Number Seven.

16 PRESIDING OFFICER:

17 Okay.

18 ATTORNEY MILLER:

19 I'm sorry, sorry about that. So, Six
20 and Seven we would like to move in as confidential.

21 PRESIDING OFFICER:

22 All right. Mr. Diehl, any ---?

23 ATTORNEY DIEHL:

24 No objection to so moving. And if that
25 was the last matter that OEC was addressing with

1 respect to a stipulation, with leave of the Hearing
2 Office, it was brought to my attention at the close of
3 our presentation that one of our answers was
4 incomplete. So, if there's no objection from OEC, the
5 question was concerning the barn areas. I would like
6 to request our COO, Joe Billhimer, to clarify the
7 answer, and of course make him available for Cross
8 Examination if necessary.

9 PRESIDING OFFICER:

10 Okay. We'll finish this up and then
11 we'll have that. Any objections?

12 ATTORNEY DIEHL:

13 Thank you.

14 PRESIDING OFFICER:

15 Okay. We'll accept One through Seven
16 into the record, and Six and Seven are confidential.

17 ATTORNEY MILLER:

18 Thank you.

19 PRESIDING OFFICER:

20 Any further from OEC?

21 ATTORNEY DAVENPORT:

22 Yes, just one other housekeeping matter.
23 Nan Davenport, Deputy Chief Enforcement Counsel for
24 the OEC. With respect to the matter of the charitable
25 contributions, the Board's Office of Diversity does

1 have a report on that for all Pennsylvania Casinos.
2 And that report will be available --- we'll make it
3 available to both Presque Isle and the Board,
4 hopefully by tomorrow afternoon.

5 PRESIDING OFFICER:

6 Mr. Diehl?

7 MR. BILLHIMER:

8 Thank you, Chairman Ryan, Board members.
9 Joseph Billhimer, B-I-L-L-H-I-M-E-R. We currently ---
10 and I may have misheard it, we currently have an
11 agreement with the Racing Commission to build
12 additional barns. We are actually out pricing those
13 barns. Last year we did get an exemption to not build
14 those barns in lieu of doing some other improvements
15 to enhance the business of racing. And we would
16 anticipate working with Chairman Novak and Mr. Reimer
17 from the Racing Commission again this year to figure
18 out what's best for us going forward. And I wasn't
19 sure if maybe I misheard that we had no plans to build
20 barns. We actually do have plans, but the horse
21 population competition, Thistle, Northfield and the
22 increased purses there has definitely put some strain
23 on the racing piece of our business.

24 PRESIDING OFFICER:

25 Do you have follow up to his response?

1 ATTORNEY MILLER:

2 Yeah. Just a few questions. Do you
3 have any timetable for the decision to be made, or for
4 construction to begin?

5 MR. BILLHIMER:

6 Well, we're currently pricing the barns
7 and our obligation would be to build those barns in
8 2015 absent an agreement with the Racing Commission to
9 do something otherwise.

10 ATTORNEY MILLER:

11 And do you have a ballpark figure on how
12 many barns would be built?

13 MR. BILLHIMER:

14 Two.

15 ATTORNEY MILLER:

16 No further questions.

17 MR. BILLHIMER:

18 Thank you.

19 PRESIDING OFFICER:

20 Okay. And we will close that portion of
21 the hearing and move on to the public comment portion,
22 unless I hear from someone sitting up here we need a
23 break. No? Okay. If I could ask OEC to vacate your
24 table. Do you have a podium? Great. We'll give them
25 a second to do that. And I'll remind all the public

1 speakers, as I call your name if you can please come
2 forward to the podium and microphone they're setting
3 up. If you could begin your remarks by stating and
4 spelling your name for our Court Reporter. And I will
5 have her swear you in as a group shortly.

6 If you have written notes that you're
7 going to speak from, if you would give those to the
8 court reporter, the might help her greatly in the end.
9 And I'll remind everyone, elected officials have ten
10 minutes, community groups have five and individuals
11 have three. And we did not bring our little stop
12 clock, so if you're getting close to the end of your
13 time, I will let you know. So, if you have registered
14 to speak, if you could please stand and raise your
15 right hand to be sworn by the Court Reporter.

16 -----
17 WITNESSES SWORN EN MASSE

18 -----

19 PRESIDING OFFICER:

20 And we will start with Senator Wiley.

21 SENATOR WILEY:

22 Madam Chair, members thank you for the
23 opportunity to testify today. Again, my name is Sean
24 Wiley, W-I-L-E-Y. I proudly represent the 49th
25 Senatorial District here in Pennsylvania, within which

1 Presque Isle Downs and Casino is located. Today I'm
2 here to speak in support of the license renewal for
3 this establishment as it has a proven track record of
4 economic development enhancement in this region.

5 Between the hundred of millions of
6 dollars in investments, providing hundred of families
7 sustaining jobs and countless instances of community
8 involvement, Presque Isle Downs and Casino has
9 undoubtedly become an integral part of Erie County's
10 economic viability and sustainability over the years.
11 I want to briefly reiterate some of the numbers you've
12 already heard, because I believe that they're critical
13 to understanding the impact Presque Isle Downs and
14 Casino has in the 49th District and beyond. We're
15 talking about a local capital of investment of nearly
16 \$250 million, a payroll of \$135 million, not to
17 mention the more than \$700 million paid in gaming
18 taxes and fees, real estate taxes as well as sales and
19 uses taxes.

20 Since the addition of the gaming
21 facility, we have been able to attract a significantly
22 higher number of tourists to our area, which in turn
23 leads to the growth of surrounding businesses and
24 provides for additional employment opportunities,
25 enhancing the overall quality of life for our

1 residents. Since the passage of the Pennsylvania Race
2 Horse Development and Gaming Act, the Erie County
3 Gaming Revenue Authority has had the opportunity to
4 invest more than \$28 million into our regional assets,
5 including the Erie Zoo, the Flagship Niagara League,
6 the Erie County Historical Society and many, many
7 more. It's this type of investment that allows our
8 community to thrive at a time when growth may
9 sometimes seem stagnant and very difficult to attain.

10 Presque Isle Downs and Casino has
11 provided substantial economic opportunity and
12 investment to this region through a number of means,
13 ranging from tax breaks for our residents to providing
14 hundreds of jobs with family sustaining wages.
15 Presque Isle Downs and Casino is not only a community
16 asset, but also a proven community partner. Presque
17 Isle Downs and Casino remain committed to giving back
18 to the community in which it operates through a number
19 of charitable contributions.

20 As a member of the Senate Committee on
21 community economic and recreational development, which
22 has the oversight of the gaming industry in
23 Pennsylvania, I have and will continue to have my
24 finger on the pulse of the operation here at Presque
25 Isle Downs. Not only as it impacts Erie County, but

1 also as it impacts the Commonwealth as a whole.
2 Presque Isle Downs and Casino is an asset to this
3 community, this region and Pennsylvania. I'm in favor
4 of the license renewal for Presque Isle Downs and
5 Casino, and look forward to many, many years of
6 continued positive economic impact here in Erie County
7 and statewide. Thank you for your time.

8 PRESIDING OFFICER:

9 Thank you. Representative Fabrizio.

10 MR. FABRIZIO:

11 Florindo Fabrizio, got that? State
12 representative, second legislative district. Chairman
13 and Commissioners, I welcome this opportunity and in
14 the interest of true public spirit, I'll keep my
15 remarks very brief. As you know, our esteemed
16 colleague from the deliberative body covered most of
17 the things that I was going to say. But I do stand
18 here in support of Presque Isle Downs, Incorporated's
19 renewal of its license.

20 Some of you know me, some of you don't.
21 I was a former chairman of the Gaming Oversight
22 Committee and we've been with this development since
23 its inception. And there's no doubt that legal
24 gambling in Pennsylvania casinos has enabled the
25 Commonwealth to generate and maintain a new stream of

1 revenue in taxes that's generating millions of dollars
2 for property tax relief in local projects. That's the
3 big picture, obviously Presque Isle Downs is a key
4 component to that.

5 The proof of Pennsylvania's success can
6 be seen in a new study commissioned by the legislative
7 budget and finance committee, which stated that
8 Pennsylvania casinos account for more than \$3 billion
9 in total economic output, and approximately 25,000
10 jobs and roughly \$1 billion in labor income. That's
11 an amazing number, particularly in a state whose
12 Unemployment has been going down in the last couple of
13 months and whose recovery from a 2008 recession has
14 been a little slower than we would have liked. So,
15 it's vital to the economy of Pennsylvania that we
16 continue in the direction we've been moving.

17 The construction costs alone with the
18 casinos that generate over \$5 billion, for us here in
19 Erie Presque Isle has solidified itself as a major
20 contributor to our local economy and workforce. Even
21 with the competition in the other states, it has
22 generated significant revenues to the Commonwealth, as
23 all the other casinos have. You've heard the numbers
24 that it has generated, but the key to this thing is
25 its employment. Nearly 1,000 people with good paying

1 jobs, family sustaining jobs. Presque Isle Downs has
2 contributed nearly \$49 billion in local revenues for
3 projects throughout Erie County, and specifically
4 Summit Township. It's been a boom to this area.

5 2013 alone, more than \$11 million was
6 distributed to Erie County from the Local Share
7 Assessment and nearly \$2 million for Summit right
8 here. This is new revenue that's being pumped into
9 local economies each and every year. We're always
10 looking for new sources of revenue, and we found one
11 in the gaming industry. Where else could we become a
12 partner, you know, a major shareholder without an
13 investment and make billions of dollars for the
14 Commonwealth. For that, we thank the casinos. Add to
15 that the economic success for Erie that Presque Isle
16 has provided over the last six years. We've mentioned
17 that before.

18 When I voted for bringing casino
19 gambling to Pennsylvania, we were also concerned about
20 the horseracing industry. And if you recall, the
21 intent of the original bill was to bolster the
22 horseracing industry in Pennsylvania, which in fact
23 was on the decline. And obviously, a small miracle
24 has been worked within the horseracing industry,
25 thanks to the contributions of the casinos and their

1 13 percent. The horseman's fund is healthy, if my
2 colleagues in Harrisburg would quit trying to raid it
3 and use it for other purposes. But we have farms
4 coming in from Kentucky unheard of. And obviously you
5 know the agriculture is the largest industry in
6 Pennsylvania, the horseracing industry has been a boom
7 to the agricultural industry to the tune of billions
8 of dollars there too.

9 I know that the casinos, particularly
10 Presque Isle Downs, works closely with the local
11 vendors both in the agricultural area and in other
12 areas. Once again, it contributes to the whole
13 economic boom. I can't be more proud of Presque Isle
14 Downs, and as a frequent patron I'll say that.
15 Anybody around here knows that I am a frequent patron.
16 They run a remarkable facility up there, they really
17 do. You see the little sign that says if you have
18 gambling problem, well I do have a gambling problem, I
19 can't win.

20 And I know this is supposed to be a
21 serious thing, but I have a motto in life, attached a
22 little bit of irreverence to everything. Take your
23 job seriously but yourself not so seriously. So, I
24 apologize to the Commission if I seem a little
25 flippant. But it's very important to me, it's very

1 important to this community that you give your most
2 consideration and approval to renew Presque Isle
3 Downs' application for its continued success. And
4 with the infusion of the new talent and new ideas of
5 El Dorado, I'm certain that the future's even
6 brighter. Thank you.

7 PRESIDING OFFICER:

8 Thank you. Representative Bizzarro. I'm
9 sorry you have to follow that. Can you be as
10 entertaining?

11 MR. BIZZARRO:

12 I've read a lot of material, a lot of
13 information you've heard already today. But Madam
14 Chair, members of the Board, I want to thank you for
15 giving me the opportunity to address you today in
16 support of the license renewal for Presque Isle Downs,
17 Incorporated. We've heard many things today, we've
18 heard a lot of the numbers, we've heard about the
19 significant impacts that it's had on our region. And
20 not only on the region but in the Commonwealth as a
21 whole.

22 We've heard that it's the 12th largest
23 employer in Erie County, it's providing jobs that
24 actually pay family sustaining wages, which is huge.
25 It's spurred economic growth and development in and

1 around the surrounding areas, and it attracts visitors
2 from neighboring states where they in turn are
3 investing money right here in our local economy. The
4 gaming revenue funds provided much need funding that
5 have went to improving public safety, reducing
6 property taxes and stabilizing nonprofits that give
7 back to the community and the residents here. Not to
8 mention that charitable contributions that we've seen
9 have increased lately and have also been giving back
10 to the community.

11 So in short, Presque Isle Downs,
12 Incorporated has proven to be an asset and a reliable
13 partner to our region, and I wholeheartedly support
14 their continued operation in our community. And I
15 want to thank you for giving me the opportunity again
16 to voice my favor of the license renewal.

17 PRESIDING OFFICER:

18 Thank you. We'll move on to our local
19 government representatives. Nancy Agostine. And I
20 apologize in advance if I mangle anybody's last name.

21 MS. AGOSTINE:

22 Really close, Agostine (corrects
23 pronunciation), A-G-O-S-T-I-N-E. Good morning. On
24 behalf of our entire community, I would like to
25 welcome you to Summit Township. Thank you for the

1 opportunity to speak on behalf of and in support of
2 Presque Isle Downs and Casino. As director of land
3 development for 20 years and a township supervisor for
4 the past three years, I've seen a tremendous amount of
5 development and worked with a wide variety of
6 businesses, both large and small.

7 Let me assure you that PIDI, the
8 administrative team, is extremely professional and
9 responsive, making them a truly valued community
10 partner. Throughout the development phase and
11 numerous public hearings, the greatest fears expressed
12 by neighboring property owners were regarding
13 uncontrollable traffic and crime. These fears have
14 never been realized. In fact, the traffic
15 improvements installed by PIDI have resulted in a much
16 safer road on Route 97 for the motoring public. And
17 the top notch security team keeps the entire PIDI area
18 crime free.

19 As one of the fastest growing
20 municipalities in the State of Pennsylvania, the
21 gaming revenues provided to Summit Township have
22 enabled us to meet the needs of this expanding
23 community. One of the best examples of this is our
24 beautiful new municipal building and the state of the
25 art meeting room we're sitting in now. This facility

1 would not have been possible without gaming revenues.

2 Gaming revenues have also provided
3 funding to the Summit Township industrial and economic
4 development authority. These critical funds enabled
5 our authority to provide a half million dollar grant
6 to the Lord Corporation to help keep this outstanding
7 employer in Erie County and the Commonwealth of
8 Pennsylvania. Lord has now relocated to the former
9 Bush Industries facility, which had become a
10 deteriorating white elephant on the market for over
11 five years with absolutely no interest.

12 Lord has since invested \$50 million
13 upgrading that facility and over \$20 million in
14 equipment, keeping all of the existing employees and
15 creating new jobs. PIDI cares about the residents of
16 Summit and has generously sponsored an annual event to
17 honor our senior citizens. They have done this each
18 and every year since their opening. If we have a
19 problem or concern, the PIDI staff is always available
20 to quickly address the issue, their facility is top
21 notch and meticulously kept. They are truly the ideal
22 community partner. On behalf of Summit Township, I'm
23 asking you to grant the Presque Isle Downs' license
24 renewal so that our outstanding partnership may
25 continue for many years into the future. Thank you.

1 PRESIDING OFFICER:

2 Thank you. Joseph Sinnott.

3 MR. SINNOTT:

4 Board members, good morning. My name is
5 Joseph Sinnott, S-I-N-N-O-T-T. I am Mayor of the City
6 of Erie. I'd like to take this opportunity to welcome
7 the Board back to our community. I know I met several
8 of you in previous years. Today I'm here to testify
9 in favor of Presque Isle Downs' application for
10 license renewal. Since opening in 2007, Presque Isle
11 Downs has been a productive part of the Erie region.

12 From an employment standpoint, it has
13 created hundreds of jobs for residents throughout the
14 area in casino operations, security, horse racing and
15 food and beverage service jobs. It has also had an
16 impact on employment and business spin offs throughout
17 the area. This can be found in hotels, restaurants
18 and shopping centers that are filled with the many
19 guests and families from outside the community that
20 come to enjoy our casino.

21 In total, it has brought a great deal of
22 new dollars and additional business and jobs into the
23 Erie Region. Presque Isle Downs has also helped to
24 enhance one of Erie's strongest remaining assets, and
25 that is our appeal to tourism. We have many

1 attractions, including a wonderful bay front, Presque
2 Isle State Park, Waldameer Amusement Park, the Tom
3 Ridge Environmental Center, Splash Lagoon Indoor Water
4 Park and now Presque Isle Downs and Casino.

5 Maximizing our potential as a tourism destination
6 requires that we don't leave it solely to our water
7 resources to bring people to our community.

8 Instead, we must continue to add
9 attractions that create an overall experience for
10 people to enjoy our city throughout the year and to
11 stay for extended periods as opposed to day and
12 overnight trips. Presque Isle Downs has added to this
13 facet. People who come to Erie for other events
14 invariably to go try their luck at our casino.
15 Because of my position, I meet many visitors that come
16 to the region for summer events, conventions and
17 business purposes. It is very common for the people I
18 meet to ask me about our casino or on many occasions
19 who already know about the casino and tell me that
20 that is where they will be spending their evening
21 while in Erie.

22 For many people, Presque Isle Downs is
23 the reason for traveling to the Erie community, but
24 for many others it is an added bonus to enhance their
25 experience while here on business or pleasure. Along

1 with the positive economic impact Presque Isle Downs
2 has made on the region, it has also established itself
3 as a good community partner. Presque Isle Downs has
4 taken an active role in both Roar on the Shore and
5 Celebrate Erie, two of our marquee summer events that
6 have a large economic impact on the region.

7 Because of our community partners, such
8 as Presque Isle Downs, we have been able to grow these
9 events to hundreds of thousands of participants and
10 maximize their charitable impact as well as their
11 economic benefit to the community as a whole.
12 Further, the gaming revenue share, which has been
13 mentioned earlier, that goes to the community has made
14 a major impact on the Erie Region. The millions of
15 dollars each year that are utilized to support arts
16 and culture, economic development and events for
17 public benefit have allowed us to expand our programs
18 in each of these areas and provided an immeasurable
19 benefit to the community as a whole.

20 Finally, there was a lot of debate
21 leading up to the opening of the casino centered
22 around potential negative impacts of the casino on the
23 community with regards to increased crime. I am
24 pleased to testify that as we suspected, the casino
25 has not had any significant impact on criminal

1 activity in the Erie community. The City of Erie
2 Police Department has seen no measurable increase in
3 crime that could be attributable to gaming addiction
4 or the presence of Presque Isle Downs and Casino
5 within our region.

6 In conclusion, I believe that Presque
7 Isle Downs has been a positive addition to the Erie
8 Community, having substantial economic impact offering
9 a job creation mechanism, enhancing our attraction to
10 tourism and demonstrating a willingness to be a good
11 community partner. For this reason, I am pleased to
12 speak in favor of the renewal of the Presque Isle
13 Downs Gaming License. Thank you very much.

14 PRESIDING OFFICER:

15 Thank you. We'll move on to the
16 community groups. Michael Batchelor.

17 MR. BATCHELOR:

18 Madam Chair, Commissioners, my name's
19 Mike Batchelor, B-A-T-C-H-E-L-O-R. I'm president of
20 the Erie Community Foundation. I'm here to speak in
21 favor of license renewal. In my view and our view,
22 Presque Isle Downs in partnership has been a good
23 corporate citizen for our community. I've had this
24 job 25 years and I've seen a lot of CEOs come and go.
25 And just personally I'd like to speak in favor of

1 Jeff.

2 I was quite impressed. When he came to
3 town, he reached out to me and other and said how can
4 I get involved in the community, how can I get my
5 senior management team connected. And he's taken
6 great steps to do that. One of the things they've
7 done with the community foundation is to do some smart
8 philanthropy, in my view. We have a one day massive
9 online giving program that raised \$2 million for 300
10 different charities, and they participated in the
11 match fund that made that successful.

12 So when you see their charitable
13 contribution numbers, you can add a piece of that
14 massive online giving program thanks to them. The
15 share that they give to nonprofits, we're able to see
16 the benefit of that in all the grant applications we
17 see. We're able to see how the nonprofit sector is
18 stronger thanks to the work of Presque Isle Downs in
19 partnership. So we're here to speak in favor of it.
20 Thank you.

21 PRESIDING OFFICER:

22 Thank you. Jan Stork.

23 MS. STORK:

24 Good morning. Jan Stork, S-T-O-R-K.
25 I'm senior director with Make-A-Wish Greater

1 Pennsylvania and West Virginia. We have been great
2 partners with Presque Isle Downs since they came here,
3 really in a smaller sense with gift baskets that
4 they've given to events that we've had to raise money,
5 free play for groups that come in for events to
6 benefit Make-A-Wish. And this year we were thrilled
7 to be a part of one of their monthly promotions for
8 their give \$10 get \$10 which in resulted in a more
9 than \$12,000 donation to Make-A-Wish.

10 We are a nonprofit that is completely
11 funded by donations. To put it simply, we cannot do
12 what we do without partners like Presque Isle Downs
13 and Casino. We are thrilled with what they have done
14 for our nonprofit and many nonprofits. And one of the
15 questions that was brought up earlier was how are
16 other casinos involved in fundraising. I know from
17 our standpoint, throughout Pennsylvania and West
18 Virginia, we have reached out to many casinos to ask
19 them to partner with us in raising funds. Presque
20 Isle Downs and Casino is the only one to answer yes,
21 and we are thrilled about that and look forward to
22 continuing our partnership with them in the years to
23 come. So we give our support in their renewal for
24 their license, and encourage you to do the same.
25 Thank you so much.

1 PRESIDING OFFICER:

2 Thank you. Gary McKeown.

3 MR. MCKEOWN:

4 Good morning. Gary McKeown, I'm with
5 St. Barnabas Charities, I'm a director there. And I
6 want to talk a little bit about a program we have
7 called presents for patients. I'll give you a quick
8 history on it, I will give you the view from 10,000
9 feet, I'll try to personalize it a little bit for you
10 and then bring it down to earth here and give you the
11 local impact. About 30 years ago, we were looking
12 around our nursing home and it was kind of sad. And
13 it was Christmastime, and Christmas should be a time
14 of joy. And what we realized was that the patients
15 were very lonely, and we developed this program called
16 presents for patients, which involved bringing them a
17 gift.

18 And a couple notes here, it's a
19 Christmas holiday program that provides holiday gifts
20 and visits to the long-term care patients ---. It's
21 been in operation since 1984, we've provided gifts to
22 over half a million patients. The residents of the
23 facility are primarily Pennsylvania but also Ohio,
24 West Virginia, New York and Tennessee.

25 The picture here to personalize it is

1 imagine yourself or a loved one in a nursing home, you
2 have outlived your siblings so you're not getting a
3 lot of visits there, your children may have had to
4 leave town to find a job. That's a story in a lot of
5 cities. And Christmas is coming up, and a person
6 walks in there to see you and they have a gift and
7 they sit down and talk to you for 10 or 15 minutes.
8 And just imagine how you feel. Multiply that time
9 5,000 times and that's what Presque Isle Downs has
10 done up in Erie.

11 Bringing it down to earth here, they've
12 made a tremendous impact on the success of our
13 presents for patients campaign. Many times, as I
14 said, these people don't have any visitors or people
15 to remember them during the holiday season, so it can
16 be a lonely time for them. There's a great need for
17 donations, people to supply gifts or presents in the
18 Erie area, and Presque Isle Downs has done that for
19 us. Since 2010, when a representative of Presque Isle
20 Downs contacted us with their intention to support the
21 program, over 5,000 patients in this area have been
22 impacted. And it's just the true spirit of Christmas
23 to receive a gift and a visit.

24 Patients are very excited and our
25 volunteers have told us sometimes they get more out of

1 it than the patient, they're happy to be doing this.
2 Our program continues to have an impact on elderly
3 patients in this area and we're able to assure that
4 patients will not be forgotten with the continued
5 support of the casino here. I want to take a moment
6 to thank the management, the employees, the patrons
7 and the stakeholders of Presque Isle Downs. Thank
8 you.

9 PRESIDING OFFICER:

10 Thank you. James Sherrod.

11 MR. SHERROD:

12 Good morning. My name is James Sherrod,
13 I'm the Executive Director of Bayfront NATO, Martin
14 Luther King Center. We're a nonprofit organization
15 located here in urban Erie. Before I give some
16 insight into how Presque Isle Downs and Casino has
17 been beneficial to our organization, just give you a
18 little history on our organization. We were
19 incorporated in 1966. Our mission is to improve
20 conditions in workplace, study and health in the City
21 of Erie. We're located on the lower west side, closer
22 to the bay front lake. Okay. We provide social
23 services and programs related to employment, referral
24 for disadvantaged individuals within the community.
25 We also provide housing rental, housing counseling,

1 home ownership, infants and toddlers, preschool,
2 childcare, prevention youth services, dance, so a
3 multitude of things that we provide from our
4 organization.

5 We also are partners in the community
6 with United Neighborhood Facilities Healthcare
7 Corporation which provides Women's and Infant's and
8 Children's program, which is a statewide program. And
9 we have six sites within Erie County. We're one of
10 the original founding partners in United Neighborhood
11 Facilities Healthcare Corporation that provides not
12 only Women's and Infant's and Children's program
13 services, but sickle cell services. We are probably
14 the number one entity in North Western Pennsylvania to
15 provide sickle cell services for this community. And
16 we have a strong partnership with UPMC network from
17 Pittsburgh to Erie.

18 This past year has been a very eventful
19 one for us as an agency, we have flourished and we've
20 developed very successful programs for the community,
21 as we have done since our incorporation in 1966. But
22 recently we've had to overcome many obstacles, some
23 financial obstacles and other problematic (sic) but
24 we've emerged stronger than we ever were before. Our
25 growth and development is due to dedicated staff,

1 community volunteers at the Martin Luther King Center.
2 And people like Presque Isle Downs and Casino that
3 greatly assist us. Presque Isle Downs and Casino has
4 assisted us at Bayfront NATO with various project
5 funding, including most recently our childcare grand
6 re-opening, which we couldn't have had the success
7 that we've garnered from it if they weren't involved
8 in it, because of our financial stability at this
9 time, which occurred this past September.

10 Over the years, they have been an
11 integral part in our Dr. King Holiday celebration
12 awards dinner, along with our weeklong celebration
13 which we've been doing for the past 25 years in the
14 Erie Community, probably the largest King Holiday
15 celebration activities that is put on in Northwestern
16 Pennsylvania. Presque Isle Downs has continued to
17 assist us. When we need them to be there, they're
18 there with a hand to help us.

19 Earlier this year, as I mentioned, our
20 childcare facility closed and we were looking for
21 someone to stand there with us to invite the community
22 back to our facility so that we can work in getting
23 our license renewed. And they reached out to us to
24 say we'll be there and help you, and we're very glad
25 that they did do that. With that sponsorship from the

1 casino, we're able to provide an afternoon of
2 community celebration for our re-opening to a large
3 family-oriented event that took place at our facility.
4 And we welcomed back the families as we opened our
5 doors to hopefully provide a substantial service that
6 is greatly needed within our facility for all the
7 people that work, some of them at Presque Isle Downs
8 and Casino, which is childcare.

9 But they didn't stop there with us. Not
10 only did Presque Isle Downs and Casino provide
11 monetary monies to help us bring back our families for
12 childcare, but they've come to the table and
13 officially became one of our major sponsors again for
14 our upcoming King Holiday celebration. You look at
15 the graph on the board up there that says \$185,000
16 contributed within the community to nonprofits, well
17 we are one of those nonprofits. So we are here in
18 support of Presque Isle Downs renewal of their
19 license, and we'd like to just say thank you to
20 Presque Isle Downs and Casino for their consistent,
21 constant support and the effort to assist our agency.

22 The support we have received is
23 incomparable and we are excited for the partnership,
24 and will continue to provide outstanding services for
25 those that come through our door with the funds that

1 they provide to us. And this is just another step
2 toward a strong relationship, and we look forward to
3 continued partnership with Presque Isle Downs. And
4 we'll support whatever we need to do to ensure that
5 their license is renewed. Thank you for your time.

6 PRESIDING OFFICER:

7 Thank you. John Oliver.

8 MR. OLIVER:

9 Good morning. My name's John Oliver,
10 O-L-I-V-E-R. Good morning members of the Pennsylvania
11 Gaming Board, I want to thank you for giving me the
12 opportunity to address you today. As I said, my name
13 is John Oliver. I'm president and CEO of VisitErie.
14 VisitErie is the designated tourism Promotion agency
15 for Erie County. Our mission is to be the leader for
16 marketing the Erie's tourism industry and promoting
17 its economic growth. The tourism industry in Erie
18 currently generates more than \$1 billion a year in
19 visitor spending. I'm here today to speak in support
20 of the casino license renewal for Presque Isle Downs
21 and Casino.

22 Since the opening of the facility ten
23 years ago, it has become one of the major tourism
24 attractions in Erie. They have provided a new source
25 of leisure and group visitors from outside of Erie

1 County. Perhaps even more important has been their
2 support to assist VisitErie and marketing all of Erie
3 as a visitor designation. The vice president and
4 general manager has been an energetic member of our
5 Board of Directors. They have been an active
6 participant in our familiarization tours, sales
7 blitzes and have attended numerous trade shows with
8 their staff.

9 Our Sports Commission has been
10 successful in landing a number of sporting events
11 because of the casino's willingness to offer
12 sponsorships. The advertising done by the casino has
13 had a tremendous impact on creating awareness of Erie
14 as a visitor destination. This is especially true in
15 the key feeder market of Northeastern Ohio. Through
16 the cooperation of our organization and the casino, we
17 have been able to develop coop advertising efforts
18 that encourage visitors to come and visit the casino,
19 stay overnight and visit other attractions in the
20 area.

21 They have worked diligently to find ways
22 to encourage visitors when they leave the casino to
23 remain in the area to sightsee and visit other
24 attractions. These efforts have contributed greatly
25 to generating additional benefits to the entire

1 tourism industry in Erie. For these reasons, I would
2 again urge you to relicense Presque Isle Downs and
3 Casino so that we can continue to grow visitation to
4 the casino and visitation to the region. Thank you.

5 PRESIDING OFFICER:

6 Thank you. Chris Scott.

7 MR. SCOTT:

8 Good morning. My name is Chris Scott,
9 vice president of Scott Enterprises, the largest
10 privately owned hospitality company in Erie County. I
11 am in favor of the Board approving license renewal for
12 Presque Isle Downs and Casino. Since the opening, the
13 impact of tourism that's been generated has been
14 significant for local hotels and restaurants. We have
15 seen a steady flow of regional travelers bringing
16 revenue to Erie.

17 Additionally, we have had numerous
18 repeat guests that not only come to the casino but
19 stay and experience everything Erie has to offer. As
20 you drive around the parking lot of Presque Isle Downs
21 and Casino, you'll notice a lot of out-of-town license
22 plates primarily from Ohio and New York. This demand
23 generator continues to cater to guests from out of
24 state that in turn generates more revenue, more taxes
25 and more jobs for Erie County. The scope of the

1 benefits of the gaming revenue goes far beyond
2 increasing hotel and restaurant traffic.

3 The Erie County Gaming and Revenue
4 Authority facilitates numerous programs that can be
5 seen throughout Erie County. These programs reach the
6 business traveler, the tourists, daycare centers,
7 local affairs, the arts, small and large businesses.
8 The list goes on and on. Its positive impact can be
9 seen all over Erie County. I sincerely hope that Erie
10 County can continue to do amazing things with the
11 gaming revenue and that the Board will approve the
12 license renewal of this wonderful asset in the region.
13 Thank you.

14 PRESIDING OFFICER:

15 Thank you. That was the end of the list
16 that I was given. Is there anyone in the room who
17 believes they registered to speak and I haven't called
18 your name? If you raise your hand. Okay, no takers
19 there. For the parties, if you feel the need to file
20 a brief or written memorandum, please do so by close
21 of business next Thursday, August (sic) the 9th. The
22 record will remain open until the Board hears the
23 matter at a public Board meeting.

24 I will prepare a report based upon the
25 testimony and evidence from the record today, and the

1 suitability report when it is filed by our licensing.
2 The report will be sent to the Board along with the
3 transcript and all submitted documents. And at its
4 convenience, it will schedule the matter to be heard
5 at a future public Board meeting in Harrisburg. I want
6 to thank you all for coming today and for your
7 cooperation. And this hearing is now adjourned.

8

* * * * *

9

HEARING CONCLUDED AT 11:25 A.M.

10

* * * * *

11

12

13

14

15

16

17

18

19

20

21

22

23

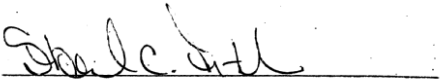
24

25

CERTIFICATE

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

I hereby certify that the foregoing proceedings,
hearing held before Officer Lloyd was reported by me
on 10/2/2014 and that I Shannon C. Fortsch read this
transcript and that I attest that this transcript is a
true and accurate record of the proceeding.



Court Reporter