

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: CHESTER DOWNS AND MARINA, LLC'S UPDATE ON
HARRAH'S STOCK RECLASSIFICATION CLAIM

PUBLIC INPUT HEARING

BEFORE: GREGORY C. FAJT, CHAIRMAN
Raymond S. Angeli, Jeffrey W. Coy,
James B. Ginty, Kenneth T. McCabe,
Gary A. Sojka, Kenneth I. Trujillo

HEARING: October 6, 2010, 10:00 a.m.

LOCATION: Pennsylvania Gaming Control Board
North Office Building
Hearing Room One
Harrisburg, PA 17106

WITNESSES: NONE

Reporter: Cynthia Piro-Simpson

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CHAIRMAN:

Good morning, everybody. If I could ask you to please take your seats and we'll start today's hearing. Thank you. Good morning, everyone. I'm Greg Fajt, Chairman of the Pennsylvania Gaming Control Board. I'd like to ask everyone as is our normal practice to please turn off all cell phones, PDAs and other electronic devices as they tend to interfere with our communication system. Joining us today is David Barasch representing Secretary of Revenue, Dan Hassell; Jorge Augusto representing Secretary of Agriculture, Russell Redding; and Jennifer Langan representing State Treasurer, Bob McCord. Thank you all for being here. All members being present I'll call today's meeting to order and as the first order of business I'd like to ask you to join me in the Pledge of Allegiance.

PLEDGE OF ALLEGIANCE RECITED

CHAIRMAN:

We have two items before the Board today by way of public hearing which will take place prior to our public meeting. These public hearings pertain first to Chester Downs and Marina, LLC's update on

1 Harrah's Stock Reclassification Claim and second to
2 Philadelphia Entertainment and Development Partners'
3 appeal on the Bureau of Licensing's Determination that
4 Lewis Katz should file the Principal License
5 Application. Having explained all of that, may I have
6 representatives Harrah's Chester please come forward.
7 Prior to your presentation I assume that both of you
8 are lawyers who will not need to be sworn in; is that
9 assumption correct?

10 ATTORNEY DIGIACOMO:

11 I am outside counsel for Harrah's
12 Entertainment. To my left is going to be the vice
13 president.

14 CHAIRMAN:

15 Right, both of whom are lawyers.

16 ATTORNEY YOCUM:

17 Correct.

18 CHAIRMAN:

19 All right. Go ahead. I just like to ask
20 that before you begin your testimony if you could
21 spell your name, state your name for the stenographer
22 and you may begin.

23 ATTORNEY DIGIACOMO:

24 Certainly. Good morning, Chairman,
25 Commissioners. Frank DiGiacomo, D-I-G-I-A-C-O-M-O.

1 In the law firm with Duane Morris. Thank you for
2 giving us the opportunity today to update the Board on
3 the status of the Reclassification of Harrah's Stock.
4 Harrah's intends to reclassify its non-voting stock by
5 converting it into voting stock. What is interesting
6 is that this Board has already licensed each of the
7 entities that currently holds both the voting stock
8 and non-voting stock it has. There's six separate
9 LLCs each of which are affiliated with the two private
10 entities since 2008. Pennsylvania is unique among
11 most gaming jurisdictions in that at the time they
12 approved that transaction in December 2007 it licensed
13 each of the funds which currently hold the non-voting
14 stock. Reclassification of stock will now give those
15 funds voting stock, however, contemporaneous with
16 that, funds will execute an irrevocable proxy to
17 another entity which is currently licensed and
18 holdings which currently controls the affairs of
19 Harrah's Entertainment. The three --- six members,
20 excuse me of that, have each been licensed by this
21 Board and will continue to be licensed by this Board.

22 As I mentioned Pennsylvania's unique,
23 those entities holding reclassified stock, therefore,
24 additional licensing of entities or individuals is not
25 required in Pennsylvania. Other jurisdictions such as

1 Mississippi, Iowa and Ontario are treated similar to
2 Pennsylvania. Whereas New Jersey, Nevada, Louisiana
3 and Illinois have required some additional approval.
4 It's generally an overview or reclassification. If
5 you have any questions we can certainly do that.
6 We'll try to answer them as best we can.

7 CHAIRMAN:

8 Thank you. Does the Board have any
9 questions? Commissioner Trujillo.

10 MR. TRUJILLO:

11 Mr. DiGiacomo, just a couple questions.
12 The six LLCs that you mentioned, are there any new
13 members in any of the LLCs?

14 ATTORNEY DIGIACOMO:

15 No, there are no new members.

16 MR. TRUJILLO:

17 The point I'm trying to get to is, are
18 there any strange transactions either any new members
19 or any new ownership within any of the LLCs?

20 ATTORNEY DIGIACOMO:

21 I apologize. There is ---
22 contemporaneous with the reclassification there is an
23 exchange of debt for some --- for the reclassified
24 voting shares and there will be --- Paulson and
25 Company will hold back those shares. Paulson and

1 Company is represented by counsel and has already had
2 discussions with Board staff and had submitted
3 documents in order to obtain an institutional investor
4 waiver, that's consistent with what they're seeking in
5 other jurisdictions. Pennsylvania has granted similar
6 waivers. Assuming the policy owner complies with the
7 requirements to be able to be classified as an
8 institutional investor, that process will move
9 forward. Regulations have been amended. I know
10 Paulson had initially submitted in more detail
11 institutional investor waiver forms, which I believe
12 as of tomorrow the final form regulation will be
13 introduced as simply a notification form and that they
14 have, if not already will shortly file that form. So,
15 it's no different than any other institutional
16 classification petition in your other licensees.

17 MR. TRUJILLO:

18 Aside from also the punitive
19 institutional investor, there's no new investors or
20 any new members to add to that?

21 ATTORNEY DIGIACOMO:

22 That's correct.

23 MR. TRUJILLO:

24 That was all I have. Thank you.

25 CHAIRMAN:

1 Mr. Sojka.

2 MR. SOJKA:

3 Along those same lines then, is there any
4 management change at all as a result of this?

5 ATTORNEY DIGIACOMO:

6 None.

7 MR. SOJKA:

8 Can we then conclude that this will not
9 have any impact at all on Harrah's Chester? Does that
10 entity go on as it is now without any impact at all?

11 ATTORNEY DIGIACOMO:

12 It does. There's no change in property
13 level at all with regard to management. There's no
14 change at Harrah's Entertainment management level as a
15 result of reclassification. One exception being that
16 certain executives with Harrah's do hold non-voting
17 stock, they will then hold voting stock.

18 MR. SOJKA:

19 Okay. Is this an --- I'm trying to
20 remember historically. Does this take us back sort of
21 where we were once before?

22 ATTORNEY DIGIACOMO:

23 It positions the company to go public
24 some time in the future, yes.

25 MR. SOJKA:

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Thank you.

CHAIRMAN:

Any other questions? I should have noted that it was a little unusual we didn't have enforcement counsel here. This was an uncontested proceeding and simply an opportunity for Harrah's to explain the reclassification of their stocks. Thank you very much.

ATTORNEY DIGIACOMO:

Thank you.

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HEARING CONCLUDED

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CERTIFICATE

I hereby certify that the foregoing proceedings, hearing held before the Pennsylvania Gaming Control Board, was reported by me on 10/06/2010 and that I Cynthia Piro Simpson read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.


Cynthia Piro Simpson
Court Reporter