

PENNSYLVANIA GAMING CONTROL BOARD

PUBLIC HEARING
VALLEY VIEW DOWNS, LP
PETITION FOR CONSIDERATION OF ALTERNATIVE
AND/OR CONDITIONAL LICENSING STANDARDS

JULY 10, 2008, 11:42 A.M.

STATE MUSEUM AUDITORIUM
HARRISBURG, PENNSYLVANIA

BEFORE:

MARY DiGIACOMO COLINS, CHAIRMAN
RAYMOND S. ANGELI
JEFFREY W. COY
JAMES B. GINTY
KENNETH T. McCABE
SANFORD RIVERS
GARY A. SOJKA
KEITH WELKS, EX-OFFICIO REPRESENTATIVE

APPEARANCES:

OFFICE OF ENFORCEMENT COUNSEL
BY: E. BARRY CREANY, ESQUIRE
CYRUS PITRE, ESQUIRE

FOR - PENNSYLVANIA GAMING CONTROL BOARD

LAMB McERLANE
BY: WILLIAM LAMB, ESQUIRE
MAUREEN McBRIDE, ESQUIRE

BALLARD SPAHR ANDREWS & INGERSOLL, LLP
BY: ADRIAN R. KING, ESQUIRE

FOR - VALLEY VIEW DOWNS, LP

HILLARY M. HAZLETT, REPORTER
NOTARY PUBLIC

1		
2		
	I N D E X	
3	WITNESS	PAGE
4	William Lamb	3
5	Rod Ratcliff	9
6	Adrian King	9
7	Maureen McBride	17
8	Jim Ferruchie	17
9	Daniel Vogler	18
10	Frank Telesz	23
11	Joseph DeRosa	29
12	Anton Leppler	33
13	Jim Simpson	39
14	Kurt Wilson	42
15	Paul Mauro	77
16	Susan Hensel	85
17		
18		
19		
20		
21		
22		
23		
24		
25		

1 CHAIRMAN DiGIACOMO COLINS: Next matter is the
2 Valley View Downs petition.

3 All right. Good morning everyone.

4 MR. LAMB: Good morning, Judge Colins.

5 CHAIRMAN DiGIACOMO COLINS: How are you,
6 Justice?

7 MR. LAMB: Bill Lamb from Lamb McErlane on
8 behalf of Valley View Downs. I have with me, Maureen
9 McBride, my partner and Adrian King, partner at Ballard
10 Spahr. Collectively, we hope to make our presentation
11 to you this morning.

12 CHAIRMAN DiGIACOMO COLINS: Will there be
13 testimony from witnesses today?

14 MR. LAMB: They're here indeed. You want to
15 have them all sworn?

16 CHAIRMAN DiGIACOMO COLINS: I think this would
17 be a good thing to do right now. If all of the
18 witnesses would stand, please, the stenographer will
19 administer an oath.

20 (Witnesses sworn en masse.)

21 MR. LAMB: Please don't be overwhelmed. They
22 will be as brief as we can.

23 CHAIRMAN DiGIACOMO COLINS: The record is
24 yours.

25 MR. LAMB: May I be seated?

1 CHAIRMAN DiGIACOMO COLINS: Yes, of course.

2 MR. LAMB: First, let me thank the Board for
3 expeditiously agreeing to having this hearing today. We
4 know how busy you are. That's not a solicitous comment.
5 We do thank you.

6 I also want to thank your staff, specifically,
7 Acting Director Donaghue and your Acting Counsel Doug
8 Sherman, Mr. Pitre, and others for being as cooperative
9 as they have been in this matter.

10 Let me give you an overview of the presentation
11 this morning and then Mr. King and Ms. McBride will fill
12 in the holes.

13 We are here today to ask you under Section 1315
14 of the Gaming Act to issue a Category 1 Conditional
15 License. We do so for a very basic and specific reason.

16 Our financing must settle by July 15th of this
17 year. If we do not, then we will be in default of our
18 financing and this whole project could go up in smoke.

19 Now, I believe, without belaboring the point,
20 that we have satisfied your staff that that is an
21 accurate representation.

22 I can tell you having been on conference calls
23 with the lenders, with Credit Suisse, who is the lead
24 lender in this -- who put the group together that
25 they're not kidding.

1 I don't think it helps us to ask how we got
2 here. The fact of the matter is, we are here. We have
3 --

4 CHAIRMAN DiGIACOMO COLINS: I agree.

5 MR. LAMB: Pardon?

6 CHAIRMAN DiGIACOMO COLINS: I agree. It
7 doesn't help to ask how we got here.

8 MR. LAMB: We are here to ask you to issue a
9 Conditional License, to authorize as a Key Employee one
10 employee, Jeff Smith, so that we can get going with our
11 financing.

12 Now, I can assure you that we have researched
13 this issue thoroughly and our lenders are obligated to
14 issue the financing if we get a Conditional License.

15 Now, may I respectfully suggest to the Gaming
16 Board that that is a plus for all of us. If you issue a
17 Conditional License, you then maintain control over us
18 all along the way.

19 And as Mr. Pitre and his BIE continues their
20 investigation and brings more people on-line, if at any
21 point you find a problem, then you have the authority
22 and control to deal with that. Now, let me --

23 COMMISSIONER GINTY: Justice, let me interrupt
24 you there. How would we deal with that as a practical
25 matter?

1 MR. LAMB: Obviously, Commissioner Ginty, it
2 would depend on what you found; but if you found a
3 violation, let us say, of a contribution law or you
4 found someone had a background that did not come to
5 light, you would then either remove that person or fine
6 as this Board has done and I have some knowledge of
7 that, you would fine the particular individual and
8 Valley View.

9 So, it would really depend on what the
10 circumstances were. We're confident -- and the reason
11 we come before you today is we are so confident that
12 there's not going to be a problem.

13 A, we're willing to put up the \$50 million
14 today. We realize that we're assuming a huge risk in
15 doing that, but we are so confident. You're going to
16 hear briefly from Rod Ratcliff, who is the -- he's to my
17 left here, next to Adrian King. He is the CEO --
18 Chairman and CEO of Centaur. These people are
19 experienced gaming people in Indiana.

20 They have been through -- Jeff Smith has been
21 through extensive investigations. Let us not forget, so
22 have we because we have a harness racing license, which
23 we had to get before we could come to you, from the
24 Harness Racing Commission.

25 So, we're confident that you're not going to

1 find a glitch; but my point to you is, if there is a
2 glitch, you'll deal with it; and we'll deal with it.

3 You have that control now unlike other
4 situations that this Board has been through where you
5 may not have had as much control.

6 Okay. Let's not forget, as I said just a
7 moment ago, and we all -- if we can harken back to
8 remember the purpose of Act 71, which was to help an
9 industry and my county, Chester County, depends heavily
10 on that industry of horse racing, harness racing, and
11 that's the purpose.

12 This is the last facility, the last horse
13 racing facility in the Commonwealth of Pennsylvania. We
14 have people here today and I'm going to -- I'm going to
15 keep quiet in a minute.

16 We have people here today from Lawrence County,
17 from the local township, citizens in the community.
18 We're going to present a booklet to you where there are
19 a number of letters and articles and that kind of thing
20 without boring you or reading those letters into the
21 record. We'll ask you -- Miss McBride will ask you at
22 some point to take notice of those letters.

23 These people want this facility built. We have
24 a community that is depending upon this facility. So
25 that's really why we are here.

1 Let me dispel one other -- I think what has
2 happened is an unfortunate notion. We got here because
3 the Supreme Court of Pennsylvania, a case, I argued --

4 COMMISSIONER COY: Before you were on the
5 Court.

6 MR. LAMB: No, actually after.

7 COMMISSIONER COY: After.

8 MR. LAMB: I didn't sit on my own case.

9 COMMISSIONER COY: I'm sorry.

10 MR. LAMB: And that's what enabled us to get
11 our harness racing license here. There has been a
12 suggestion somewhere along the line here that we are --
13 maybe it's because we went to the Supreme Court and got
14 relief that we are a litigious group.

15 Far from the truth. We have no interest in
16 litigation in this matter. I used to do a lot of zoning
17 in one of my prior lives.

18 When you went before a Board of Supervisors or
19 Commissioners, you went with your hat in your hand and
20 you said please. That's why we're here. We're saying
21 please give us relief so we can go ahead with this
22 project.

23 Thank you and let me turn it over to Adrian and
24 Maureen.

25 MR. KING: Actually, I think --

1 MR. LAMB: Rod is going to make a brief
2 statement. Rod Ratcliff, already been sworn.

3 MR. RATCLIFF: Thank you. Judge Colins,
4 Commissioners, staff, we appreciate the opportunity to
5 be in front of you today to consider this. I mean, we
6 are appreciative.

7 We have been here for six years, trying to go
8 through this process to try to get completion. It has
9 got tough on us in the last two or three months with all
10 of the highs and lows that has been going on here with
11 the credit markets.

12 I can tell you that me and the company, we're
13 100 percent committed to the project. We're 100 percent
14 committed to the Gaming Commission, the State of
15 Pennsylvania, the Commonwealth. We would appreciate
16 your consideration. Thank you.

17 MR. KING: Thank you, Rod.

18 Good morning, Chairman Colins, members of the
19 Board. I'm going to start off the substantive
20 presentation with respect to the law. Obviously, we are
21 here today to talk about Conditional Licensure under
22 Section 1315.

23 Just a couple of observations about Section
24 1315 that I think are important to put on the table as
25 we begin here, 1315 only applies to Category 1 Licenses.

1 It doesn't apply to Category 2s. It doesn't apply to
2 Category 3s.

3 And in my mind, what the Legislature was trying
4 to achieve there was recognizing that the Gaming Act was
5 passed primarily for two reasons; property tax relief
6 but also to support the horse racing industry. As you
7 know a Category 1 track is attached to either a
8 thoroughbred or a harness track, etc.

9 It is a conditional process and it
10 contemplates -- it is for just this purpose, which for
11 one reason or another we may have to get somebody
12 licensed before the entire investigatory licensing
13 process is complete.

14 It even contemplates, God forbid, but under
15 Subsection E that you may not make it through to the end
16 of the process. It specifically talks about return of
17 your fee, your licensing fee.

18 I would note that if your fee gets returned,
19 you don't get the whole thing back. You get, I believe
20 it's 85 percent.

21 The primary purpose of the evidence that we're
22 going to present today is with respect to public
23 interest.

24 Public interest under Subsection A is one of
25 the key requirements that the grant of a Conditional

1 License must be in the public interest.

2 We believe you're going to hear very strong and
3 clear and consistent evidence that allowing us to move
4 forward is in the public interest of the citizens of the
5 Commonwealth and particularly the citizens of Lawrence
6 County and Mahoning Township.

7 Let me talk about just some of the groups of
8 evidence or people that you're going to hear from.
9 First of all, approval of this project is in the public
10 interest because it allows us to remain not in default
11 of our credit facility. It allows this project to begin
12 and commence almost immediately.

13 You're going to hear that we have -- by the end
14 of this month, we'll have spent all money that we are
15 able to take down out of this credit facility without
16 having licensing in place. There was an initial \$20
17 million that was allocated for that.

18 If we do not succeed in this petition, that
19 will end. Those monies are extinguished. On the other
20 hand, if we're able to proceed, we can immediately go to
21 construction.

22 We are able to provide 1,500 union construction
23 jobs paying union wages, benefits, etc. to the people of
24 Lawrence County, all different trades.

25 You're going to hear from Frank Telesz, who is

1 the local representative of the union. He's going to
2 talk about how important those jobs are to his members.

3 You're going to hear that Valley View is poised
4 to pay as Justice Lamb indicated our \$50 million fee
5 now, in its entirety. We don't say that lightly.
6 That's a requirement under the credit agreement.

7 We all know that for some of the other
8 licensees that have moved through, those monies have
9 been paid in some installments or a portion or it's been
10 delayed for a certain number of months.

11 We're ready to pay today. In fact, we have had
12 discussions with your staff that we need to make sure
13 that if we succeed, you're ready to draw down the money
14 and put it in your account.

15 You will hear that the grant of a Conditional
16 License is of critical importance to the Harness Racing
17 Commission and to the horsemen.

18 As we have indicated to you in the Public Input
19 Hearing, this is going to be a world class facility, a
20 mile-long track, the best of its kind anywhere.

21 You're going to specifically hear from two
22 representatives. You'll be hearing from Anton Leppler,
23 the Executive Director of the Harness Racing Commission.
24 You also will be hearing from Jim Simpson. Mr. Simpson
25 is the President of Hanover Shoe Farms. He's going to

1 give you the horseman's perspective on why this is
2 extremely important.

3 You're going to hear from Centaur itself.
4 You'll be hearing from Mr. Kurt Wilson, who is sitting
5 to my left. He is the CFO.

6 The project in allowing us to proceed is
7 important to Centaur for a variety of reasons.
8 Obviously, we want to stay out of default. We want to
9 be able to move forward.

10 You're going to hear about the very difficult
11 conditions that we face in the credit markets. I know
12 that's no secret to anyone. The bad news keeps coming
13 and coming and coming.

14 I noted that yesterday on the front page of the
15 New York Times there was an article speaking about Ben
16 Bernanke, the Federal Reserve Chairman indicating that
17 the low interest loans program that have had to be put
18 in place for our investment banks, he will probably seek
19 to have those continue well into 2009 because of the
20 continuing difficulties with the credit market.

21 You'll hear that we have had discussions with
22 lenders about trying to get some relief from the default
23 deadline; but I want to make a really, really critical
24 and important point about that.

25 Even if we are able to negotiate some sort of

1 extension, and I want to tell you that right now, the
2 proposals in front of us basically in some ways, I guess
3 the best way to say it is they break the deal, they make
4 the deal unattainable.

5 But even if we were able to get an extension,
6 that doesn't solve all of our problems. You may say,
7 well, why is that? We have a guaranteed maximum price
8 contract in place for this project. All of the costs of
9 construction are guaranteed and locked in.

10 If we were given an extension, that will just
11 provide an extension from the licensing requirement. It
12 will stave off default. Hopefully, we would be able to
13 be licensed within the time frame of the extension.

14 But it won't allow us to begin construction
15 now. It won't allow us to hire and get going the 1,500
16 union workers on this project.

17 We will probably blow the requirements with
18 respect to the guaranteed maximum price and the price of
19 this project will go significantly up. I know you're
20 very familiar with that problem.

21 If that problem is created for us, we're going
22 to have to reconfigure this project and the great things
23 that this project is about may have to be reduced, may
24 have to be reconfigured. Amenities that we would like
25 to provide, we may not be able to provide.

1 You will hear at least from our perspective and
2 Justice Lamb has touched on it that we believe the
3 Conditional Licensure does not carry significant risks
4 for the Board.

5 The reason why we say that is this: We
6 recognize and respect the integrity of the investigatory
7 process. We have always said that consistently.

8 We don't believe that there are going to be any
9 problems found with any person or entity associated or
10 affiliated with this project.

11 The management team in this project has been
12 licensed throughout the country in their various jobs
13 that they have held in their careers.

14 We have people licensed in New Jersey, people
15 that have licensed in Indiana, people who have been
16 licensed in Louisiana, people who have been licensed in
17 Nevada.

18 This is not an untested group. This is not
19 people who have not been subjected to the regulatory
20 process in the past. These are seasoned hands, so to
21 speak. They have withstood regulatory scrutiny
22 successfully.

23 My point is, why is this a safe decision for
24 the Board to make. It is safe because if any problems
25 were identified, you could order us to disassociate with

1 any of these individuals, to divest ourselves of any
2 entity, and you're ultimate solution would be to order
3 us to divest the project as a whole. We have seen that
4 happen in New Jersey with Tropicana.

5 I want to make clear that is never going to
6 happen because of the track record with these people and
7 these people are not an unknown quantity.

8 So, we are hopeful after you hear all of this
9 evidence, you will agree that Conditional Licensure for
10 this project is the best solution and it's a creative
11 solution to a very difficult problem that we find
12 ourselves in. We find ourselves in there.

13 On one hand it's ironic because I would say
14 we're the only project that I'm aware of that has ever
15 come into the licensing process with our financing
16 already in place.

17 You know, most people come in and they have a
18 highly confident letter or they have some other form of
19 contingent financing. We have the money in the bank
20 right now.

21 And so, what I'm saying is this is a creative
22 solution to allow us to maintain that funding in a
23 difficult credit market but allowing us to proceed but
24 at the same time not negatively impacting the integrity
25 of the investigatory process and allowing it be

1 completed in the fashion that is required by you and by
2 the citizens of the Commonwealth.

3 With that, I'm going to turn it over to
4 Maureen, who will begin to present some of our
5 witnesses.

6 MS. McBRIDE: I would like to call as our first
7 witness Jim Ferruchie, who is here on behalf of
8 Congressman Jason Altmeyer.

9 Mr. Ferruchie would like to, with the Board's
10 indulgence, read a letter from Congressman Altmeyer, who
11 is currently in session.

12 CHAIRMAN DiGIACOMO COLINS: Go on, sir.

13 MR. FERRUCHIE: Thank you. My name is Jim
14 Ferruchie, and I'm here today representing the office of
15 Congressman Jason Altmeyer from Pennsylvania's 4th
16 Congressional District.

17 This project is supported at all levels of
18 Government and enjoys overwhelming community support.

19 As has been disclosed to the Board, the failure
20 of Valley View Downs to achieve certain gaming license
21 milestones on or before July 15th, 2008 is an event of
22 default under its credit agreements.

23 Importantly, the credit agreements only require
24 that the Applicant, Valley View Downs, LP, receive
25 licensure by these dates.

1 This project would mean a capital investment in
2 excess of \$425 million into a region -- into our region
3 including 1,000 to 1,500 construction jobs and at least
4 1,000 permanent jobs.

5 The approval of this license is critical to
6 future economic growth in the region. Additional mixed
7 use development projects will not come to fruition
8 without the casino serving as the anchor tenant.

9 Successful licensure of the Applicant only,
10 Valley View Downs, LP represents a solution that would
11 allow Valley View Downs to meet the requirements of its
12 credit agreements and bring to realization an important
13 economic development engine for Lawrence County in
14 Western Pennsylvania. Thank you.

15 MS. McBRIDE: Thank you, Mr. Ferruchie.

16 Next, we would like to call Lawrence County
17 Commissioner Dan Vogler.

18 Mr. Vogler, can you state your full name for
19 the record?

20 MR. VOGLER: Certainly. Daniel J. Vogler.

21 MS. McBRIDE: And Mr. Vogler, what is your
22 current position?

23 MR. VOGLER: I'm an elected Lawrence County
24 Commissioner.

25 MS. McBRIDE: And how long have you held that

1 position?

2 MR. VOGLER: Five years.

3 MS. McBRIDE: And what did you do before that?

4 MR. VOGLER: Most of my career was spent in the
5 private sector. I was the Director of Governmental
6 Affairs for Pennsylvania Power Company, which at the
7 time was based in New Castle, Lawrence County.

8 MS. McBRIDE: And are you here on your own
9 behalf or are you authorized to speak on behalf of the
10 other Commissioners?

11 MR. VOGLER: I am here with my colleagues,
12 Commissioner Steve Craig and Commissioner Rick Deblaiso
13 both of whom are in the audience and I am authorized to
14 speak on their behalf.

15 MS. McBRIDE: Can you give the Board an
16 overview of the Commissioners' position with respect to
17 the Valley View Downs project?

18 MR. VOGLER: Right to the point, we support it.
19 We recognize the potential for significant, positive
20 economic impact, not only for our county but for the
21 region as well. We are in strong support of this
22 application.

23 MS. McBRIDE: Can you describe for the Board
24 the current economic conditions in Lawrence County?

25 MR. VOGLER: Yes, I can. In fact, referencing

1 the Department of Labor and Industry's Center for
2 Workforce Information and Analysis Document dated July
3 of 2008, Lawrence County's current rate of unemployment
4 seasonally adjusted is 5.7 percent, which is
5 significantly higher than Pennsylvania's rate of
6 unemployment, which is 5.2 percent.

7 Our current median family income for the county
8 is \$41,463 as compared to the Pennsylvania median family
9 income of \$49,184. Our economic condition continues to
10 lag behind the balance of the Commonwealth.

11 MS. McBRIDE: What do you attribute the current
12 economic climate in Lawrence County to?

13 MR. VOGLER: Well, for many years, for many
14 decades, we were dependent upon heavy industry,
15 particularly the steel industry. The entire region took
16 hits back in the late '70s and early '80s.

17 Our efforts to recover from that have been
18 somewhat successful, but we continue, again, to lag
19 behind the balance of the Commonwealth.

20 MS. McBRIDE: And do you have any other new
21 industries coming into Lawrence County?

22 MR. VOGLER: We have had industries come in. I
23 would submit though that many of these industries are
24 small to medium size employers that certainly don't
25 match the number of employees that had worked at these

1 larger industries for many, many decades.

2 MS. McBRIDE: And if this project is approved,
3 if this Conditional License is granted, how many jobs
4 are you looking at total for Lawrence County?

5 MR. VOGLER: Well, as been noted, the
6 construction jobs during that phase would be anywhere
7 from 1,000 and 1,500. Then the number of permanent jobs
8 at the casino and racetrack alone would be approximately
9 1,000.

10 What is interesting about that number is that
11 would make Centaur the second largest employer in
12 Lawrence County as compared, our largest employer is
13 Jamison Health System.

14 With the granting of the license and the
15 proceeding of the construction and the ultimate opening
16 of the racetrack and the casino, again, Centaur would
17 become the largest employer in the county. That is not
18 taking into account the ancillary result that will
19 result from the opening of the casino and racetrack.

20 MS. McBRIDE: I assume you've heard from your
21 constituents about this project. What is the reaction
22 of the people in Lawrence County, as far as you know, to
23 the project and the possibility of new jobs?

24 MR. VOGLER: My two colleagues and I hear from
25 them daily. It's all positive. I can assure you of

1 that. I would remind the members of the Gaming Control
2 Board that back on May 15th, you came to our county and
3 had the opportunity to hear from our community and at
4 least 35 people from all walks of life spoke. I might
5 add that at that public hearing, all of them spoke in
6 favor of the project.

7 MS. McBRIDE: And do you get the sense that
8 people in Lawrence County are anxious for the project to
9 begin in terms of employment?

10 MR. VOGLER: Without question, yes.

11 MS. McBRIDE: Commissioner Vogler, do you have
12 any other remarks that you would like to make to the
13 Board?

14 MR. VOGLER: Well, I certainly recognize the
15 responsibility that the Commission has. The three of us
16 face issues on a weekly basis that we have to make
17 important decisions on.

18 I recognize that you take into account all of
19 the facts involved in the case, but I would like to
20 underscore two points, one being that there is
21 significant community support, not only in Lawrence
22 County but from our neighboring counties in Western
23 Pennsylvania and for that matter, in Eastern Ohio.

24 I cannot emphasize enough the significant
25 economic impact that this project is going to have on

1 our community and our neighboring communities.

2 MS. McBRIDE: Thank you.

3 MR. VOGLER: Thank you very much.

4 MS. McBRIDE: Next, we would like to call
5 Mr. Frank Telesz, who will speak on behalf of the trade
6 organizations.

7 Mr. Telesz tell, can you state your full name
8 for the record please?

9 MR. TELESZ: Yes. Frank E. Telesz, Jr.

10 MS. McBRIDE: Can you spell your last name?

11 MR. TELESZ: T -- as in Tom -- e-l-e-s-z.

12 MS. McBRIDE: Mr. Telesz, what is your current
13 position?

14 MR. TELESZ: I'm a journeyman electrician, IBEW
15 Local 712.

16 MS. McBRIDE: And you're here wearing two hats,
17 if I may say; is that correct?

18 MR. TELESZ: Yes.

19 MS. McBRIDE: Aside from representing the
20 building and trade -- building and construction trades,
21 you're also here on behalf of the Lawrence County
22 Planning Commission; is that correct?

23 MR. TELESZ: Yes, I am.

24 MS. McBRIDE: First, I'm going to walk you
25 through the impact this will have on the trade unions.

1 First, can you just give me, you know, in your
2 own words what effect -- what is the position of the
3 construction and building trade unions with respect to
4 this project?

5 MR. TELESZ: Well, No. 1, we wholeheartedly
6 support the Valley View Downs project and also the
7 Centaur application for the gaming.

8 As you well know, Lawrence County
9 construction-wise, as far as tradesmen, tradeswomen, we
10 have approximately 800 members in the Lawrence County
11 building trades.

12 As you have heard earlier today, we do pay a
13 living wage. We do pay healthcare. I mean, we do have
14 healthcare. We do have pensions and other benefits.

15 In return, with Valley View Downs coming to the
16 Lawrence County building trades with that partnership,
17 they will use us to build their facility for them, we've
18 told them over and over that we will get this project
19 built on time and under budget.

20 We're a very proud community. We're very proud
21 in everything we do and we build. We would like to put
22 our name on something and always go back to it and say
23 we did it.

24 MS. McBRIDE: When you say you represent a
25 number of different trades, can you tell us how many and

1 sort of describe what they are?

2 MR. TELESZ: Yes. There are 15 trades in the
3 building trades. Of course, there's the electricians.
4 There's the carpenters. There's the flat cement
5 finishers. There's bricklayers, elevator constructors,
6 ironworkers, the drywall finishers, the painters, the
7 glazers and etc., the list just goes on.

8 MS. McBRIDE: Can you describe for the Board
9 the significance and the magnitude of this project on
10 all of those different trades?

11 MR. TELESZ: As of last night, I was thinking
12 to myself, when was the last time we had an impact of
13 this magnitude of a project.

14 To the best of my knowledge, I have to go back
15 to a little over 30 years ago, was the Beaver Valley
16 Nuclear Power Facility, the impact as far as the number
17 of manpower and the price of the project.

18 MS. McBRIDE: And do you hear from people in
19 the trade organizations regularly about this project?

20 MR. TELESZ: Yes. It's a very hot commodity
21 not only from our members but also our contractors.

22 As of yesterday, I got off of the phone with
23 one of the brick laying contractors locally asking me
24 what do you hear, what do you hear. That is all we hear
25 over and over, what do you hear.

1 But not only that, a lot of people are
2 depending on this. It's a very serious thing because
3 financially, the building trades need the work. We need
4 to be 100 percent fully employed.

5 The biggest thing today is healthcare. I mean,
6 healthcare is what it takes to make it. You don't hear
7 much more about wages anymore. It's about healthcare,
8 the cost of healthcare.

9 We only get healthcare when we are working and
10 we try to bank some hours to keep healthcare going.
11 May I, I want to share just a small story. I had my
12 membership meeting last night. Usually, I get home
13 around midnight. I got out early. I went out the
14 backdoor because I had to get home and get a little
15 sleep to come out here on this little adventure out
16 here.

17 I get home and my daughter's van is there. I
18 say, what is going on here. I go downstairs. My
19 daughter is there.

20 She said, dad, what are you doing home so
21 early? I said, I have to go to Harrisburg to testify
22 for Valley Views. Then, you know, tears started coming
23 out of her eyes.

24 Excuse me. So anyways, I said, what is, wrong?
25 She says, I'm filling out the CHIP Program for insurance

1 for my kids.

2 I said, okay. I said -- to me it was a pride
3 issue first but then I hear it over and over, there's
4 thousands of people without healthcare.

5 My son-in-law is a great young man. He's a
6 carpenter by trade, good carpenter. It's just that the
7 work is a little bit lean.

8 I told her just hang in there. Things always
9 get better. We're good people, and we're resilient.

10 But other than that, we're counting on it. We
11 really are.

12 MS. McBRIDE: And can you explain to the Board
13 the effect of the delay, you know, if a Conditional
14 License is not granted, you know, by July 15th and
15 construction can't begin, can you explain sort of how
16 logistically that affects the trade industry?

17 MR. TELESZ: Wow. I don't know what the proper
18 word is. I don't want to sound -- catastrophic, I
19 guess. Not only to the construction but also the
20 vendors and the local people supplying the materials.
21 It will be tough.

22 MS. McBRIDE: How about weather issues?

23 MR. TELESZ: Oh, we should be working now.
24 Nobody wants to work pouring concrete or working in the
25 mud in the fall or winter, but we should be working now.

1 I mean, all projects, you sit there and say why are we
2 starting them in the fall or winter. Why don't we have
3 them start early spring and get a good project done on
4 time.

5 MS. McBRIDE: Mr. Telesz, I mentioned earlier
6 that you're a member of the Lawrence County Planning
7 Commission. Can you just give the Board a brief
8 overview of the Planning Commission's view of this
9 project.

10 MR. TELESZ: Oh, yes. The Planning Commission,
11 it's a wonderful thing for the community. We support it
12 wholeheartedly. I mean, not only for the project for
13 the building trades but just the building, the impact
14 it's going to do for the social issues also for the spin
15 off construction, the jobs. It's -- our hopes are very,
16 very high in Lawrence County.

17 MS. McBRIDE: Okay. Thank you.

18 MR. TELESZ: One thing, I would like to present
19 this evidence. It's a Resolution of the Lawrence County
20 building trades in support of the project.

21 CHAIRMAN DiGIACOMO COLINS: Thank you.

22 MR. TELESZ: Thank you very much.

23 MS. McBRIDE: I would ask that the resolution
24 be marked and entered in as an exhibit.

25 CHAIRMAN DiGIACOMO COLINS: Very good. It is

1 accepted.

2 MR. KING: Thank you.

3 MS. McBRIDE: Next, we would like to call
4 Mr. Joe DeRosa from Centaur.

5 MR. DeROSA: Good afternoon.

6 CHAIRMAN DiGIACOMO COLINS: Good afternoon.

7 Counsel, just by way of reminder, if you can
8 avoid duplication of a lot of the evidence that we
9 already accepted at the May 15th hearing because as you
10 recall and your witness just testified, we were present
11 for that day and heard -- saw that there were hundreds
12 of people there. We took a lot of testimony. To the
13 extent you can avoid duplication, that would be very
14 helpful.

15 MS. McBRIDE: Absolutely.

16 Can you state your name for the record?

17 MR. DeROSA: Joseph Michael DeRosa.

18 MS. McBRIDE: Can you tell the Board what your
19 current position is?

20 MR. DeROSA: I'm the General Manager of Valley
21 View Downs and Casino.

22 MS. McBRIDE: Can you give a brief overview of
23 your background and experience.

24 MR. DeROSA: I've been in the gaming industry
25 for about 30 years, since 1978. I was a high school

1 math teacher that needed a summer job. Once I got
2 involved, I never went back.

3 I have served pretty much every position on the
4 casino floor. I have been involved in design,
5 financing, construction, opening, and operations of
6 casinos in New Jersey, California, Indiana, and Nevada.

7 I have held a gaming license in each of those
8 states, and I have held a Key Gaming License in three of
9 those states.

10 My experience includes riverboat gaming in
11 Indiana and Native American gaming in California. I
12 have also been involved in gaming education -- I guess,
13 once a teacher, always a teacher -- with a place called
14 Casino Career Institute, which is a branch of Atlantic
15 County College in Atlantic City.

16 I've done seminars in game protection and
17 operations in various jurisdictions throughout the
18 United States and Canada to operators, owners, and
19 regulators.

20 MS. McBRIDE: Mr. DeRosa, we have already -- I
21 know that you have testified before about the design of
22 the facility and your input into that. Can you just
23 briefly describe what the facility will be like?

24 MR. DeROSA: Yes. We did an extensive
25 presentation at the impact hearing. So very briefly, we

1 have designed a first class facility. It's integrated
2 gaming, racing, and entertainment.

3 The overall footprint will sit on about 250
4 acres. The main entertainment complex is a little over
5 273,000 square feet.

6 Our finishes are extremely high quality. The
7 design is taking care to paying special attention to
8 good air quality, to good circulation of patrons. I
9 know I pointed out to you we will be keeping minors off
10 the floor.

11 The racetrack itself is a one-mile track,
12 state-of-the-art Eurodesign. We will have five
13 restaurant spaces under the current design catering to
14 everyone's taste and budget.

15 Our construction time frame is about 13 months
16 and probably just a little bit longer for the racetrack.

17 MS. McBRIDE: And we have heard from Mr. Telesz
18 about the number of construction jobs that will be
19 created. How many permanent jobs are expecting at
20 Valley View Downs?

21 MR. DeROSA: Valley View Downs will employ
22 approximately 1,000 permanent positions, both full-time
23 and part-time. These are good positions with
24 competitive wages, with health benefits, and with a
25 great opportunity for advancement.

1 They are in a variety of disciplines. There
2 will be gaming floor positions, food and beverage,
3 marketing type things, administration, and again, good
4 opportunity for advancement.

5 There will be entry-level positions. There
6 will be supervisory positions and management positions.

7 MS. McBRIDE: We also heard testimony earlier
8 about the economic conditions in Lawrence County. I
9 know you have been approached by people. What is your
10 sense of the need for these jobs and the need for these
11 jobs in Lawrence County?

12 MR. DeROSA: As I talk to the people of
13 Lawrence County and surrounding areas, I find, you know,
14 that the history tells me it's similar to my experience
15 in Gary, Indiana. These were mill towns that had tough
16 times back in the '70s, and there's a desperate need for
17 employment.

18 It's very, very exciting to have this
19 opportunity to bring these 1,000 jobs there and the
20 economic job stimulus that it will provide. The
21 stimulus has already begun. It's even out into the
22 community.

23 Our construction company has already moved
24 forward. We've rented five condominiums and immediately
25 went out and bought \$65,000 worth of furniture from a

1 downtown New Castle shop owner. Those are the kind of
2 things that are going to happen over and over and over.

3 MS. McBRIDE: Mr. DeRosa, do you get the sense
4 that people are anxious for these jobs to start sooner
5 rather than later?

6 MR. DeROSA: Of course. The construction jobs,
7 every day that is lost is a day people don't have work.
8 As I move about the community and the people and when
9 people find out what I do and who I am and now it's
10 like, we can't wait. We can't wait. When can we apply?

11 I go to restaurants and gee, that would be a
12 great opportunity for me to work in your buffet or an
13 opportunity to move up into the steakhouse.

14 In 30 years, I cannot say I have seen more
15 excitement about a project than the citizens of Lawrence
16 County are showing.

17 MS. McBRIDE: Okay. Thank you very much.

18 MR. DeROSA: Thank you.

19 MS. McBRIDE: Next, we would like to call Anton
20 Leppler from the Harness Racing Commission to give a
21 sense of where the harness racing industry is with
22 respect to this project.

23 Good morning. Can you state your name for the
24 record?

25 MR. LEPPLER: Anton J. Leppler, L-e-p-p-l-e-r.

1 MS. McBRIDE: Mr. Leppler, what is your current
2 position?

3 MR. LEPPLER: I'm sorry?

4 MS. McBRIDE: Your current position?

5 MR. LEPPLER: I'm Deputy Director of Racing for
6 the Pennsylvania Harness Racing Commission.

7 MS. McBRIDE: Are some of the Commissioners
8 here today?

9 MR. LEPPLER: Pardon me?

10 MS. McBRIDE: Are there Commissioners here with
11 us today?

12 MR. LEPPLER: Oh, yes. Commissioner Welsh and
13 Commissioner Manuel are here today. Unfortunately,
14 Chairman Wilt is unavailable to be here.

15 MS. McBRIDE: How long have you held your
16 current position?

17 MR. LEPPLER: The current position, seven
18 months.

19 MS. McBRIDE: And before that?

20 MR. LEPPLER: I was Executive Secretary for the
21 Pennsylvania Harness Racing Commission for nine years.
22 Prior to that, I was Director of Enforcement and
23 Licensing for the Horse and Harness Racing Commission
24 since 1985.

25 MS. McBRIDE: You have been involved with the

1 Valley View project for some time; is that correct?

2 MR. LEPPLER: Since 2002.

3 MS. McBRIDE: And would you say you were
4 involved in all aspects of the licensing proceedings?

5 MR. LEPPLER: That is correct.

6 MS. McBRIDE: What is your experience and what
7 has your experience been with Valley View and Centaur
8 and the Principals involved?

9 MR. LEPPLER: We had a splendid working
10 relationship. In fact, we still do. Whenever the
11 Commission has asked for any documents or whatever we
12 needed from Valley View, they had it in a very
13 expeditious fashion. I was extremely impressed that
14 they kept the ball moving forward.

15 We have a good relationship with Bob Hagemyer,
16 Rod Ratcliff, and also Jeff Smith. I was also extremely
17 impressed with Valley View Downs and Bedford Downs
18 because it came to a point where the litigation went up
19 to the Supreme Court.

20 The Supreme Court made it's Order, of course.
21 Predicated on that Order and at the direction, if you
22 will, of the Harness Racing Commission, both Applicants
23 came together for the betterment of racing.

24 They moved their project from the Beaver County
25 site to the Lawrence County site. They added into their

1 application process the one-mile track, which is exactly
2 what the Chairman and fellow Commissioners wanted. In
3 fact, it was a benefit to the harness racing industry.

4 MS. McBRIDE: What type of investigation did
5 your Commission do briefly before licensing Valley View?

6 MR. LEPPLER: Well, we took kind of a role from
7 the Gaming Control Board. Our application, we kind of
8 tailored it from what we had before to an application
9 similar to the Gaming Control Board.

10 We work very closely with the Pennsylvania
11 State Police, the United States Attorney's Office, the
12 Federal Bureau of Investigation, other regulatory
13 agencies, and the Gaming Control Board folks who were
14 fantastic.

15 MS. McBRIDE: Can you tell the Board what the
16 issuance of a Conditional License to Valley View would
17 do for the harness racing industry?

18 MR. LEPPLER: Well, it would give another
19 opportunity in Western Pennsylvania for horseman to race
20 in Western Pennsylvania. It would also enhance the sire
21 stakes program. It would enhance the breeders program.
22 It would enhance the purse program. It would give an
23 overall -- it would bring to fruition Act 71 in issuing
24 the final license. That's what Act 71, I think, was all
25 about. In fact, I know it was all about issuing these

1 licenses. It was all about harness and horse racing.
2 That was the original intent of the law.

3 MS. McBRIDE: And if Valley View doesn't obtain
4 a Conditional License by July 15th, what do you see as
5 the fallout to the harness racing industry?

6 MR. LEPPLER: On the same things I mentioned in
7 the positive way would just be a negative.

8 It would not help the purses, not help the sire
9 stakes program, not help the breeders program, not give
10 the opportunity for horsemen to race in Western
11 Pennsylvania.

12 There's another situation that is about the
13 equal librium of racing in Pennsylvania, harness racing
14 where you have Pocono Downs and you have Chester. Most
15 of the horses work north and south from each track.

16 Well, you have the Meadows here; and if you
17 could have another track up there at Valley View Downs,
18 that would also help. It would impact negatively if
19 this doesn't happen on the breeding program and the
20 opportunities for the horseman.

21 Act 71 was the lifeblood of racing in
22 Pennsylvania. It's my opinion, without Act 71, racing
23 was already in serious jeopardy and you would probably
24 end up with maybe one track or two tracks, if that, but
25 this was the lifeblood.

1 The bottom line of this situation is that this
2 track needs to be awarded. The track is awarded. The
3 license needs to be awarded so we can complete the
4 process.

5 MS. McBRIDE: Thank you, Mr. Leppler.

6 MR. LEPPLER: You're welcome. Thank you.

7 COMMISSIONER GINTY: I have a question.

8 CHAIRMAN DiGIACOMO COLINS: Go ahead.

9 COMMISSIONER GINTY: You indicated that this
10 process started in 2002. I think we ought to be clear.
11 It took -- maybe you can explain why it took until March
12 or April of 2008 to get to this Board.

13 MR. LEPPLER: There were appeals on appeals on
14 appeals. There were -- it was an adversarial situation.

15 MR. LAMB: Let me answer that.

16 MR. LEPPLER: I'm sorry.

17 MR. LAMB: Commissioner Ginty, there were two
18 Applicants, Bedford Downs and Valley View Downs. They
19 both competed for the last singular license in
20 Pennsylvania.

21 Both cases -- and there were a whole lot of
22 procedural issues that were involved, but both cases
23 ended up on appeal. We came and got involved. As I
24 told Commissioner Coy, we took the case to the
25 Pennsylvania Supreme Court.

1 The Supreme Court remanded the case and that
2 was in 2006, I guess. From 2002 to 2006 or '07, we
3 weren't on the racetrack. We were on the Court track.

4 COMMISSIONER GINTY: I just wanted the record
5 to be clear as to when this Board became involved.

6 MR. LAMB: Nothing to do with this Board.

7 MS. McBRIDE: Thank you, Mr. Leppler.

8 CHAIRMAN DiGIACOMO COLINS: Thank you.

9 MS. McBRIDE: Next, we would like to call
10 Mr. Jim Simpson.

11 Good afternoon, Mr. Simpson. We'll try to keep
12 this brief and try to avoid any redundancy from the
13 testimony that was presented at the Public Input Hearing
14 and today.

15 Mr. Simpson, can you state your name for the
16 record?

17 MR. SIMPSON: James W. Simpson.

18 MS. McBRIDE: Can you tell us what your current
19 position is?

20 MR. SIMPSON: President and CEO and co-owner of
21 Hanover Shoe Farms.

22 MS. McBRIDE: How long have you held that
23 position?

24 MR. SIMPSON: Ten years.

25 MS. McBRIDE: And can you just describe briefly

1 your background and experience and then also a little
2 bit about Hanover Shoe Farms?

3 MR. SIMPSON: Well, my background, I've been
4 associated with Hanover Shoe Farms all of my adult life.
5 I'm a fourth generation horseman. I was a
6 trainer/driver racing in Pennsylvania a fair amount.

7 Hanover Shoe Farms is the largest standard bred
8 horse farm in the world. We comprise 3,000 acres, 1,200
9 horses, 100 employees on and on and on. We are the
10 large -- the most successful breeder of horses of any
11 breed since records have been kept.

12 We have had more Kentucky, Little Brown Jug,
13 Hambiltonian winners than any other farm. I won't keep
14 going on and on and on, but we're pretty proud of what
15 we have done.

16 MS. McBRIDE: Can you describe for the Board
17 what an issuance of a Conditionable License, which would
18 allow the harness track to be built would mean to
19 horsemen and to breeders?

20 MR. SIMPSON: Well, I just have to say that
21 Anton said it all and said it well. These opportunities
22 that Act 71 made possible if the fourth track is allowed
23 in Pennsylvania, it will open up so many opportunities
24 for the horsemen and the breeders.

25 MS. McBRIDE: And just quickly, the

1 significance of a one-mile track, can you explain that?

2 MR. SIMPSON: All eyes are on Pennsylvania
3 right now thanks to you, the Gaming Board, for issuing
4 the other two, three licenses.

5 We are on the world's stage. With a mile
6 track, we have the possibility of getting the classic
7 races like the Hambiltonian and the Breeders Crowns. I
8 happen to sit on the Hambiltonian Society Board and I
9 can tell you there's been discussion to move the race.
10 It has moved several times and it would be a great
11 thing. A Hambiltonian is equivalent to the Kentucky
12 Derby.

13 MS. McBRIDE: And you need a one-mile track for
14 the Hambiltonian?

15 MR. SIMPSON: Must be raced on a one-mile track
16 in the daylight.

17 MS. McBRIDE: Are there any other one-mile
18 tracks in Pennsylvania?

19 MR. SIMPSON: No. Not only that, if this were
20 to happen, Valley View Downs would be the only mile
21 track in North America dedicated to year-round harness
22 racing.

23 MS. McBRIDE: Thank you very much, Mr. Simpson.
24 I have no more questions.

25 MR. KING: In the interest of timing, I will

1 tell you this is our last witness.

2 CHAIRMAN DiGIACOMO COLINS: Thank you.

3 MR. KING: And then we would have a brief
4 wrap-up and be available for whatever questions the
5 Board may have.

6 With that, I would ask Mr. Kurt Wilson to
7 please join us.

8 Good afternoon Mr. Wilson.

9 MR. WILSON: Good afternoon.

10 MR. KING: Please state your name for the
11 record.

12 MR. WILSON: Kurt E. Wilson.

13 MR. KING: And what is your current position?

14 MR. WILSON: I serve as Chief Financial Officer
15 and Executive Vice President of Centaur, the parent for
16 Valley View Downs.

17 MR. KING: All right. How long have you held
18 that position?

19 MR. WILSON: I've been an officer of Centaur
20 since its inception, since 1993 and have worked for the
21 company full-time since 1998.

22 MR. KING: Prior to joining Centaur, Mr.
23 Wilson, can you give the Gaming Board a sense of your
24 background and what you have done?

25 MR. WILSON: I have been an eagle scout, a

1 class president, a bank president and a corporate
2 fiduciary. I am licensed for gaming in the state of
3 Colorado and state of Indiana holding Key License
4 positions. I'm licensed for racing in the state of
5 Pennsylvania and Indiana.

6 I sold my bank in 1991 to a fine company,
7 Indiana National, and shortly thereafter met Rod
8 Ratcliff and made a decision to support his vision for
9 the development of pari-mutuel horse racing and gaming
10 and have been there ever since.

11 I have been very much involved in the Valley
12 View Downs project since the very beginning and have
13 lived and breathed this project for more than six years
14 now.

15 MR. KING: Okay. With respect to Valley View
16 Downs in particular, were you involved in negotiating a
17 credit facility?

18 MR. WILSON: Yes, I have been, I and other
19 members of the executive management team at Centaur.

20 MR. KING: Okay. Can you tell the Board just
21 to give them a little bit more detail about the credit
22 facility, what is Credit Suisse's role in this deal?

23 MR. WILSON: Credit Suisse serves as an agent
24 for a group of lending banks that provided the credit
25 facility. They also hold approximately 5 percent at my

1 last count of the outstanding indebtedness under that
2 facility.

3 MR. KING: Can you give us an overview about
4 how the credit facility is structured? We have been
5 talking a lot about that with Board staff and other
6 about tiers and groups. Can you sort of walk the Board
7 through that?

8 MR. WILSON: Last October we completed at
9 nearly \$1 billion financing, \$995 million, which
10 consists of three tiers; a first lien, a priority
11 structure of \$615 million at my last count comprised of
12 43 different lenders in that group, a \$180 million
13 second lien facility, comprised of about 17 lenders and
14 a pick note for \$200 million.

15 A little expansion on the first lien facility,
16 that \$615 million breaks down as a \$470 million initial
17 draw last October, a \$100 million delayed draw facility
18 to accommodate a second installment on our Indiana slot
19 license at Hoosier Park, a \$25 million add-on facility
20 that was dedicated entirely to this Pennsylvania project
21 that we drew down on May 15th in a use-it or lose-it set
22 of circumstances that we elected to take advantage of in
23 the current poor economic environment in the credit
24 markets, and then finally a \$20 million revolving line
25 of credit that provides liquidity reserve for our

1 holding company.

2 MR. KING: And just to refresh the Board's
3 recollection, this \$995 million facility services both
4 the Valley View Downs project, as well as Hoosier Park;
5 is that correct?

6 MR. WILSON: Yes, it does.

7 MR. KING: And Hoosier Park being your new
8 facility in Indiana?

9 MR. WILSON: Yes. We have been open to the
10 public now since June 2nd. We are very pleased.

11 MR. KING: Okay. When was this credit facility
12 entered into?

13 MR. WILSON: October 30th of 2007.

14 MR. KING: And tell us a little bit about how
15 the credit markets have changed since being able to
16 enter into the facility?

17 MR. WILSON: It's been a radical change. I
18 would state that ours was the last large facility in the
19 gaming sector of the market to be completed since this
20 unprecedented decline in the credit markets, at least in
21 my lifetime.

22 Hard working, good fortune created an
23 opportunity for what I call for us to fly through the
24 clouds last October when we completed this financing.

25 The markets had deteriorated considerably

1 during the summer of '07. Around Labor Day, they
2 improved a little bit. It was the light shining through
3 the clouds.

4 With the assistance of our investment bankers,
5 we were able to complete this financing under difficult
6 circumstances but beautiful circumstances when compared
7 to today.

8 Shortly after the completion of that financing
9 and the very end of October, the markets began to
10 decline again to the point where it may not have been
11 possible by mid-November, in the opinion of many people
12 who I respect. That decline continues to this day, and
13 it is a source of great concern.

14 There are many problems in these markets that
15 have been highlighted in the press. I think some of
16 those articles have been submitted. I won't go over the
17 details of those articles; but I think right here in
18 Pennsylvania, there are examples of good projects; at
19 Penn National, Majestic in Pittsburgh that have been
20 impacted significantly by the conditions of these
21 markets.

22 It is not confined to Pennsylvania. This is a
23 fact that has impacted the industry across North
24 America.

25 I would like to explain -- it's tempting for

1 some of us to sit here and look at lenders as evildoers
2 in an environment like this.

3 In fact, these lenders have suffered massive
4 financial damage as a result of this decline in the
5 quality of the markets.

6 Old rules of propriety and conduct have
7 increasingly been set aside during this very stressful
8 economic situation.

9 Our debt, which was issued only last October
10 has now declined to where it trades in the secondary
11 market among different banks at 85 to 87 cents on the
12 dollar.

13 If we fail to meet this important condition in
14 our credit agreements to receive a license by July 15th,
15 our creditors will have the ability to stop this
16 Pennsylvania project, to take back the \$300 million in
17 cash that is now set aside in the bank in reserve to
18 construct this world class facility and potentially the
19 \$50 million set aside in the bank supporting our
20 application for our license to you at par.

21 Under gap accounting rules, their positions
22 have been market to market. They realized those losses.
23 The gain, the difference between that 85, 87 cents where
24 those positions may be sitting today and that 100 cents
25 on the dollar is immediate. It provides a very

1 attractive source of revenue in a very difficult
2 situation.

3 That is the nuts and bolts of what I stand
4 before you and am deeply concerned about today.

5 MR. KING: Mr. Wilson, we have talked about the
6 requirements of the credit facility. Can you tell the
7 Board with respect to the entities that must be licensed
8 by July 15th? Is Valley View Downs, LP, the Applicant,
9 is that the only entity that must be licensed by July
10 15th?

11 MR. WILSON: Yes. A license to Valley View
12 Downs by itself, conditional on the license of other
13 entities and other Principals is acceptable under the
14 terms of our agreement.

15 I would like to take just a minute and try to
16 help make clear exactly why that is important. I think
17 it's a very commonsense explanation in many respects.

18 We're before you not just for matters of
19 integrity, which are very important to the members of
20 the Board, integrity and character, but also the design
21 of our project and the financing for our project are
22 important and are part of very important elements of
23 suitability.

24 Put yourself in the shoes of the lender. Are
25 they going allow nearly a half a billion dollars to be

1 committed to build a project and come back to you later
2 and say, is this what you wanted?

3 We need to know that this project is suited not
4 only with respect to the character of those that come
5 before you today but also with respect to the design and
6 financing, which we feel very secure about at this
7 moment with the money in the bank for this project.

8 MR. KING: We know, obviously, why we're here
9 today. That is the July 15th requirement but are there
10 certain other conditions that are also required?

11 MR. WILSON: Yes, there are. The conditions
12 are that the license be issued, that the \$50 million
13 letter of credit that we have posted for our license be
14 drawn down by the Board.

15 MR. KING: And also, talk about the issue of a
16 final and unappealable license, if you would.

17 MR. WILSON: We have studied that issue
18 carefully. We have consulted with our investment
19 bankers, with our attorneys, and are of the opinion that
20 the license issued on or before July 15th is final and
21 unappealable and satisfactory under the terms of our
22 credit agreement.

23 MR. KING: And talk about with respect to the
24 conditional aspect of the license, will that be
25 acceptable to the lenders?

1 MR. WILSON: It's important to note it was a
2 different world that we were in at the time this
3 agreement was entered into last October; but the date,
4 the July 15th date was a heavily negotiated position.

5 We specifically identified in the documents
6 that licensing under Section 1315, the Conditional
7 License is satisfactory under our credit agreement.

8 MR. KING: Mr. Wilson, I don't want to repeat
9 for the Board, so we're not going to go through all of
10 the benefits that would result were we to be granted a
11 conditionable license.

12 I do want to touch on one thing that I
13 mentioned in our opening statements and that was about
14 the guaranteed maximum price. Can you talk about why
15 that is so important to this project and its success?

16 MR. WILSON: We entered into a guaranteed
17 maximum price for the construction of this project on
18 May 15th.

19 Under that contract, we were to give
20 unrestricted direction to move forward with the
21 construction of this project on June 16th. That hasn't
22 happened.

23 As the days pass, our hold on the guaranteed
24 maximum price provisions on that contract slip away.
25 The escalation and commodity prices, raw materials,

1 labor agreements and a multitude of other factors are
2 also critical elements that need to be held together in
3 order to allow this project to succeed.

4 MR. KING: And explain to the Board, even if we
5 were able to get any kind of extension or relief from
6 the lenders, we'll talk about that in a second, would
7 that solve our problem with the GMP, guaranteed maximum
8 price contract?

9 MR. WILSON: No. An extension with the
10 lenders, if achievable, would be expensive, very
11 expensive at this time. If successful at any price,
12 it's not the answer.

13 Under the terms of our credit agreement, I
14 think as you may have mentioned earlier, Adrian, we are
15 permitted to spend \$20 million in prelicensing
16 construction and development activities. That will be
17 exhausted this month.

18 The project will close down if we do not have
19 the ability to move forward. So, we may buy time if
20 successful in that endeavor; but that's not enough to
21 keep this project intact.

22 We also have to be able to successfully
23 mothball all of the relationships, contracts,
24 agreements, and pricing that are interdependent in
25 making this successful.

1 MR. KING: Can you talk a little bit about for
2 the Board the discussions with lenders that we have had
3 to date?

4 MR. WILSON: Yes. The license, the Conditional
5 License has been the topic of extensive discussions with
6 our lenders. The license for Valley View by itself is
7 okay.

8 As has been stated, I fully believe that the
9 issuance of this license changes little today except for
10 our ability to satisfy the terms of our credit agreement
11 and move forward and start construction immediately,
12 break ground next week, if we can get this moving.

13 Even if it's contingent on these other entities
14 and individuals being licensed before the first dime of
15 gaming activity can take place at the property, we can
16 satisfy our obligations under this agreement, satisfy
17 the need to know that the project has been blessed and
18 go forward with construction and the related benefits.

19 MR. KING: Can you give the Board a sense of
20 the range of what it would cost to even get an extension
21 and how that would impact the project?

22 MR. WILSON: I have had numerous discussions
23 with the lenders, investment bankers, and our own team
24 evaluating our options and attempting to find ways to
25 manage through this very difficult set of circumstances.

1 A proposal was made yesterday by one of the
2 largest lenders in our first lien that we have modeled
3 the cost between \$86 and \$140 million as it ranges from
4 call date to maturity date for this extension.

5 I do believe we will continue to work through
6 this and find ways to drive that lower and try to figure
7 out ways that the projected revenues of the project can
8 support an ultimate solution. We have no agreement in
9 place today to address that problem.

10 MR. KING: And how long would that extension
11 have been for? Into October; am I correct?

12 MR. WILSON: Yes. It's -- that is still a
13 negotiated item. It would buy just a few weeks
14 September 15th to October 15th are the dates that have
15 been in discussion.

16 MR. KING: Again, at a cost of \$86 to \$140
17 million?

18 MR. WILSON: That was the proposal made
19 yesterday in terms of our estimate. It buys us time but
20 does not buy us dollars to continue construction. The
21 project will continue to be mothballed.

22 MR. KING: Could you actually proceed with the
23 project at that time of cost \$86 to \$140 million?

24 MR. WILSON: No, not as it is currently
25 designed.

1 MR. KING: Just in closing, Mr. Wilson, is
2 there anything else that you would like to share with
3 the Board?

4 MR. WILSON: Yes. I would like to say in
5 closing comments that I have been committed to this
6 project since 2002.

7 We made the decision to take the risk to take
8 down this financing last October in our own best
9 interests to pursue the opportunity to make a profit
10 from conducting this activity in the State of
11 Pennsylvania.

12 But I also want to point out the fact that our
13 opportunity to succeed here creates a greater success
14 for the people, the citizens of Pennsylvania.

15 I want to point out that under the law, Act 71,
16 that more than 50 cents of every dollar in revenues that
17 are generated on our property are allocated to state,
18 local government, and horsemen groups throughout the
19 State of Pennsylvania and in the community where we
20 operate, that less than 40, 48 percent and less, from
21 that we must take the dollars to pay the expenses of
22 this project.

23 We must pay the cost of capital, the interest,
24 and the return of principal to build this project.

25 If we're good managers, and we believe we are,

1 what is left after all of that will be ours after the
2 fruits of our labors.

3 I would like to point out if we are good as we
4 say we are, the benefits to the people of Pennsylvania
5 will be very great in comparison.

6 I ask you to give us the opportunity to use
7 this money to be -- to build this project, which is
8 truly a world class facility designed by world class
9 people. It will be operated by world class people for
10 the benefit of the citizens of Pennsylvania. Thank you.

11 CHAIRMAN DiGIACOMO COLINS: Thank you.

12 MR. KING: Thanks, Mr. Wilson.

13 Justice Lamb?

14 MR. LAMB: Judge Colins, before I briefly wrap
15 it up, we want to open it up to questions that anybody
16 may have.

17 CHAIRMAN DiGIACOMO COLINS: What I would like
18 to do is give the Office of Enforcement Counsel an
19 opportunity, if counsel has any questions of your
20 witnesses. After Chief Enforcement Counsel is finished,
21 then I'll see if the Board has questions.

22 Do you have any questions, Mr. Creany?

23 MR. CREANY: Yes, Chairman Colins. I had a few
24 questions for some of them. I was going to go in the
25 order. We'll have to play some musical chairs here.

1 Then we had potentially some witnesses but I
2 would want to at least get some guidance from the Board
3 because I think there might be a way to stipulate and
4 shortcut things that I think you had signaled at the
5 beginning that we are here today and it isn't helpful to
6 discuss how we got here.

7 But most of what I was going to present through
8 our witnesses would be the record as it came in through
9 the Bureau of Licensing and then the efforts of BIE.

10 CHAIRMAN DiGIACOMO COLINS: Okay. Ask your
11 questions.

12 MR. CREANY: Okay. I think I would like to
13 address a couple of questions to Anton Leppler.

14 MR. LAMB: Do you want him to just stand, Your
15 Honor?

16 MR. CREANY: If it's audible.
17 Mr. Leppler, as of the enactment of the Act that gave
18 slots and supports the horse racing industry, July 5 of
19 2004, how many licenses have yet to be issued by the
20 Harness Racing Commission?

21 MR. LEPPLER: I think it was one.

22 MR. CREANY: There was only one out at a time?

23 MR. LEPPLER: Yes.

24 MR. CREANY: And you had referenced in your
25 testimony the benefits to racing to have this track. I

1 think specifically that it's a one-mile track. We heard
2 from Hanover Shoe Farms' witness as to that impact.

3 But in the process of the earlier issuance of
4 the licensing between Bedford Downs and Valley View --

5 MR. LEPPLER: Yes.

6 MR. CREANY: -- we heard something, at least in
7 the record of that, there's issues with respect to the
8 size of the track. Why is it that that one-mile track
9 is a significant difference between one Applicant and
10 the other?

11 MR. LEPPLER: I can probably articulate to you
12 my reasons but it would be better to talk to the
13 horsemen.

14 The one-mile track gives a better opportunity
15 to the horsemen as far as racing is concerned.

16 Normally on a 7/8th mile track or a smaller
17 track, you would have eight horses across. On a mile,
18 you could go up to ten horses across. That's one
19 opportunity.

20 Then the other opportunity would be having the
21 Hambiltonian, the possibility of the Hambiltonian, a
22 race in Pennsylvania. That was something that evolved
23 originally with the Bedford Downs application.

24 The true reason for it is, I think this, when I
25 looked at the Bedford Downs application -- doing a

1 sidebar here. When I looked at the Bedford Downs
2 application, they had a mile track but they had two
3 chutes on it.

4 Well, they had put an application in also for a
5 thoroughbred. Thoroughbred tracks are mile tracks.
6 Harness tracks don't have chutes on them. They're just
7 oval.

8 When we looked at that, we thought, gee, that
9 was a good idea. The Chairman really thought that was a
10 good idea and his fellow Commissioners. That's how that
11 particular mile track situation came into being.

12 Also what happened, as you know, Valley View
13 was originally on the Beaver site in Beaver County.

14 We weren't real pleased with that site. Okay.
15 So what happened was, after the appeals were up to the
16 Supreme Court, the Supreme Court more or less said, take
17 another bite of the apple.

18 Okay. So we got the two Applicants together
19 and to work out an arrangement between the two
20 Applicants and somewhat in the jeopardy of each one of
21 them; but they came in the interest of the best racing
22 to do what they needed to do, to come up with one
23 application before this Commission and the other one
24 stood back more or less and the Valley View application
25 came forward.

1 They went over on the Valley View site or the
2 Lawrence County site, I should say. That was actually a
3 physically better property than the Beaver site.

4 As far as suitability, we did not find anything
5 in the application process as far as suitability as far
6 as the Applicants were concerned. We weren't happy.
7 The Commissioners weren't happy with the site, with the
8 site and also, the fact that they originally didn't have
9 the one mile track in their application but they
10 subsequently put it in. So, we had the best of both
11 worlds.

12 MR. CREANY: Then just to clarify, you said you
13 didn't find anything as to suitability. You're talking
14 about the Valley View application?

15 MR. LEPPLER: That is correct.

16 MR. CREANY: Then with respect to site issues,
17 is it clear then that the Beaver site did not have the
18 one-mile track capable of hosting the Hambiltonian?

19 MR. LEPPLER: They originally did not have that
20 in their application. That is correct.

21 MR. CREANY: Did they ever supplement it to put
22 a --

23 MR. LEPPLER: Subsequent -- I'm sorry. I
24 interrupted you.

25 MR. CREANY: In Beaver County, they would be

1 able to accommodate one mile?

2 MR. LEPPLER: They supplemented their
3 application to put it in.

4 MR. CREANY: And with respect to the license
5 that was eventually issued in 2007, what is the impact
6 if the Valley View project is not successful with
7 respect to its slot application? What happens to that
8 license? Is it --

9 MR. LEPPLER: As far as the harness license is
10 concerned?

11 MR. CREANY: Essentially, is it transferrable?

12 MR. LEPPLER: As far as we're concerned, let me
13 just think this through because -- okay. As far as the
14 Commission is concerned, it's not in the best interest
15 of racing to not be able to get a gaming license.

16 So we would respectfully request that license
17 back because we couldn't in good faith just have a
18 harness track out there without the support of a gaming
19 facility.

20 And I might add, this gaming facility and
21 racetrack, racino, is integrated through the cooperation
22 of Valley View Downs and the Commission.

23 But to answer your question, the license would
24 -- well, we would probably -- well, we would. If we
25 don't get a gaming license, we take the license back.

1 MR. CREANY: Is it not the case that there is a
2 condition in the Order that granted the license that
3 would make it non-transferrable?

4 MR. LEPPLER: I'm sorry?

5 MR. CREANY: Is the Order granting that license
6 provide that it is non-transferrable?

7 MR. LEPPLER: Not to my knowledge. I would
8 have to ask George Agusta that question, our counsel.

9 MR. CREANY: Those are the only questions I
10 had.

11 MR. PITRE: I have one question for
12 Mr. Leppler.

13 CHAIRMAN DiGIACOMO COLINS: Just a moment,
14 please.

15 Do you have questions for Mr. Leppler?

16 MR. PITRE: One question.

17 CHAIRMAN DiGIACOMO COLINS: Go head, please.

18 MR. PITRE: Mr. Leppler, forgive me, you guys
19 at the Harness Racing Commission conducted a pretty
20 rigorous investigation on both of the Applicants,
21 correct?

22 MR. LEPPLER: That is correct.

23 MR. PITRE: And you didn't issue this license
24 on a whim, correct?

25 MR. LEPPLER: Absolutely not.

1 MR. PITRE: You wouldn't expect this Board to
2 issue a license on a whim either, would you?

3 MR. LEPPLER: Absolutely not.

4 MR. PITRE: No further questions.

5 MR. LEPPLER: I respect this Board immensely.

6 COMMISSIONER McCABE: To follow-up on this
7 background investigation, at the time you did the
8 background investigations on the two Applicants, in
9 particular this Valley View, how long did it take your
10 investigators to do those background investigations?

11 MR. LEPPLER: A better person to answer that is
12 Walt Remerick, but he is in Iraq right now. Let me put
13 this in perspective, okay?

14 We had myself, Walt Remerick, Tina Applebee and
15 George Agusta, four people doing this background
16 investigation.

17 We also pulled on you folks for one of your
18 forensic accountants at one time and we also pulled on
19 you folks, your investigators for information.

20 I would say it took, with four people now, it
21 took several months, several months, I would say close
22 to eight months to a year.

23 MR. CREANY: Unless there are any further
24 questions for Mr. Leppler, I only have a few, one or two
25 questions that is for Mr. Kurt Wilson.

1 CHAIRMAN DiGIACOMO COLINS: All right. Thank
2 you.

3 MR. LEPPLER: Thank you.

4 MR. CREANY: Mr. Wilson, when you were
5 discussing the credit facility that was arranged for
6 October 30th, at the finalization, 2007 for a credit
7 facility through Credit Suisse, you mentioned that there
8 was robust negotiations on the provisions in the event
9 of default saying if it isn't issued by July 15th, it
10 isn't final.

11 Would you describe in more detail, where did
12 that come from? Who came up with the July 15th
13 deadline? Was it your side or was that Credit Suisse
14 that put that deadline in place.

15 MR. WILSON: It was a negotiated position. I
16 don't think I could accurately attribute or blame -- if
17 that's what you're asking me to do -- anyone on the
18 circumstances that we have here.

19 It was a different world. There was a
20 reasonable expectation on the part of our lenders that
21 we should be able to accomplish that goal.

22 When looking to the fact that we were
23 previously licensed in other jurisdictions, that our
24 financing would be in place for this project, the
25 quality of the design and the people that have been

1 brought to bear on this project, in the specific
2 provisions in the Act under Section 1315 that
3 contemplated the possibility of a Conditional License to
4 allow this project to continue in the event that, you
5 know, were necessary and not -- circumstances like this
6 couldn't be foreseen.

7 At that time, also, this might have and I think
8 was largely considered by many of the participants that
9 if we ran into a difficulty here that this would be a
10 technical issue that would be unwelcome and an expense
11 to the project but not present the prospect for
12 overwhelming calamity in the world that we live in
13 today. Does that answer your question?

14 MR. CREANY: I guess. I think it goes around
15 it at least. I was thinking in terms of really why was
16 that something that somebody had dug in on or are you
17 just saying that it was not --

18 MR. WILSON: It was one of the last issues to
19 be settled. It was intensely negotiated right down to
20 the end. I think to point blame at this point for what
21 happened isn't correct.

22 But I recall the words that were advised to me
23 is, if I continue to press, you know, under those then
24 difficult, even in October, conditions, that I would
25 spook the herd. That's the term that sticks in my mind

1 in terms of pushing too far to drive the lending group
2 and make it impossible to complete this project.

3 So, ultimately, I was one of several people who
4 accepted that term and believed at the time that it was
5 an achievable objective.

6 MR. CREANY: I'm really not trying to affix
7 blame. I'm trying to get an idea of where that date
8 came from. What I have that I am aware of, and it might
9 be wrong, on September 5th of '07, the Harness Racing
10 issued the license to Valley View for Pennsylvania. I
11 think that's the correct date?

12 MR. WILSON: September 7th?

13 MR. CREANY: I'm sorry. It was September 5th
14 of 2007.

15 MR. WILSON: Yes.

16 MR. CREANY: So when did you begin negotiations
17 with Credit Suisse on this facility?

18 MR. WILSON: I can't tell you the precise date.
19 It was a very intensive experience. You have to say not
20 only were we engaged in the negotiations with Credit
21 Suisse, we had to agree to relocate the site of our
22 project, which is a massive undertaking. We had
23 extensive investment in terms of time and understanding
24 in the Beaver County site.

25 CHAIRMAN DiGIACOMO COLINS: I'm going to

1 interrupt you. Did you get an answer to your question?

2 MR. CREANY: No, I didn't.

3 CHAIRMAN DiGIACOMO COLINS: Repeat your
4 question.

5 MR. CREANY: The question I had is on September
6 5th of '07, there's a harness license in place. When
7 did you begin negotiating the credit facility?

8 MR. WILSON: Shortly thereafter.

9 MR. CREANY: So, shortly after September 5th,
10 2007. It concluded with an executed document October
11 30, 2007?

12 MR. WILSON: Yes. We had actually begun some
13 preliminary negotiations well before September 5th is my
14 recollection. I apologize for not having the precise
15 date.

16 MR. CREANY: Aside from all of the things you
17 are talking about you had going at Valley View, you had
18 to relocate your site, and you had some issues with
19 respect to the construction and such, did you initiate
20 efforts back in September of 2007 to begin the process
21 here for a slot license?

22 MR. WILSON: Yes. In the respect that part of
23 that application includes design, financing,
24 projections, many components that we were aggressively
25 pursuing at that point.

1 MR. CREANY: But when did you actually begin
2 the process of assembling the information necessary to
3 complete an application? Do you have an idea of when
4 that took place?

5 MR. WILSON: I can't say with precision. It
6 would have been during the summer of '07.

7 MR. CREANY: Before the harness license?

8 MR. WILSON: Yes.

9 MR. CREANY: Okay. Then what happened between
10 that beginning date sometime summer of '07 and when you
11 finally had initial filings with the Bureau of
12 Licensing? I believe it was October 29th of 2007, we
13 had an application for a Cat 1 initially started. What
14 was taking place in that interim period of a couple of
15 months?

16 MR. WILSON: Please, help me. Can you ask the
17 question again?

18 MR. CREANY: Sure. I'm trying to say what was
19 going on in order to get an application in place as soon
20 as your harness license was issued, to have a license
21 process begun at the PGCB as promptly as possible after
22 September 5, 2007?

23 MR. WILSON: Background information on all of
24 our key persons, background information on the entities
25 that would be involved was being assembled. As I say,

1 design features, we had the issue right up to the
2 settlement on September 7th in terms of the settlement
3 with Bedford Downs to make it possible for this to come
4 together at that point for all intents. Then once
5 reached, we needed to proceed aggressively with all of
6 the features as they were impacted on the new site,
7 estimates on utilities, construction, the size and
8 scale, scope of the facility. Thousands of different
9 issues were being addressed during that period.

10 MR. CREANY: I have no further questions.

11 CHAIRMAN DiGIACOMO COLINS: Does the Board have
12 any questions at this time?

13 COMMISSIONER McCABE: I have one. Did you want
14 to go first?

15 COMMISSIONER SOJKA: We were curious.
16 Questions of whom? Everyone here?

17 CHAIRMAN DiGIACOMO COLINS: Let's start with
18 this witness since he is here.

19 Any questions of this witness?

20 COMMISSIONER McCABE: I do.

21 Kurt, can you help me understand this financing
22 package, \$995 million. That \$995 million is not all for
23 the project in Pennsylvania, is it?

24 MR. WILSON: That is correct.

25 COMMISSIONER McCABE: How much of this

1 financing is to go to the Valley View racetrack in New
2 Castle?

3 MR. WILSON: Approximately \$455 million.

4 COMMISSIONER McCABE: Now, has there been any
5 attempt to safeguard that? I don't know how to -- I
6 don't know how to ask how all of the financing will work
7 on this, safeguard that \$445 million or take it away
8 from the 995? That's what I know I'm interested in is
9 what is going to happen in Pennsylvania? How much are
10 you going to invest in Pennsylvania? That's \$455
11 million that you need to complete the Pennsylvania
12 racetrack that is going to benefit us.

13 MR. WILSON: Yes. Much of that \$455 million
14 includes the \$50 million licensing fee, includes the
15 site settlement with Bedford Downs, the place in
16 Lawrence County.

17 It provides currently -- there is \$300 million
18 in cash set aside in a restricted cash account for the
19 sole purpose of completing the project from here
20 forward.

21 We have done much predevelopment design work.
22 Another \$300 million from this day forward that is now
23 in a restricted account that is dedicated for that use
24 only.

25 COMMISSIONER McCABE: It seems like -- that all

1 of this money isn't going to go to Pennsylvania.

2 MR. WILSON: All 300 million will go to
3 Pennsylvania.

4 COMMISSIONER McCABE: How much?

5 MR. WILSON: The \$300 million that remains is
6 solely dedicated to the completion of the Pennsylvania
7 project.

8 COMMISSIONER McCABE: Right. Has there been
9 any attempt with the negotiations with the financial
10 institutions to make sure that we have that money here?

11 MR. WILSON: Actually they're as interested in
12 that happening as you are in this case would be my
13 opinion. They want to make sure that money is set
14 aside, that it's set aside for the creation of the
15 facility that we have presented to you, and that it's
16 adequate to complete that facility and deliver the
17 product that we have proposed.

18 So, they also have the ability to take it away
19 if we don't meet these objectives and the environment
20 makes that a risk.

21 CHAIRMAN DiGIACOMO COLINS: I have some
22 questions.

23 Sir, who is Jeff Smith?

24 MR. WILSON: Jeff Smith is the Director of
25 Racing for Centaur. He has been with the company since

1 2001. We had a relationship with him while he was with
2 Churchill Downs for many years, served as a former
3 President of Churchill Downs Management Company, and
4 former Chief Financial Officer for Churchill Downs.

5 CHAIRMAN DiGIACOMO COLINS: And what is the
6 name of the company you're requesting the Conditional
7 License for?

8 MR. WILSON: Valley View Downs, LP, the
9 operating entity for the Valley View Downs project.

10 CHAIRMAN DiGIACOMO COLINS: And Jeff Smith's
11 relationship to Valley View Downs to that holding
12 company?

13 MR. WILSON: He is the Director of Racing.

14 CHAIRMAN DiGIACOMO COLINS: Okay. So then he
15 has already been licensed by the Harness Racing
16 Commission?

17 MR. WILSON: Yes.

18 CHAIRMAN DiGIACOMO COLINS: Who is the CEO --
19 who are the officers of this company, the holding
20 company? Ratcliff, correct, Mr. Ratcliff?

21 MR. WILSON: Yes. He is Chairman, CEO.

22 CHAIRMAN DiGIACOMO COLINS: You're CFO,
23 correct?

24 MR. WILSON: That is correct. John McLaughlin
25 is President.

1 CHAIRMAN DiGIACOMO COLINS: Okay. So Jeff
2 Smith is not an officer? He is an employee?

3 MR. WILSON: He has recently been appointed
4 Executive Vice President. Yes, he is an officer of the
5 company.

6 CHAIRMAN DiGIACOMO COLINS: And you're asking
7 for a Conditional Licensing of him and the shell
8 corporation?

9 MR. WILSON: That is correct.

10 MR. KING: If I could add, the reasoning for
11 that I don't want to speak for BIE --

12 CHAIRMAN DiGIACOMO COLINS: I'm trying to find
13 out what the reasoning for that is.

14 MR. KING: I know they will not let me speak
15 for them. The reason why Jeff Smith was suggested was
16 the mechanics of the Board, we have over 20 individuals
17 who have applications before you.

18 About 14 of those are 1 percent shareholders,
19 then you have officers, directors and you've got a Key
20 Employee, Mr. DeRosa.

21 What we were trying to ascertain from BIE, we
22 were hoping that at least some of those people were
23 effectively complete in terms of their background
24 investigation.

25 Again, I cannot speak for BIE. Mr. Smith was

1 relatively complete, and there were no problems
2 identified. We're not speaking for BIE. That's why we
3 requested Mr. Smith to be Conditionally Licensed.

4 CHAIRMAN DiGIACOMO COLINS: Are you requesting
5 that by Conditionally Licensing Mr. Smith, that speaks
6 adequately to the suitability requirements of Section
7 1315?

8 MR. KING: Yes. If you look at -- the first
9 place to begin would be under Section 1103 in the
10 definitional section of the Applicant. It gives the
11 Board wide discretion to determine who must also be
12 licensed along with an Applicant that is not a person.

13 Then when you go into Section 1315, it talks
14 about Key Employee, an Applicant and Key Employee.

15 We were trying to identify at least one person
16 who could be designated as the Key Employee, the person
17 who would be directly responsible to the Board and the
18 staff as we would begin the construction process.

19 I think an important thing to note is, when
20 this project begins, it's primarily going to be focused
21 on construction of the track and the building facility.
22 We're not going to get into gaming aspects of this
23 project in terms of --

24 CHAIRMAN DiGIACOMO COLINS: But let's look at
25 the company. Does Mr. Smith control -- is he the

1 decision-maker in that company?

2 MR. KING: Well, he's an officer. Certainly,
3 as we have said, he has the authority to buy the
4 company. He's not the CEO. We know that.

5 CHAIRMAN DiGIACOMO COLINS: All right. I'm
6 sorry. Are there more questions of this witness?

7 COMMISSIONER ANGELI: I want to go back to
8 somewhere in the discussion you made a reference to a
9 license that was final and unappealable. What does that
10 mean? I'm not really sure.

11 MR. LAMB: I'm sorry. I missed that.

12 COMMISSIONER ANGELI: I believe it was
13 Mr. Wilson made reference to the financing being tied to
14 a license that was final and unappealable. What does
15 that mean?

16 MR. LAMB: Let me address that,
17 Mr. Commissioner. I have some experience in other
18 applications. We were involved in Presque Isle Downs in
19 front of the Supreme Court and involved in HSP coming
20 out of Philadelphia.

21 The issues raised in those two cases, which
22 ultimately were determinative of those two cases by the
23 Supreme Court of Pennsylvania, basically said that the
24 parties who were trying to appeal in that situation did
25 not have standing because they did not intervene below.

1 In other words, in laymen's terms, they didn't
2 become a party below. Therefore, they were not in a
3 position to file an appeal to seek relief by the Supreme
4 Court.

5 Really, the basic case that decided that was
6 the Presque Isle Downs case where they came up at the
7 last minute and tried to appeal the granting of the
8 license and the Supreme Court said no, no, no.

9 Normal appellate pleading practice requires
10 that in order for you to get to the Supreme Court, you
11 have to be a party below; and they were not.

12 The reason that we're confident that that does
13 not pose a problem here is that there are -- there's no
14 other party to this application, never has been any
15 other party to this application other than Valley View.

16 Obviously, the Gaming Board is always a party.
17 But if you decide to grant our relief, you're not
18 appealing your own Order.

19 So nobody else can appeal, we believe and we
20 have given that opinion to the bankers. We believe that
21 nobody else can be successful in appeal. Can they
22 appeal? Sure. Anybody can appeal.

23 One of the things getting into my closing
24 argument at this point, Judge Colins, one of the unusual
25 things about this case is that it's unique because

1 everybody that you have heard is in favor of this
2 application. You haven't heard any nay sayer come
3 before you and say, don't do this.

4 CHAIRMAN DiGIACOMO COLINS: Excuse me. What
5 we're going to do is take a quick recess. Then we are
6 going to hear from Office of Enforcement Counsel, Bureau
7 of Licensing, and then we'll go to the closings. All
8 right?

9 MR. LAMB: Thank you.

10 CHAIRMAN DiGIACOMO COLINS: Just a short
11 recess.

12 (Break.)

13 CHAIRMAN DiGIACOMO COLINS: Let's continue.
14 Very good. Right now, I would like to hear from the
15 Office of Chief Counsel -- Chief Enforcement Counsel,
16 after that the Bureau of Licensing, and then we will
17 move to the closings.

18 Very good. Go on, Mr. Creany.

19 MR. CREANY: Commissioners, initially, the
20 Office of Enforcement Counsel would like to move into
21 evidence the entire Cat 1 application of Valley View
22 Downs in its present form.

23 In addition, in preparation for today, we had
24 prepared a summary of what came into the Bureau of
25 Licensing.

1 Initially, we had planned to have Sean Hannah
2 as our witness to introduce this exhibit. We would like
3 to in addition to moving the entire application into the
4 Board for its consideration, to move the summary as
5 well. It's just a summary. It's not hearsay but it's a
6 narrative that gives you a timeline and what was applied
7 when. I would just like to move that at this point.

8 MR. LAMB: First of all, we think the
9 application is in the record anyhow; but be that as it
10 may, we have no objection to the summary.

11 CHAIRMAN DiGIACOMO COLINS: Thank you.

12 MR. CREANY: Next then, we would call our
13 witness, Paul Mauro.

14 Mr. Mauro, will you identify for the Commission
15 the capacity in which you are employed?

16 MR. MAURO: Yes. My name is Paul Mauro,
17 M-a-u-r-o. I'm the Deputy Director of Investigations.

18 MR. CREANY: What are your primary
19 responsibilities in that job?

20 MR. MAURO: I'm responsible for all
21 investigations conducted by BIE. That includes the
22 assignments of the investigations, the monitoring of the
23 investigations to ensure that they are being conducted
24 in accordance with our policies and procedures and also
25 to make sure that they are conducted in a timely

1 fashion.

2 MR. CREANY: And how many years have you been
3 employed by the Bureau of Enforcement and
4 Investigations?

5 MR. MAURO: I've been with the PGCB for two and
6 a half years.

7 MR. CREANY: In your capacity as Deputy
8 Director, do you have the opportunity to oversee the
9 Valley View Downs investigation?

10 MR. MAURO: Yes.

11 MR. CREANY: And in that application, can you
12 briefly describe the efforts that BIE has put into that
13 suitability investigation?

14 MR. MAURO: Yes. That investigation was
15 received by BIE on February the 29th of this year. So
16 we have had that investigation for four and half months.

17 We worked diligently on that investigation.
18 The Western Regional Office put many, many man hours
19 into this investigation to date. They still have some
20 work that needs to be completed.

21 There have been times when the entire Western
22 Regional Office has dropped other duties and focused
23 solely on this application.

24 It is important to note that we have an
25 extensive caseload in BIE right now. The Western

1 Regional Office alone has over 300 open cases. So this
2 investigation does not incur in a vacuum. It is just
3 part of the overall responsibilities.

4 MR. CREANY: Is BIE in a position today to be
5 able to prepare its final suitability report with
6 respect to Valley View Downs and all of its Principals
7 and Key Employees?

8 MR. MAURO: BIE is not in that position. A
9 standard amount of time for these investigations is six
10 months. Whenever I tell anybody that it's six months, I
11 always say, it's six months unless substantial issues
12 arise, which we may need more time than that; but six
13 months is the standard time that we give our
14 investigators to do this, to do these investigations.

15 There's a reason for that time frame. Many of
16 the things that we do are contingent upon our
17 relationships with other organizations.

18 If we request information from another
19 organization, we are at -- we are at their mercy when
20 they get that information back to us.

21 We are aware of the public interest issues that
22 are involved in this case. BIE has, you know, worked
23 very diligently on this but we are just not in a
24 position right now that we can bring forth a complete
25 investigation.

1 MR. CREANY: Where is BIE with respect to the
2 writing of the suitability report?

3 MR. MAURO: BIE has not -- BIE wrote interim
4 suitability reports in May. They were not complete
5 suitability reports. So the final suitability reports
6 are not written at this time.

7 MR. CREANY: And is it a typical practice for
8 BIE to do interim reports?

9 MR. MAURO: It is not. That is something that
10 we did in this instance because we are aware of the
11 issues that surrounded this application.

12 There was a time in May when all other work in
13 Pittsburgh in effect stopped and we wrote interim
14 suitability reports to put forward what was done to that
15 point.

16 Hopefully, that would -- our hope was that that
17 would -- we would be able to, you know, accommodate and
18 at least present what we had done at that time. If
19 people wanted to make a decision based on that, they
20 could do that.

21 MR. CREANY: Has BIE at this point ever
22 recommended or ever prepared a final report based on the
23 status of an application as you have here in Valley
24 View?

25 From your standpoint right now with the

1 information that you have and what needs to be gathered,
2 has BIE ever come forward with the final suitability?

3 MR. MAURO: No. BIE completes the
4 investigation and turns those full and complete
5 investigations over to the Bureau of Licensing for their
6 processing.

7 MR. CREANY: I have no further questions.

8 MR. LAMB: May I ask a couple of questions,
9 Judge Colins?

10 CHAIRMAN DiGIACOMO COLINS: Absolutely.

11 MR. LAMB: Mr. Mauro, am I pronouncing that
12 correctly?

13 MR. MAURO: Yes.

14 MR. LAMB: You furnished to us a list of
15 Principals where the applications' status date was
16 listed.

17 As I look at this list and why don't you look
18 at it with me and we can make this part of the record,
19 if we need to.

20 There are a number of the Principals whose
21 application was completed in December of 2007; am I
22 correct?

23 MR. MAURO: According to that document, yes.

24 MR. LAMB: You disagree with this document? I
25 mean, you gave it to us.

1 MR. MAURO: I didn't -- I didn't give it to
2 you.

3 MR. LAMB: Okay.

4 MR. MAURO: Yes. This is an application status
5 report run from one of our databases that indicates
6 that. It says application status date. Some of those
7 dates are prior to the February 29th date I said that
8 the application was turned over to BIE.

9 MR. LAMB: Okay. My only point is that there
10 are a number of people who based on this document
11 indicates that their application status date is back in
12 December of 2007, correct?

13 MR. MAURO: Correct.

14 MR. LAMB: Okay. You said you never finished
15 -- you never submitted a BIE report unless it was
16 totally complete; is that right?

17 MR. MAURO: Well, our final reports, our
18 summary.

19 MR. LAMB: Okay. Have you ever been asked in
20 connection with that to furnish interim reports with
21 respect to certain individuals where there is a
22 Conditional License either having been granted or
23 pending?

24 MR. MAURO: No, other than this instance when
25 we did the interim reports.

1 MR. LAMB: And I take it, I'm not asking you to
2 identify anybody on this list specifically; but I take
3 it that some of the investigations on some of these
4 people on this list have been completed?

5 MR. MAURO: That would not be correct.

6 MR. LAMB: None of them have been completed.

7 MR. MAURO: I don't believe that any Applicant
8 right now is 100 percent complete.

9 MR. LAMB: If the Board were to say to you,
10 Mr. Mauro, can you sign off on Adrian King, could you do
11 that if you completed the report?

12 MR. MAURO: If his investigation was complete
13 and the report was completed, it would be forwarded to
14 our Bureau of Licensing. That is not the case.

15 MR. LAMB: Does this have to be the full
16 request?

17 MR. PITRE: I don't think we can get into --

18 MR. LAMB: Well, my only point, Mr. Pitre, is
19 we have an application here. There are some 20
20 Principals listed together with a number of corporate
21 affiliates.

22 Surely, if the Board were to say to you, give
23 us the status on three people, you could do that?

24 MR. MAURO: It would be --

25 MR. PITRE: If the Board were to say that to

1 us, yes.

2 MR. LAMB: Okay. That's my only point and I
3 thank you.

4 CHAIRMAN DiGIACOMO COLINS: Thank you.

5 COMMISSIONER GINTY: I have a question. Paul,
6 before you joined BIE, where were you?

7 MR. MAURO: Yes. I had a 14-year-law
8 enforcement career. Part of it was with municipal
9 police departments and also I was a Special Agent with
10 the United States Secret Service.

11 COMMISSIONER GINTY: In your capacity with the
12 Secret Service, did you conduct investigations?

13 MR. MAURO: Yes.

14 COMMISSIONER GINTY: Thank you.

15 COMMISSIONER RIVERS: Question, Paul, during
16 your tenure here with us, have you ever been asked for
17 interim reports or reports on just a -- I mean, a few of
18 the participants?

19 MR. MAURO: No.

20 COMMISSIONER RIVERS: Thank you.

21 CHAIRMAN DiGIACOMO COLINS: Mr. Mauro, part of
22 your responsibilities are overseeing this investigation
23 of this Applicant, correct?

24 MR. MAURO: Correct.

25 CHAIRMAN DiGIACOMO COLINS: All right. And are

1 you prepared today to recommend that the Board consider
2 the suitability issues -- the issues of suitability
3 involving this Applicant?

4 MR. MAURO: I cannot recommend that because the
5 investigation is not complete.

6 CHAIRMAN DiGIACOMO COLINS: Okay. Thank you.
7 Anything else?

8 Okay. Thank you very much.

9 MR. CREANY: Commissioners, the final witness
10 we would like to have is Susan Hensel, Director of
11 Bureau of Licensing to provide a position statement.

12 MS. HENSEL: Thank you, Commissioners. Section
13 1315 of the Gaming Act relating to Conditional Category
14 1 licenses states that the Board may issue a Conditional
15 Category 1 license after the completion of a background
16 investigation of the Applicant.

17 In accordance with the Gaming Act and the
18 Board's regulations, Valley View Downs, LP, as part of
19 its application was required to submit Category 1
20 applications for its intermediaries and holding
21 companies and multi-jurisdictional personal history
22 disclosure forms for those individuals who hold direct
23 or indirect ownership interest in Valley View Downs, LP,
24 as well as officers and directors of Valley View Downs,
25 LP, and its intermediary and holding companies.

1 As of today, the Bureau of Licensing has not
2 been notified by the Bureau of Investigations and
3 Enforcement that the background investigations of Valley
4 View Downs, LP, its intermediaries, holding companies,
5 owners, or other Principals are complete.

6 To date, the Board has only issued Conditional
7 Licenses following the receipt of applications, the
8 completion of background investigations, the preparation
9 of suitability reports, and the holding of suitability
10 hearings.

11 In this case, the Conditional Licensing process
12 is still in progress. In addition, although not
13 specifically argued to, Valley View Downs, LP, has asked
14 the Board to consider issuing it a license using the
15 alternative licensing standards under Section 1314 of
16 the Gaming Act.

17 Under Section 1314, the Board may determine
18 whether the licensing standards of another jurisdiction
19 within the United States or Canada in which the
20 Applicant, its affiliate, intermediary, subsidiary, or
21 holding company for a Category 1 slot machine license is
22 similarly licensed are comprehensive and thorough and
23 provide similar adequate safeguards as those required by
24 the Act.

25 In the event an Applicant is licensed in

1 another jurisdiction whose standards have been adopted
2 by the Board, the Board may use an abbreviated licensing
3 process.

4 The Board has adopted the licensing standards
5 of New Jersey, Nevada, and Missouri as alternative
6 licensing standards for Category 1 Slot Machine
7 Applicants.

8 Valley View Downs, LP, has asked the Board to
9 use the licensing standards of Indiana or Colorado.
10 However, the Board has not to date adopted these as
11 alternative licensing standards.

12 As a result the Bureau of Licensing for these
13 reasons articulated is not in a position to recommend
14 either Conditional or Alternative Licensure at this
15 point in time.

16 CHAIRMAN DiGIACOMO COLINS: Anything else?

17 MR. CREANY: No, that is all that the Office of
18 Enforcement Counsel has to offer at this time.

19 CHAIRMAN DiGIACOMO COLINS: Let me -- I'm
20 sorry. Go ahead.

21 COMMISSIONER GINTY: I have a question. Cyrus,
22 in the progress of the investigation, have you caused to
23 have inquiries made to the State Police and the Attorney
24 General's Office with respect to any relevant
25 information they might have?

1 MR. PITRE: We have caused inquiries to go to
2 the State Police, to the Attorney General's Office, also
3 to other agencies.

4 COMMISSIONER GINTY: Are those inquiries still
5 outstanding?

6 MR. PITRE: Yes, they are.

7 CHAIRMAN DiGIACOMO COLINS: I have a question.
8 I mean, there's been testimony about BIE has not
9 completed the investigations. What are we talking about
10 here?

11 Are we talking about BIE just didn't get to it
12 or are we talking about there being issues of
13 significance that BIE feels needs to be developed in
14 order for BIE to put forward a reasonable recommendation
15 here? What are we talking about?

16 MR. MAURO: There are substantial issues
17 involved in this application, which have not yet been
18 related and require more investigation.

19 CHAIRMAN DiGIACOMO COLINS: And are you
20 satisfied that you, BIE, has developed all of the
21 manpower it has in order to address the emergent
22 situation involving the financing that this Applicant
23 has presented to us?

24 MR. MAURO: Yes.

25 CHAIRMAN DiGIACOMO COLINS: Okay. Thank you.

1 COMMISSIONER ANGELI: It was a completely
2 different subject. If you want to finish that off,
3 please do.

4 MR. LAMB: We would have absolutely no
5 objection to Judge Colins or anybody else querying
6 Mr. Mauro or Mr. Pitre as to any particular individual.

7 We believe because a number of individuals have
8 been told -- have been told that their investigation is
9 complete. Sometimes they have come back and asked
10 questions a second time to individuals.

11 CHAIRMAN DiGIACOMO COLINS: Well, why don't we
12 hold off and you can make that point in your closing?

13 COMMISSIONER ANGELI: My other question was,
14 there was a reference to it and Ms. Hensel referenced to
15 it also and I believe in Mr. King's testimony.

16 We talked about the license being issued after
17 the completion of a background investigation of an
18 Applicant.

19 I believe, Mr. Lamb, you said there was a list
20 of people that possibly could have had their background
21 investigation reviewed.

22 MR. LAMB: Correct.

23 COMMISSIONER ANGELI: Are you asking here that
24 just one person on that list be given and would that
25 person be in control of everything that you are doing

1 here regardless of their status? I'm kind of a little
2 bit --

3 MR. KING: First of all, I think it's important
4 to note that of the 20 individuals, approximately 14 of
5 them, the only reason why they have applications
6 submitted and I'm not criticizing that this is the
7 Board's regulation is because they are 1 percent or
8 greater shareholders that have absolutely nothing to do
9 whatsoever with operating this company.

10 So you are required under your regs to accept
11 an application and to make sure they are suitable but
12 let me be clear --

13 COMMISSIONER ANGELI: But you wouldn't want to
14 take one of those and put them in charge of this whole
15 operation, do you?

16 MR. KING: And we are not. I just want to make
17 the point that in terms of the scope of this
18 application, 14 of those 20 are 1 percent or greater
19 shareholders.

20 We're suggesting that one person at this point,
21 Mr. Smith, Mr. Jeff Smith, who is an Executive Vice
22 President of the company, Director of Racing and again,
23 I would ask perhaps that you query BIE about the status
24 about his investigation; and if there are no significant
25 outstanding issues that he be the person empowered to be

1 responsible to this Board and to be able to carry forth
2 with this project until the other people, as we have
3 told you we are confident ultimately make it through the
4 process.

5 MR. LAMB: Impose that as it a condition. We
6 don't have a problem with that. Say, you know, X
7 investigation is complete. He is licensed as a Key
8 Employee, and he is in charge. He's in charge. We'll
9 accept that. That's not a problem with us.

10 COMMISSIONER ANGELI: When it goes to the
11 financing of the total \$900 million package, not the 450
12 or all of the different balances, would that person be
13 in charge of the negotiations for all of that financing
14 as it goes forward.

15 MR. WILSON: That financing is in place for the
16 funds dedicated for the Pennsylvania project. So --

17 MR. RATCLIFF: If we could turn that money over
18 to that individual --

19 MR. WILSON: He would --

20 COMMISSIONER ANGELI: The Pennsylvania project
21 or all of the projects?

22 MR. WILSON: For the funds dedicated for the
23 Pennsylvania project.

24 CHAIRMAN DiGIACOMO COLINS: Any other
25 questions?

1 COMMISSIONER GINTY: Mr. King, you're not
2 suggesting that the other officers of the corporation
3 that you mentioned earlier are not Key Employees, are
4 you?

5 MR. KING: Absolutely not, no.

6 CHAIRMAN DiGIACOMO COLINS: All right. Let's
7 get to your final statements then, the Petitioner and
8 then Office of Chief Enforcement Counsel. Thank you.

9 MR. LAMB: Mr. King has a few comments and then
10 I'll wrap it up.

11 MR. KING: This is an extremely unusual
12 petition. We would not be making it but for the fact
13 that we find ourselves in the very unique and unusual
14 situation.

15 If we had not had this financing in place, if
16 we have had as you have seen other Applicants come
17 before you a highly confident letter or some type of
18 contingent financing such as that, we would be sitting
19 here waiting patiently for BIE to complete their
20 investigation.

21 But we are in, again, a very unusual time, A,
22 where we happen to have financing in place and B, the
23 credit markets worldwide are melting down.

24 If we default and if this funding goes away,
25 there is a very significant and real possibility that

1 this project fails, does not go forward, the jobs are
2 not created, and the economic development does not come
3 to this state.

4 I know the Board is well aware of the intent of
5 the Act. Under Section 1102, it certainly talks about
6 upholding the integrity of the gaming industry and that
7 being the first and foremost intent.

8 But it is very clear that it talks about what
9 this Act is about and it is about benefitting the horse
10 racing industry, creating jobs, economic development,
11 tourism, all of those benefits.

12 And so, we are trying to come before the Board
13 with a very unique but, we believe, thoughtful suggested
14 course to achieve two objectives; to allow BIE to
15 continue to perform its investigation and to complete
16 that investigation and to ensure that gaming, and the
17 integrity of gaming is upheld. We don't dispute that.

18 But at the same time, we're trying to meet the
19 letter of the law with respect to our credit facility,
20 what is in that contract. We believe we have provided
21 you with an ability to do that.

22 It is within your discretion, if you combine
23 the definition of Applicant under Section 1103, if you
24 look at Section 1315, we believe that the solution that
25 we're putting forth is something that you can adopt,

1 that you have the discretion to do that.

2 You have protections in place. If we are to
3 proceed under this fashion with Valley View Downs, LP,
4 having a Conditional License with Mr. Smith being
5 conditionally licensed and allowing everybody to come on
6 board once the investigation is complete, what that
7 allows you to do is if any issues are raised, we can be
8 told we have to disassociate with a person, divest of an
9 entirety, or quite frankly, that we would have to divest
10 ourselves of the entirety of the project.

11 I would ask you to consider conditions that you
12 could put in place. We, in our brief, talked about New
13 Jersey as a model. We talked about the Columbia Sussex
14 transition, about an acquisition of an ongoing entity.
15 There, they put a trustee in place.

16 Now, that's cumbersome. Maybe that is another
17 solution that can be considered as the Board tries to
18 fashion a solution.

19 I submit to you that simply saying that this is
20 out of the norm, we can't do this. It's not -- it's not
21 an option because we also have the duty and the
22 responsibility to ensure economic development, job
23 creation.

24 Again, I remind you, this is not an unknown
25 group of people to the gaming industry. I appreciate

1 that BIE may have questions that they have to run down;
2 but again, these people are licensed in other gaming
3 jurisdictions currently and in the past.

4 We respectfully may take some difference with
5 Mr. Leppler in terms of whether that -- the harness
6 racing license can simply be taken back.

7 We respectfully believe that if we are put into
8 default, unfortunately, we feel that harness racing may
9 be tied up in an reorganizational proceeding in years to
10 come. That's not a great result for anyone either.
11 That is effectively what we are arguing.

12 Justice Lamb?

13 MR. LAMB: You see people walking around with
14 white badges on. Those badges say Valley View Downs and
15 Casino. Those are folks who appear before you
16 respectfully to support this application, unlike some
17 other applications that you have seen in the past.

18 Commissioner Coy and I think Commissioner
19 Rivers and I know Commissioner McCabe have seen those
20 hearings. This has not been such a hearing. You have
21 people who are unanimously supporting this application.

22 I would urge you to do two things, remember
23 that this is not adversarial from our standpoint. We
24 are the partner of the Commonwealth of Pennsylvania.
25 When we think about the amount of money that goes to

1 generate tax revenue in addition to jobs, etc., etc.

2 Secondly, the step that we ask you to take,
3 while it may be highly unusual, we shouldn't put
4 procedure over substance. It is risk free to you. You
5 maintain more control doing it the way we suggest than
6 otherwise simply granting a license.

7 So let me end where I began, please issue this
8 Conditional License. Thank you.

9 MR. KING: Madam Chairwoman, we want to move
10 one other compendium in. It contains some additional
11 newspaper articles on the status of the credit markets
12 and also letters of support that have been referenced.

13 I would also just end with letting you know
14 that if you were to rule in our favor on this petition,
15 we would be available to further discuss suitability, if
16 that was something that you were so inclined to do.

17 CHAIRMAN DiGIACOMO COLINS: Thank you.

18 MR. LAMB: With that, we thank you.

19 MR. CREANY: No objection to the exhibits they
20 referenced.

21 CHAIRMAN DiGIACOMO COLINS: They are accepted.

22 MR. CREANY: The facts that we have gone
23 through and we have heard a lot about it today, the
24 credit market is a reality that everybody is facing.
25 It's unfortunate that this Board doesn't have the

1 ability to change that. That's what we are faced with.

2 The Bureau of Licensing and the Bureau of
3 Investigations and Enforcement have worked expeditiously
4 and in earnest to do the review and investigation
5 necessary for the Valley View Downs application to be
6 completed.

7 It's been an extraordinary effort. Yet, we're
8 still not there. We're close to it, but we're still not
9 finished. There's been a substantial amount of work.

10 The investigation needs to run its course in
11 order for us to be in a position to make a
12 recommendation to the Board relative to the background.

13 Now, there were some -- with respect to the
14 law, we don't believe that this is appropriate for an
15 alternative licensing under Section 1314 because the
16 Board must first make its determination that the other
17 jurisdictions have a process that is similarly, you
18 know, comprehensive and thorough and that determination
19 has not been made.

20 Further, that the Board must make a
21 determination that there is the same type of information
22 -- I'm sorry. That the Board must determine that in
23 order to use that alternative process, that information
24 be determined by the Board which is necessary for it to
25 consider the overall application.

1 This isn't a licensee that is before the Board
2 today. This is a new Applicant and its very different
3 than the Tropicana situation in New Jersey. I think
4 it's different from all of those other references that
5 were in the Memorandum of Understanding.

6 But when you get into the Section 1315
7 Conditional, one of the things that stands out in
8 1315(a) under issuance, it does allow for a
9 conditionable under a Cat 1 but it goes on in the second
10 sentence to say that the license may be issued after the
11 completion of a background investigation of the
12 Applicant and each Key Employee prior to the full
13 compliance by the Applicant.

14 Until today, we had not heard anything about
15 Jeff Smith other than he was a Key Employee and his
16 investigation had been undertaken by BIE.

17 At this point, we're still not sure what his
18 role is and what level of authority he has to act on
19 behalf of the Applicant; but at this point, we believe
20 that it takes more than just one individual to exercise
21 the authority under Section 1315.

22 We all want the industry and the Valley View
23 Downs project to succeed; but we are constrained; that
24 is, the Office of Enforcement Counsel and the Bureau of
25 Investigations and Enforcement.

1 We're constrained by the Act, and we need to
2 make a recommendation that the Board deny the petition
3 for alternative or Conditional Licensing and that at
4 this point we know of no other Applicant who has ever
5 had a licensing considered -- or Conditional License
6 approval based on an interim report.

7 We do not believe it would be in the best
8 interest of the Commonwealth for the Board to issue a
9 license on this basis.

10 CHAIRMAN DiGIACOMO COLINS: All right. Very
11 good. What we're going to do is consider the motion at
12 a later time today. We're going to hear from PITG
13 Gaming.

14 We're going to adjourn in order to engage in
15 some deliberations. Then we'll open our public meeting.
16 Then we'll entertain a motion during the course of the
17 public meeting.

18 MR. LAMB: And I'll give to the court reporter
19 the exhibits.

20 CHAIRMAN DiGIACOMO COLINS: If you would do
21 that, that would be very good.

22 (The hearing concluded at 1:50 p.m.)

23

24

25

1 I hereby certify that the proceedings and evidence are
2 contained fully and accurately in the notes taken by me
3 on the within proceedings and that this is a correct
4 transcript of the same.

5

6

7

Hillary M. Hazlett, Reporter
Notary Public

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25