

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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PUBLIC HEARING

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BEFORE: MARY DIGIACOMO COLINS, Chair
Raymond S. Angeli, Jeffrey W. Coy, James B.
Ginty, Kenneth T. McCabe, Sanford Rivers
and Gary A. Sojka, Members
Keith Welks, Ex-officio Designee

HEARING: Thursday, May 29, 2008
1:10 p.m.

LOCATION: North Office Building, Hearing Room 1
North and Commonwealth Avenue
Harrisburg, PA 17106

WITNESSES: Cyrus Pitre, Susan Hensel

Reporter: Kenneth D. O'Hearn

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OPENING REMARKS

by Chairman Colins

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STATEMENTS

by Attorney Krauss

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by Attorney Pitre

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by Ms. Hensel

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by Attorney Pitre

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CERTIFICATE

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CHAIRMAN COLINS:

Good morning, everyone. I'm Mary Colins, Chairman of the Pennsylvania Gaming Control Board. First, I'd like to ask that you all turn off your cell phones and Blackberries or other electronic devices, please. And we have one matter before us today which we will address prior to the commencement of our public meeting. The first matter is the Penn National Gaming, Inc. acquisition by Fortress Investment Group, LLC and Centerbridge Partners. Let me ask the representatives from Penn National to come forward. Do you intend to present any testimony today?

ATTORNEY KRAUSS:

We do not.

MR. AURIEMMA:

No.

CHAIRMAN COLINS:

You do not. All right. Very well. Then would you state your name for the record, please, and you can --- I'm sure you have a statement you'd like to make. You can proceed.

ATTORNEY KRAUSS:

Thank you very much, Madam Chairman.

1 Thank you for allowing us to be before you again
2 today. My name is Robert Krauss. I have the pleasure
3 of representing Fortress and Centerbridge in seeking
4 your approval for the acquisition of Penn National
5 Gaming. Tom Auriemma is here with me. He is the Vice
6 President of Compliance for Penn National. And
7 Charles Riely from Akin, Gump in New York represents
8 Fortress.

9 CHAIRMAN COLINS:

10 Okay.

11 ATTORNEY KRAUSS:

12 At our last hearing on April --- or the
13 hearing on April 24th, there were some matters that
14 were open. I think we have resolved those open
15 matters, ---

16 CHAIRMAN COLINS:

17 Okay.

18 ATTORNEY KRAUSS:

19 --- and we are before you today to ask
20 for your consideration.

21 CHAIRMAN COLINS:

22 Okay. Thank you. So let me turn now to
23 Mr. Pitre from the Office of Enforcement Counsel (OEC)
24 and then to Ms. Hensel, the Director of Bureau of
25 Licensing, to ask for their statements on the record

1 regarding this application and petition.

2 ATTORNEY PITRE:

3 Yes. Thank you, Chairman Colins, members
4 of the Board. At this time, I would request that the
5 Suitability Report, along with any addendums,
6 attachments and exhibits be moved into evidence
7 barring no objection from opposing Counsel in this
8 matter.

9 CHAIRMAN COLINS:

10 Any objection?

11 ATTORNEY KRAUSS:

12 No objection.

13 CHAIRMAN COLINS:

14 All right. They're accepted into
15 evidence.

16 ATTORNEY PITRE:

17 For the record, the Office of Enforcement
18 Counsel (OEC) on behalf of Bureau of Investigation and
19 Enforcement (BIE) has no objection regarding the
20 acquisition of Penn National Gaming, Inc. by Fortress
21 Investment Group, LLC and Centerbridge Partners. I'd
22 like the Director of Licensing, then, now to state her
23 position.

24 CHAIRMAN COLINS:

25 Very good.

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MS. HENSEL:

At this point in time, based on the materials and information in the application and the cooperation received from the Applicant, the Bureau of Licensing is not aware of any issues that would preclude licensure of the PNG acquisition company.

CHAIRMAN COLINS:

Very good. Do any members of the Board have any questions for either Mr. Pitre, Ms. Hensel or for Counsel for the Petitioner? Any questions? All right. There being none, what we will do is, we will proceed with a continuation. We'll close the record. We'll basically close the record now, and then we will proceed with our meeting. And at a certain point, we will break and have a brief Executive Session before we entertain a motion as to this. All right?

ATTORNEY KRAUSS:

Thank you very much.

CHAIRMAN COLINS:

Thank you.

ATTORNEY KRAUSS:

Thank you.

CHAIRMAN COLINS:

Now, the Board agenda had previously itemized Valley View Downs' suitability hearing as

1 something for us to consider today. And last week we
2 were notified by Chief Enforcement Counsel (OEC), Mr.
3 Pitre, that the Bureau of Investigations and
4 Enforcement's (BIE) background investigation of the
5 Applicant is not yet complete, and therefore, the
6 Bureau is not presently in a position to make a
7 recommendation to the Board with respect to the
8 Applicant.

9 Now, based on that fact, the Board has
10 deferred the suitability hearing on this matter to a
11 future date not yet determined. And Mr. Pitre, do you
12 want to provide a status or an update for the Board at
13 this time?

14 ATTORNEY PITRE:

15 Yes, Chairman Colins. I just wanted to
16 be clear on several fronts. That on May 23rd, 2008
17 after consulting with members of my staff, Bureau of
18 Investigation and Enforcement (BIE) Director Kwait and
19 Deputy Director of Investigations Paul Mauro, a
20 determination was reached that the background
21 investigation has not progressed to the point where it
22 could be deemed complete or sufficient enough to make
23 a recommendation regarding the Applicant, Valley View
24 Downs.

25 Subsequent to that consultation, I

1 drafted a correspondence to Chairman Colins, wherein I
2 copied among others members of the Board and Counsel
3 for Valley View Downs. I then contacted Counsel for
4 Valley View Downs to personally inform him of the
5 correspondence and our determination. Subsequently, I
6 issued that correspondence on May 23rd, 2008, wherein
7 I recommended that a suitability report not be issued
8 and that Bureau of Investigation and Enforcement (BIE)
9 be allowed to continue and complete its background
10 investigation of the Applicant.

11 No conclusions should be drawn regarding
12 the Applicant's suitability. Bureau of Investigation
13 and Enforcement (BIE) has only been actively
14 conducting the Applicant's background investigation
15 for three months, and that investigation is not yet
16 complete. The postponed hearing should not be taken
17 as a sign of anything other than Bureau of
18 Investigation and Enforcement (BIE) has work to
19 complete prior to making any recommendation to this
20 Board.

21 Throughout the investigative process thus
22 far, Valley View Downs, LP and its parent, Centaur,
23 Inc. have been extremely cooperative with Bureau of
24 Investigation and Enforcement (BIE) and Office of
25 Enforcement Counsel (OEC). In discussions yesterday,

1 Centaur and Valley View pledged to continue that
2 cooperation, as Bureau of Investigation and
3 Enforcement (BIE) continues its background
4 investigation.

5 As has been said in the past, the
6 thoroughness of this investigation will not be
7 sacrificed for the sake of speed. While I fully
8 understand the problems that may result from this
9 recommendation, I believe a greater disturbance would
10 be done to this Board, Bureau of Investigation and
11 Enforcement (BIE), the Commonwealth and to the
12 Applicant, Valley View Downs, or this Office to
13 prematurely or irresponsibly give a recommendation
14 regarding suitability prior to the completion of the
15 background investigation. I thank you for the
16 opportunity to make comments on this matter.

17 CHAIRMAN COLINS:

18 Thank you. Any questions for Mr. Pitre
19 at this time? Very good. Thank you.

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21 HEARING CONCLUDED AT 1:22 A.M.

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