

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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PUBLIC MEETING

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

HEARING: Thursday, August 28, 2008
1:50 p.m.

LOCATION: Hearing Room 1
North Office Building
North Street & Commonwealth Avenue
Harrisburg, PA

Reporter: Cynthia Piro-Simpson

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CHAIRMAN COLINS:

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A quorum of the Board is present. The meeting is now called to order. Mr. Welks is here on behalf of Treasurer Weissman, and the first thing we always do before we start our meeting is the pledge of allegiance.

PLEDGE OF ALLEGIANCE RECITED

10

CHAIRMAN COLINS:

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Thank you. By way of announcements, the Board held an executive session on August 27th, and prior to today's meeting, in accordance with the Sunshine Act, to discuss personnel issues, privileged and confidential agency business, and to consult with counsel and other professional advisors to the Board concerning current litigation and matters in which complaints are expected to be filed.

19

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21

Now, with respect to the minutes and transcripts, may I have a motion for approval of the June 11th and July 10th minutes and transcripts?

22

COMMISSIONER ANGELI:

23

24

25

Madame Chairman, I move that the Board approve the minutes and the transcripts of the June 11th and July 10th, 2008 meetings.

1 COMMISSIONER COY:

2 Second.

3 CHAIRMAN COLINS:

4 All in favor? Opposed? Motion carries.
5 Now to new business, the Acting Executive Director,
6 Frank Donaghue.

7 MR. DONAGHUE:

8 Good afternoon. I'll keep my remarks
9 brief as I know we have a long meeting. Today I'd
10 like to provide you with an update on the Pittsburgh
11 casino project. Following the Board's August 14th,
12 2008 approval of the transfer of the Category 2 Slot
13 Machine License for the Pittsburgh casino project to
14 Holdings Acquisition Company, L.P., construction was
15 restarted at the Pittsburgh gaming facility on August
16 18th.

17 The refinancing of the Pittsburgh gaming
18 project proposed by Holdings Acquisition and approved
19 by the Board on August 14th was finalized on August
20 19th, 2008. As agreed, on the day of the closing,
21 every subcontractor and every vendor for the
22 Pittsburgh gaming project were paid all outstanding
23 amounts due. These payments included 100 percent of
24 the outstanding funds due, 100 percent of the damages
25 incurred, as well as the 100 percent of the interest

1 accrued as a result of the project delays.

2 As of this morning, work is moving full
3 speed ahead with between 150 and 200 workers on the
4 site at any given time. Steel is being erected, pre-
5 cast is being erected, and all trades are fully
6 engaged. Those trades included carpenters, iron and
7 cement workers, plumbers, fitters, electricians, et
8 cetera. Presently the crews are working on getting
9 the shell constructed, and once that has occurred the
10 project will ramp up significantly to employ between
11 1,000 and 1,500 workers as the finish work begins.
12 The Pittsburgh casino project, as approved by this
13 Board, would be a 400,000 square foot entertainment
14 facility with 3,000 slot machines, four restaurants,
15 four bars, a lounge, an amphitheatre, a boat dock, and
16 riverfront pass located on the North Shore in
17 Pittsburgh. August 2009 remains the project's
18 anticipated completed date.

19 One last note on this subject is the
20 Board's adjudication, which clearly explains the
21 reasons for the Board's August 14th decision, should
22 be issued as early as tomorrow. We will notify
23 through a press release and we'll make the documents
24 available on our web site. Thank you.

25 CHAIRMAN COLINS:

1 Thank you very much. Any questions for
2 Mr. Donaghue?

3 MR. DONAGHUE:

4 Thank you.

5 CHAIRMAN COLINS:

6 Very good. Thank you. Eileen McNulty,
7 Chief Financial Officer?

8 MS. MCNULTY:

9 Thank you, Chairman Colins and Board
10 members. This report covers expenses for the month of
11 July, 2008. Two thirds of these expenses are
12 appropriately charged to the current fiscal year. The
13 remainder represent goods or services received in and
14 charged to the prior fiscal year, for which payment
15 occurred in July.

16 July spending totaled \$2.4 million, of
17 which \$1.74 million, or 72 and a half percent, were
18 personnel expenses, and \$660,545, or 27 and a half
19 percent, were operating expenses. Seventy (70)
20 percent of the months personnel expenditures and 54
21 percent of the months operating expenditures were
22 attributed to the current fiscal year.

23 Rentals and releases paid in July totaled
24 \$261,593, or 40 percent of operating expenditures.
25 Leases for both July and August were paid during July.

1 Services were the second largest category of operating
2 expense, accounting for \$194,708, or 29.5 percent of
3 the month's total. This category represented almost
4 entirely services that were provided in the prior
5 fiscal year, including services relating to the
6 compliance examination initiative, fingerprint charges
7 from PSP (Pennsylvania State Police) and legal
8 services.

9 The third largest monthly operating
10 expense was travel, accounting for \$95,801.
11 Approximately one-third of this expense was charged to
12 the current year. Utilities represented the fourth
13 largest operating category and accounted for \$56,995.
14 That completes my report.

15 CHAIRMAN COLINS:

16 Thank you very much. The next report is
17 from the Director of Racetrack Gaming, Melinda Tucker,
18 and there are a number of guest speakers for updates
19 and formal presentations today, so Melinda, if you'll
20 set that up for us, please?

21 MS. TUCKER:

22 Good afternoon, Chairman Colins and
23 members of the Board. I recognize you have a long
24 agenda today, and I've spoken to the invitees, and
25 they have assured me that they're going to keep their

1 remarks as brief as possible but update you on the
2 current status of back stretch improvements at their
3 facility and any other additional information that
4 they think is important for the Board to have at this
5 time.

6 So our first presenters are going to be
7 from Philadelphia Park, and that is Joe Wilson, who is
8 the Vice President of Racetrack Operations for
9 Bensalem Racing, and Mike Ballezzi, who is the
10 Executive Director of the PATHA, the Pennsylvania
11 Thoroughbred Horsemen's Association.

12 CHAIRMAN COLINS:

13 Very good. Good afternoon.

14 MR. WILSON:

15 Good afternoon.

16 MR. BALLEZZI:

17 Good afternoon.

18 CHAIRMAN COLINS:

19 How are you? So go right ahead when
20 you're ready.

21 MR. WILSON:

22 Okay.

23 CHAIRMAN COLINS:

24 Thank you.

25 MR. WILSON:

1 I have a pretty much brief report, as I
2 promised Melinda, so I'd just like to read that.

3 Philadelphia Park's agreement with our
4 horsemen provides for the complete overall renovation
5 of all 36 barns and 12 dormitories on our back
6 stretch. The cost of these renovations is expected to
7 exceed \$25 million and take place over the next
8 several years. We have completed renovations of the
9 first six dorms. The work included new electrical
10 service, fire alarm, individual HVAC, new ceilings,
11 privacy panels in bathrooms, window and door repair
12 and fresh paint. The original cost per dorm was
13 approximately \$170,000 for a total cost of \$1,020,000
14 for six.

15 After this work was done, we evaluated
16 the dorms and decided to replace all dorms' frames,
17 windows, bathroom fixtures. We also insulated the
18 roofs and painted them. This extra work will add an
19 additional several hundred thousand dollars to this
20 project.

21 The first barn renovation, I'm very happy
22 to say, was completed yesterday. It's been a long time
23 coming. And the second one should be finished by the
24 end of September. Two additional barns are targeted
25 to be complete by the end of the year, with the fifth

1 one complete by the end of the first quarter of 2009.
2 The original estimate for each barn was approximately
3 half a million. This included a pre-engineered
4 structure to be erected around existing stalls,
5 insulation on ceilings, new fire alarm, new sprinkler
6 system, new electrical panel and lights. Our new
7 agreement with the PTHA (PA Thoroughbred Horsemen's
8 Association) added double hung windows and four
9 attached sheds to the exterior of the buildings with
10 access both inside and outside. This brought the cost
11 to approximately \$550,000.

12 As work progressed on the first two
13 barns, it became evident that several changes would
14 need to be made. Discussion after discussion with
15 Mike Ballezzi and the PTHA ensued and provided for
16 additional work on the barn. The electrical service
17 was upgraded to a 200 amp service. Large exhaust fans
18 were installed on both ends. New electrical wiring
19 and conduit. Both ends demolished and rebuilt as feed
20 sheds, stalls and a new mechanical room. The attached
21 sheds were converted to tack rooms with electric and
22 lighting, individual fire-rated fans over each stall.
23 Each stall was dug out, leveled, stone put down, hunt
24 club stall grids laid and compacted with stone dust.
25 The PTHA provided screen yokes and mats for each

1 stall. We lined the stalls and interior walls of the
2 barns with resin panels that are both cleaner and more
3 shock absorbent. Protective padding was also
4 installed on the beams.

5 The changes and additional work that was
6 done has provided for an end product that is second to
7 none in both appearance and functionality. It has
8 been a pleasure to work with my team and Mike and his
9 organization to deliver a barn we can all be proud of.
10 This work, however, did add an additional \$250,000 to
11 each barn. We'll work to reduce that by bidding it as
12 a complete package, as we made several, several
13 changes to it.

14 Total expenditures second quarter of 2008
15 were \$307,312. Total expenditures to date on back
16 stretch are \$2,428,771.

17 CHAIRMAN COLINS:

18 Okay. Thank you very much. Mr.
19 Ballezzi, I forgot, Mr. Wilson, spell your name for
20 the stenographer, please.

21 MR. WILSON:

22 Joe Wilson. W-I-L-S-O-N.

23 CHAIRMAN COLINS:

24 And Mr. Ballezzi, if you'd spell your
25 name also?

1 MR. BALLEZZI:

2 I will. Thank you.

3 CHAIRMAN COLINS:

4 Thank you.

5 MR. BALLEZZI:

6 Good afternoon, Madame Chair, members of
7 the Board. I am Michael Ballezzi, B-A-L-L-E-Z-Z-I. I
8 am the Executive Director and attorney to the PTHA,
9 the Pennsylvania Thoroughbred Horsemen's Association,
10 and I represent the men and women who race at
11 Philadelphia Park.

12 Without being redundant, I concur
13 completely with the evaluation and statement made by
14 Mr. Wilson. For the record, I would like to publicly
15 state that the cooperation between Philadelphia Park
16 and our horsemen's organization is unprecedented in
17 the period of time that we've had to work with the new
18 Gaming Act. The cooperation has been excellent, and
19 many of the new renovations that he has explained to
20 you came from the suggestions of our organization.

21 I can say categorically every suggestion
22 we've made to improve the conditions on the back side,
23 to improve the conditions for our grooms and hot
24 walkers and trainers and owners have been complied
25 with and in many cases exceeded our expectations.

1 When this bill was first enacted, we were looking for
2 a win-win-win situation, to win on the part of the
3 state, to win on the part of management and to win on
4 the part of the horsemen. And part of the sections of
5 the Gaming Act which specifically apply to back
6 stretch improvements --- I was privileged to
7 participate in the writing of those portions --- are
8 now being complied with completely, and as we know,
9 few things in life do we expect to be as they are, do
10 they turn out as we'd like them to be. In this
11 particular case, our expectations have been fully
12 realized.

13 I believe at the end of the day, the
14 improvements that we're making, the participation with
15 Philadelphia Park, which I believe will continue, they
16 have pledged through an agreement, a contract with our
17 organization, to do improvements which exceed \$25
18 million, which is nearly two and a half times the
19 maximum required by the statute, is a showing of good
20 faith, that the human habitat, the dormitories where
21 our grooms and hot walkers and our employees live, is
22 now at 50 percent complete. We expect that will be
23 done within the next year, the balance of the back
24 side, where they've added air conditioning, electrical
25 service and many other amenities which are important

1 for these folks where they live.

2 So I cannot be more satisfied with the
3 participation of Philadelphia Park. I believe my
4 horsemen can look forward to a back side, a back
5 stretch that they can be proud of, and it's another
6 step forward toward making Philadelphia Park a
7 racetrack that we believe it all can be, a pre-eminent
8 force in racing in Pennsylvania, and not to a small
9 extent I also would like to thank this Board for its
10 participation and its oversight in making sure we do
11 everything that's intended to be done pursuant to the
12 statute, and I thank you for that, Madame Chair.

13 CHAIRMAN COLINS:

14 Thank you. I just want to extend to both
15 of you and your representative, the operator, and your
16 representative organization, my congratulations on
17 your partnership and the success you've had so far in
18 working together to make these accomplishments. It's
19 what the Act was designed to do, and this is good
20 news. This is very good news for us. Are there any
21 questions or comments?

22 COMMISSIONER SOJKA:

23 I have one, if I may. I'm as delighted
24 as Chairman Colins with your satisfaction with this
25 situation. It's obviously a significant improvement.

1 But you mentioned the three wins, a win for
2 management, a win for the horsemen, a win for the
3 Commonwealth. This Board is also on record as wanting
4 one more win, and that is a win for the equine
5 athletes themselves. And I was a little surprised to
6 hear what the surface of the stalls was, that you've
7 put in.

8 MR. BALLEZZI:

9 Correct.

10 COMMISSIONER SOJKA:

11 These are crushed stone?

12 MR. WILSON:

13 Yeah. It's, if I will, Mike can actually
14 explain it, they're made by Hunt Club, which is the
15 number one manufacturer of stall, basically what they
16 call mats, but they are grids. The stone is put down,
17 the grids are put down. It's a stone dust, it's a
18 very fine, it's like a packing sand, that goes down.
19 It stays absorbent. The grid itself gives a little
20 bit of bounce to it. It also drains everything out,
21 down and away. So the stall stays cleaner. Nothing
22 can come up through the bottom of the stall, as we all
23 know can happen in a stall, but Mike can probably add
24 something to that.

25 MR. BALLEZZI:

1 I'm very happy, and I'm proud of the fact
2 that Joe Wilson at this state now understands many of
3 the things that the horsemen have to go with. That's
4 the happiest moment for me today. Because six months
5 ago, he would not have noticed that. The point is,
6 horses have to stand 23 hours a day on a surface, at
7 least at the racetrack. And one of the concerns as
8 horsemen is that that surface on which they stand has
9 some give. It also has to be able to be absorbent.
10 And you could very easily concrete the pad, but then,
11 of course, as you know, it's a detriment to the horse.
12 This particular surface --- and it's very expensive,
13 by the way. It's extremely expensive. That's why
14 most do not have it. But it's crushed stone. It has
15 stone dust. It has give. It's absorbent. And it
16 lasts forever.

17 COMMISSIONER SOJKA:

18 And my only concern is the possibility of
19 inhalation injury. And that's been addressed?

20 MR. BALLEZZI:

21 Well, yeah. It really isn't. It's not
22 an issue, because what it is, the stone dust is wet.
23 You wet it, it compacts and doesn't have that problem.

24 COMMISSIONER SOJKA:

25 Okay.

1 MR. BALLEZZI:

2 Thank you.

3 CHAIRMAN COLINS:

4 Okay. Thank you very much.

5 MR. BALLEZZI:

6 Thank you, Madame Chair.

7 MS. TUCKER:

8 Chairman Colins, Mr. Wilson provided me
9 with --- he memorialized his comments in a letter to
10 me with an attachment, which I would like to put into
11 the record as Philadelphia Park Exhibit Number One.

12 CHAIRMAN COLINS:

13 Very good. Thank you.

14 CHAIRMAN COLINS:

15 Who is next?

16 MS. TUCKER:

17 Our next presenters are from Presque Isle
18 Downs. It will be the President and CEO, Richard
19 Knight, and Debbie House, Director of Racing. And
20 representing the horsemen --- actually, Debbie is not
21 here today. Representing the horsemen is Joe
22 Santanna, who is the President of the HBPA nationally
23 and for the state of Pennsylvania.

24 CHAIRMAN COLINS:

25 Very good. Mr. Knight, how are you?

1 MR. KNIGHT:

2 Chairman Colins, members of the Board, my
3 report is not quite as long, given the fact of the
4 newness of our facility and the amount of money that
5 we have spent, but I'll read our report as we
6 submitted it for the last quarter.

7 Presque Isle Downs has received for the
8 quarter ending June 30th, 2008, funds from the PAHBPA,
9 Inc., from the Pennsylvania Horse Race Development
10 Fund in the amount of \$5,150,184. Presque Isle Downs
11 has distributed to the PAHBPA, Inc., for the quarter
12 ending June 30th, 2008, the following. Purse fund,
13 \$4,897,558.41. Health and pension fund, \$244,877.96.

14 That is our report, based on the status
15 of our facility at this particular time. I do have an
16 update on several things that are going on right now
17 that I'm sure you'd like to ---.

18 CHAIRMAN COLINS:

19 We would like to hear your update.

20 MR. KNIGHT:

21 Okay. Recently we have come to agreement
22 with the --- with the first step, come to an agreement
23 with the PA Horse Racing Commission to build an
24 additional two barns. That's 200 stalls. As well as
25 construct a groom's quarters. This follows an

1 agreement we had with them based on them allowing us
2 to build barns based on our need for the barns, and
3 currently we're running about 90 to a hundred percent
4 at times on our barn capacity, so consequently the
5 next step is to build 200 more stalls, and then take a
6 step from there to build further if necessary.

7 So that will happen. Right now we're at
8 RFP. Our RFP's will be out the first of September,
9 with hopefully everything coming back towards the end
10 of September with a start date, albeit not an
11 aggressive start date, of around October 1. We still
12 have to go over the plans of both the barns and the
13 grooms' quarters with our HBPA, which we will do
14 hopefully in the next two weeks, or right after Labor
15 Day, anyway. That's a step we have to take.

16 Since our facilities are so new,
17 obviously this review has gone forth. We have
18 determined, and they certainly know that which needs
19 to be improved. We will review this, I am aware of
20 those needs, and they will be incorporated into the
21 new facilities. Certainly they will have that input
22 to tell us again what needs to be done.

23 It's interesting you brought up the stone
24 dust issue, because obviously you've heard about it
25 from our situation. Last year there was a report, and

1 I'm going from, basically, the state veterinarian.
2 This is an independent source. There was one, and I
3 say supposed because I really don't know who it is,
4 horseman who complained of stone dust. We took that
5 into consideration. This year, to my knowledge, and
6 to what he's telling me, we have had no complaints,
7 basically because of the way we've been maintaining
8 the facility and the surface. Sufficient watering,
9 and by the way, a good portion of the --- in fact the
10 majority of the issue is being addressed by the
11 horsemen themselves. They keep their areas watered.
12 They take care of their areas, and they're doing an
13 excellent job. We take care of the periphery. We
14 take care of obviously the entrances.

15 Everything that's not theirs we take care
16 of, and I think this year I have not heard of one ---
17 I take that back. I've heard of one. I still don't
18 know who that one is. The state vet could not verify
19 it for me. I've had no veterinarian in the facility
20 that's verified it for me, so I have to throw that out
21 there. It's been said, but that was at the beginning
22 of the race meet. I have not heard anything since, so
23 I'm assuming we don't have a problem. We certainly
24 don't want to have a problem. The safety of the
25 horses is paramount, and I think we've learned a

1 little bit from last year, learned a lot from last
2 year, and I think we're applying that this year, and
3 hopefully the situation just doesn't exist.

4 CHAIRMAN COLINS:

5 Thank you. Thank you very much.

6 MR. KNIGHT:

7 You're welcome.

8 CHAIRMAN COLINS:

9 Mr. Santanna, would you spell your name,
10 please?

11 MR. SANTANNA:

12 My name is Joe Santanna, it's
13 S-A-N-T-A-N-N-A. And it's just coincidence that Mike
14 and I have last names that end in vowels. And while
15 Presque Isle Downs is not subject to the Section 404
16 back side improvements, and it's clear that they've
17 spent the mandatory \$5 million on the back side to be
18 exempt from it, we have appealed to the State Horse
19 Racing Commission to have a full compliment of a
20 thousand stalls built on the back side.

21 The State Horse Racing Commission made
22 the agreement with Presque Isle Downs to add the other
23 200, and 300 if needed. We believe that Presque Isle
24 Downs should be kept to the thousand-stall requirement
25 that was the basis for their application for their

1 racing license, and then the accompanying gaming
2 license. In order to have full fields, many of the
3 trainers who requested stalls this year had to have
4 their allotment decreased, and there's a certain break
5 point by which at that point it doesn't pay to bring
6 your horses, so many of them didn't.

7 So I believe, at least if my recollection
8 is correct, we had 1,600 horses who had applied, their
9 trainers had applied for stalls. We think there's a
10 need for all thousand. We believe if there is, and
11 the capacity does occur, we'll have fuller fields,
12 which typically drives the handle, which is the
13 wagering on it, and the pari-mutuel revenue. So from
14 our perspective, we would like to continue to press
15 forward that all thousand stalls be built, there not
16 being an interruption and not a wait-and-see
17 situation. Thank you very much.

18 CHAIRMAN COLINS:

19 And again, this is a matter you've
20 appealed to the Racing Commission?

21 MR. SANTANNA:

22 And I make that appeal to this Commission
23 to the extent it's appropriate.

24 CHAIRMAN COLINS:

25 Very good. Thank you. Any comments or

1 questions? Thank you very much.

2 MR. SANTANNA:

3 Thank you.

4 MS. TUCKER:

5 And our last presenter is Penn National.
6 Chris McErlean, Vice President of Racing for the
7 parent company, Penn National, and Rob Marella,
8 Director of Racing for Penn National Race Course, and
9 Joe Santanna represents the HBPA, who represents the
10 horsemen's group there at Penn National. I'm sorry.
11 Gary Luderitz is here as well, the GM (General
12 Manager).

13 CHAIRMAN COLINS:

14 Very good. How would you like to begin,
15 gentlemen?

16 MR. LUDERITZ:

17 If I may, I had just a couple of bullet
18 points, Chair Colins, and good afternoon,
19 Commissioners. And then I would like, I would ask
20 Rob, he's going to give us a brief overview of the
21 back side improvements, and Chris will talk a little
22 bit about our racing operations.

23 CHAIRMAN COLINS:

24 Mr. Luderitz, and for each of you who
25 speaks, please state your name and spell it for the

1 stenographer.

2 MR. LUDERITZ:

3 Yes. My name is Gary Luderitz. I'm the
4 Vice President and General Manager for Hollywood
5 Casino at Penn National Race Course. It's Gary
6 L-U-D-E-R-I-T-Z.

7 The funds that have been received from
8 the Pennsylvania Horse Race Development Fund is
9 approximately \$5.2 million for the second quarter, and
10 of that, \$4.9 million was distributed for purses. The
11 funds distributed for the health and pension benefits
12 were approximately \$247,000. Now, in the second
13 quarter of this year, which is really the quarter in
14 which we began our back side improvements, which was
15 about two months after we opened the casino, we spent
16 approximately \$778,000, have made expenditures since
17 that time, and I would ask Rob to go into that for us
18 in a little bit more detail.

19 MR. MARELLA:

20 Good afternoon. I'm Rob Marella. I'm
21 Director of Racing at Hollywood Casino at Penn
22 National Race Course. It's Rob Marella,
23 M-A-R-E-L-L-A.

24 In March of this year we presented to the
25 Racing Commission and to the HBPA a list of projects

1 planned for 2008 along with a timeline for those
2 plans. It was estimated at that point that these
3 projects would total somewhere in the neighborhood of
4 \$2.5 million.

5 Our two main priorities for 2008 were to,
6 number one, begin meeting our obligations under our
7 KAFO (phonetic) plan as quickly as possible, and
8 number two, to begin building new barns, which were
9 emphatically stated as the top priority of the
10 Horsemen's Association.

11 To meet those ends, we have constructed a
12 \$700,000 manure storage facility. We've implemented a
13 completely new manure handling process to include
14 covered three-sided bins to limit any leeching or
15 runoff possibilities. The storage facility that we
16 built, we also constructed a sanitary sewer line to
17 feed any water runoff from that facility directly to
18 our waste water treatment plant that we have on
19 property. Additionally, and in meeting both of those,
20 our main priority is the KAFO and the new barns, we
21 added sanitary sewer lines on the back side barn area
22 itself, so that we could accommodate interior horse
23 wash stalls in the new barns that we will, and have
24 constructed.

25 At this point we have constructed and

1 completed one brand new barn, the cost of which was up
2 from the original anticipated number due to some
3 changes we made after consulting with Todd Mostoller,
4 with the HBPA, adding some additional interior wash
5 stalls and tack rooms, in addition to some other minor
6 upgrades.

7 Right now we are close to completion of
8 our second brand new barn. That should happen by the
9 end of next week. September 8th was the target date
10 and we should hit that. When completed with that, we
11 will be replacing a roof on one of our existing barns,
12 to be followed immediately by demolition of an
13 existing barn and constructing a new one.

14 Obviously for operational purposes, we
15 don't want to be without more than one barn at a time.
16 And actually, we're one barn ahead of where we were a
17 year ago, so as we have a barn out of service
18 constantly, we will have the same capacity for horses
19 on the back side that we had prior to beginning the
20 process.

21 At this point it appears that we'll be
22 able to complete all of the projects planned for this
23 year, with the exception of maybe not being able to
24 begin the fourth new barn prior to the end of the
25 year. Weather and timing will decide that.

1 MR. LUDERITZ:

2 Thank you, and unless we'd like to go to
3 questions first, Chris McErlean, who is our Corporate
4 Vice President for Racing, has some other comments for
5 us.

6 CHAIRMAN COLINS:

7 Go on, sir.

8 MR. MCERLEAN:

9 Good afternoon. Thank you, Chairman. My
10 name is Chris McErlean, M-C capital E-R-L-E-A-N. I am
11 the Corporate Vice President of Racing for Penn
12 National Gaming Inc., and I am happy to report that
13 the results of casino gaming at Hollywood Casino at
14 Penn National Race Course had the desired effects of
15 positively impacting thoroughbred racing at that
16 facility.

17 Daily average purses are a record
18 \$120,000 per night, the highest ever for the track,
19 and up over 70 percent from this time last year. Penn
20 National sports the highest percentage year-over-year
21 gain in purses of any race track in North America.

22 There is definitely demand for that
23 additional purse money. Our average field size is
24 over 8.3 horses per race. This is a five percent
25 increase from last year and places us second among

1 racetracks in the competitive Mid-Atlantic region in
2 terms of field size.

3 I'm also happy to report that the impact
4 on live racing at our facility has been extremely well
5 received. My racing handle is up 91 percent on Penn
6 National's races versus this period last year, and
7 total wagering on Penn National's races is up over 12
8 percent from wagering facilities across North America.

9 There is one issue I would like to raise
10 in regards to track safety. It has been brought up as
11 a point at Penn National Race Course. After nearly
12 two quarters of this year of having below average
13 statistics on breakdowns, this past quarter we've had
14 an above-average number. The results of breakdowns is
15 complex, and there's many different factors that go
16 into those results.

17 Rightly or wrongly, the racetrack is
18 identified as a major culprit. And we've met several
19 times already with the Pennsylvania State Horse Racing
20 Commission. At their direction we employed an
21 independent track consultant to come in and do an
22 evaluation of the racetrack. We've presented that to
23 the Racing Commission, and in fact tomorrow we have a
24 meeting with the Racing Commission to discuss this
25 matter further, and we are very hopeful that at the

1 conclusion of that meeting we will have a satisfactory
2 answer that will be well received by all participants
3 in the industry in moving forward regarding our track
4 surfaces. Thank you very much.

5 CHAIRMAN COLINS:

6 Are there any questions from the ---?

7 COMMISSIONER SOJKA:

8 I'm sorry, Chairman Colins, I'll keep
9 these brief.

10 CHAIRMAN COLINS:

11 Go right ahead.

12 COMMISSIONER SOJKA:

13 First of all, again, I would like to
14 commend you for your efforts to work at the issue of
15 track safety, and I would simply remind you that the
16 safety of that track, and what that means, again, to
17 the horses and the people who ride them, that remains
18 a very high priority for this Board. Even though it's
19 not in our direct jurisdiction, we will continue to
20 communicate with the Racing Commission. Secondly,
21 about the KAFO issue, just a clarification. You
22 mentioned that you built sewage facilities, but I'm
23 assuming you also have a manure hauler. You're not
24 trying to dispose of all that manure through your own
25 sewage system, are you?

1 MR. MARELLA:

2 No. Not at all.

3 COMMISSIONER SOJKA:

4 Okay.

5 MR. MARELLA:

6 The storage facility that we built is
7 self contained and DEP approved, water resistant, and
8 to hold all of that product. But it is open air for
9 ventilation purposes, so there will be water coming in
10 naturally. Any of that water will be drained off
11 through our drainage system ---

12 COMMISSIONER SOJKA:

13 Runoff. Okay.

14 MR. MARELLA:

15 --- to an existing sewage treatment plant
16 that we have on property.

17 COMMISSIONER SOJKA:

18 And have ongoing contracts with haulers;
19 right?

20 MR. MARELLA:

21 We have one hauler contracting all of it,
22 who has provided close to half a million dollars'
23 worth of covered bins to contribute to the project.

24 CHAIRMAN COLINS:

25 Any other questions? Very good. Thank

1 you. Mr. Santanna, did you want to ---?

2 MR. SANTANNA:

3 Yes. Thanks. We are delighted by the
4 increase in purses, which represent the major source
5 of revenue for our over 3,000 trainers and owners.
6 And we see that going forward in a very positive way.
7 As you know, Penn National advanced the horsemen a
8 substantial amount of money in anticipation of slots,
9 so we could build this program without severe spikes
10 in the purse amounts. Those dollars are being repaid,
11 and in February of next year, we'll have the ability
12 to add those to the purse structure, which we think
13 will begin to allow our purses to climb towards
14 \$200,000 a night.

15 Those full fields that Mr. McErlean
16 indicated is unusual for the industry, and it's
17 delightful that our members get to participate in
18 that.

19 As far as the racetrack surface is
20 concerned, back in April we requested that the HBPA be
21 allowed to engage the services of a racetrack expert
22 to study the surface, and we had that rejected. In
23 June, we asked that the racetrack surface be
24 considered an emergency project and get the
25 resurfacing and safety issues addressed, and it

1 delights me to hear that after we had made an appeal
2 to the State Horse Racing Commission with respect to
3 the safety and welfare of the horses and the people,
4 that they were able to make an arrangement with Penn
5 National to have the surface studied by an analyst.

6 We have not been privileged to see that
7 report yet, although it seems as though everyone else
8 has, but it certainly sounds like we're coming to some
9 resolution on the issue, and we await the receipt of
10 that report, and we're hoping that it satisfies our
11 concern about the recent substantial increase in the
12 number of catastrophic breakdowns on our racetrack.

13 So with cautious optimism we'll wait
14 until we get an opportunity to see that report and
15 hear what's going to be done, and I'm hoping it's not
16 a disappointment. Thank you.

17 CHAIRMAN COLINS:

18 Thank you. Thank you very much.

19 MR. SANTANNA:

20 Thank you.

21 CHAIRMAN COLINS:

22 The next matter will be the presentation
23 of the Horsemen's Benevolent and Protective
24 Association Health Benefit Plan; is that correct?

25 MS. TUCKER:

1 That's right. And Mr. Santanna's just
2 going to stay for that.

3 CHAIRMAN COLINS:

4 Mr. Santanna will stay here, then.

5 MR. SANTANNA:

6 Thank you.

7 CHAIRMAN COLINS:

8 Do you want to have his written comments
9 put into the record?

10 ATTORNEY CREANY:

11 I would.

12 CHAIRMAN COLINS:

13 Okay. All right. And regarding this,
14 how are you going to proceed with this? Are you going
15 to present it to us, or ---?

16 MS. TUCKER:

17 I thought I would just give you a brief
18 overview of the procedural history of how this plan
19 came before the Board, and then turn it over to Mr.
20 Santanna to answer any questions that Board members
21 may have with respect to this health plan and its
22 coverage.

23 CHAIRMAN COLINS:

24 Okay. Thank you.

25 MS. TUCKER:

1 I received information from Todd
2 Mostoller, who's the Executive Director of the HBPA,
3 that they had in fact entered into a contractual
4 arrangement with Pennsylvania Highmark Blue Shield,
5 and that they wanted to submit this plan to the Board
6 for their review and approval as provided for by
7 statute.

8 This plan is for the trainers and their
9 dependents at Penn National and Presque Isle Downs who
10 are members of the Pennsylvania HBPA. The eligibility
11 requirements are contained and are, upon my review,
12 understood by me. Contributions from the plan, and I
13 think this is something that's important for the Board
14 to know, are derived entirely from the Pennsylvania
15 Race Horse Development Fund. The members of this plan
16 do not personally contribute any money to the plan,
17 and all premiums are paid by the HBPA. This plan will
18 provide health benefits for 77 individuals who have
19 currently applied, or at least as of my last
20 conversation with Mr. Mostoller, and the plan is a
21 PPO.

22 I understand that the Board may have some
23 questions of Mr. Santanna, who's familiar with the
24 plan, and so I turn it over to him now, and I also do
25 have --- did provide to the Board a copy of the plan,

1 which is on file.

2 CHAIRMAN COLINS:

3 Thank you. Mr. Santanna, do you have
4 anything you want to say?

5 MR. SANTANNA:

6 Yes. We are working with the four
7 percent health and pension dollars that are allotted
8 as a result of the Act, and from those dollars
9 subtracting the \$250,000 that goes to the jockeys for
10 their insurance needs, relative to the dollar amounts
11 we receive, we've tried to develop a plan that would
12 provide complete health care coverage for the
13 trainers. We've identified almost a hundred that were
14 eligible, and 77 have opted into the coverage. Some
15 have opted out.

16 We've also made the same coverage
17 available to the trainers at Presque Isle Downs, and
18 their eligibility will be determined at the end of
19 this current meet for us to begin to provide coverage
20 for them as well. Complimenting the health and
21 pension funds that are coming from the Gaming Act, one
22 percent of --- or 50 percent of the administrative fee
23 we receive from the pari-mutuel wagering is put into a
24 benevolence fund.

25 And very similar to the plan that was

1 approved for Philadelphia Park, now that we no longer
2 have to provide health coverage for our trainers,
3 because that's now been supplemented by the health and
4 pension funds from the Act, we will take all of those
5 dollars, and as purses grow those dollars will grow as
6 well, and make that available, as it is currently
7 available, to provide health coverage for the grooms.

8 And through the combination of those two
9 arrangements, we actually believe we're going to be
10 able to increase the coverage to the grooms well above
11 the current \$7,500 per year plus dental plus eye care
12 as a result of the trainers being covered out of the
13 dollars from the four percent health and pension.

14 And then furthermore, by allocating those
15 dollars away, he probably aren't going to have enough
16 money left to create the pension portion of the health
17 and pension funds for the trainers, but we will be
18 able to do that to some significance, and using all of
19 the dollars combined, we think the program looks
20 identical to the Philadelphia Park program.

21 CHAIRMAN COLINS:

22 Any questions?

23 COMMISSIONER GINTY:

24 I have some questions. I'm sure you're
25 aware that the section of the statute that applies to

1 this provides that that four percent be made available
2 for the benefit of not only the trailers, but
3 employees as well?

4 MR. SANTANNA:

5 Yes, sir. We are very aware of that.

6 COMMISSIONER GINTY:

7 But that's not happening here?

8 MR. SANTANNA:

9 Well, under the --- we're kind of
10 constrained by the dollars that gaming produces, our
11 four percent. So while we have the same number of ---
12 we probably have the same number of covered trainers
13 that Philadelphia Park does, and we probably have the
14 same cost of health care provided for them. Their
15 dollars are substantially greater than ours. But what
16 we did was we patterned our plan directly after the
17 Philadelphia Park program, where their grooms are
18 covered under their benevolence as well, and that was
19 approved by the Board, so we felt that patterning our
20 plan after theirs would be satisfactory. And one
21 other thing I might mention is while some of the
22 grooms are permanent employees, most of them are very
23 transient, go from track to track, actually are here
24 on visas, and it would be somewhat problematic to
25 provide coverage for them in more traditional pay for

1 the premium for health care. And we do cover most of
2 their needs through our benevolence program that we've
3 been doing ever since our HBPA has been in existence,
4 and the nice part about it is now that we no longer
5 have to do that for our trainers, even more money will
6 be made available for them. So we've done that for 30
7 years.

8 COMMISSIONER GINTY:

9 And are you telling me there is in fact
10 now a plan for the --- and I take it grooms are the
11 employees and that's ---?

12 MR. SANTANNA:

13 Some grooms are employees; some grooms
14 are independent contractors. Very few --- I don't
15 know what the percentage is, but I'd say the smaller
16 percentage of back side employees beyond trainers are
17 independent contractors and not necessarily employees
18 of the trainers. It's just an industry peculiarity.
19 They're really independent contractors.

20 CHAIRMAN COLINS:

21 But in essence, what you're saying is
22 that the health care plan is available to those grooms
23 who are employees, and that that availability or that
24 plan is patterned along the same lines as the
25 Philadelphia Park program, where the premiums are

1 being paid through the Benevolent Association?

2 MR. SANTANNA:

3 Yes, or the health care directly.
4 Sometimes we self-insure that and pay the cost
5 directly to the hospitals, doctors and health care
6 providers. But our plan structurally is no different
7 than the Philadelphia Park plan that you've already
8 approved.

9 CHAIRMAN COLINS:

10 Okay. Because as we discussed, as we
11 reviewed the plan we were concerned about the
12 availability of health care benefits at the employee
13 level. Because that is a very important aspect of the
14 benefits of the Act. So we want to be assured from
15 you that there are benefits, health care coverage
16 benefits, available to employees.

17 MR. SANTANNA:

18 We would do that through our benevolence
19 fund.

20 CHAIRMAN COLINS:

21 Okay.

22 MR. SANTANNA:

23 Our 50 percent of our fees go to
24 benevolence, because we want to make sure that we have
25 some of this health and pension money left for

1 pensions. And unfortunately, most of the trainers,
2 unless they're doing it on their own, have no pension
3 plans, much like they had no health care coverage. So
4 for us to be able to do two of those things that are
5 traditionally available to employees of all other ways
6 of life is fairly along our mission of horsemen
7 health, and horsemen.

8 COMMISSIONER GINTY:

9 When did we approve the Philadelphia Park
10 plan? Do you remember?

11 CHAIRMAN COLINS:

12 I'd have to go back and check our records
13 to see. I don't know if they've left yet.

14 COMMISSIONER GINTY:

15 Allen? I saw you up there. Do you --- I
16 guess he isn't here. I don't recall it coming in
17 front of us while I've been here. But I want to make
18 clear, is the reason that the employees are not
19 included in the same plan that the trainers are is
20 because of a shortage of funds?

21 MR. SANTANNA:

22 Well, it's not necessarily a shortage of
23 funds, but what we would be unable to do is offer a
24 pension plan, which is the second part of that four
25 percent money. If we had to cover them all, and we'd

1 have to do a survey of our back side to see how many
2 trainers actually employ the grooms versus them being
3 independent contractors. I think the large percentage
4 are independent contractors. And out of our
5 benevolence fund, we don't make a distinction whether
6 they're employee or independent contractor. We've
7 been paying for their health care costs regardless of
8 what their employment status is.

9 CHAIRMAN COLINS:

10 Okay. Yes? Commissioner McCabe?

11 COMMISSIONER MCCABE:

12 I have a question and concern. My
13 impression of the intent of the law is that everybody
14 that's working on the back side should be covered by
15 some sort of health plan. And from my read and
16 understanding of your plan, is that your plan's
17 semantics that some are because they work directly for
18 the groomers, but some aren't because they're
19 independent contractors. So everybody is not going to
20 be covered.

21 MR. SANTANNA:

22 Under the plan we submitted, our trainers
23 would be covered.

24 COMMISSIONER MCCABE:

25 But I'm reading, the way I'm interpreting

1 ---

2 MR. SANTANNA:

3 All trainers.

4 COMMISSIONER MCCABE:

5 --- the law is that all employees back
6 there, that I'm looking at it, their intent was to
7 take care of everybody working on the back side to
8 make a better life for them. And I'm not hearing that
9 you're willing to do that.

10 MR. SANTANNA:

11 All trainers are covered. Their
12 employees, which are the grooms ---.

13 COMMISSIONER MCCABE:

14 I'm not talking about trainers. I know
15 you're taking care of the trainers. You're taking
16 care of the horsemen, the trainers, but then as we go
17 down this chain, there's the groomers, and then
18 there's other employees, other people. You're not
19 including them.

20 MR. SANTANNA:

21 We call them grooms. Their employees or
22 their independent contractors are grooms.

23 COMMISSIONER MCCABE:

24 No, I'm not --- but who exercises the
25 horses? Is it covering those people? Is it covering

1 the stable boys? Is it covering all the workers back
2 there?

3 MR. SANTANNA:

4 The stable workers would be considered in
5 the groom category. Sometimes those stable workers
6 exercise the horses. Other times jockeys will get on
7 the horses, because they like to get on the horse
8 before they get on the horse in the race. But
9 typically they would be employees of --- they would be
10 --- grooms do many, many things, in addition to just
11 cleaning stalls.

12 CHAIRMAN COLINS:

13 I guess what everyone needs to be more
14 clearly explained from you is, is there coverage for
15 the grooms? Who's covering the grooms for health care
16 purposes? And is the Benevolence Association paying
17 for the full coverage, or is it 50 percent? Explain
18 it again for us, please. We want to make sure there's
19 coverage.

20 MR. SANTANNA:

21 Currently we pay up to \$7,500 of any back
22 side employee, any back side worker, whether they're a
23 trainer or a groom, before the Act. And we paid up to
24 \$300 for eye care and up to \$500 for dental, annually.
25 As a result of the Act, we now will cover the

1 trainers, or our plan submitted would cover the
2 trainers, by us paying their premium out of the four
3 percent health and pension. All the other people on
4 the back side, because those dollars have been
5 supplemented out of our benevolence, we have, once we
6 determine how this is going to work out, we will not
7 only pay \$7,500, but have every intention of
8 increasing that amount. If someone goes over that
9 amount and submits a request to our board, we
10 typically pay the excess for them, almost self-
11 insuring. We've been self insuring that group for 30
12 years. Our estimate is between Presque Isle Downs and
13 Penn National, those dollars will exceed \$400,000,
14 making it a substantial amount of money to make sure
15 that no one's health care needs go unserved.

16 CHAIRMAN COLINS:

17 Then the level of coverage for the grooms
18 is a lower level of coverage than the coverage that
19 will be available through the four percent that's
20 going to your organization?

21 MR. SANTANNA:

22 The monies out of the health and pension
23 fund will pay the premium on health care insurance.
24 The monies from the Benevolence Fund is a direct
25 reimbursement to the grooms for any health care costs

1 they have.

2 CHAIRMAN COLINS:

3 Okay.

4 MR. SANTANNA:

5 We have a committee. We have a
6 benevolence committee. They meet. Everyone submits
7 their health care bills to that committee. They
8 approve them; we pay them.

9 CHAIRMAN COLINS:

10 And this, you're saying, is the same
11 scheme as we have approved for the Philadelphia Park?

12 MR. SANTANNA:

13 Yes. I'm sorry if I misinterpreted the
14 acceptance of that plan. We patterned ours directly
15 after theirs.

16 CHAIRMAN COLINS:

17 Well, I don't know that we've approved a
18 separate plan for Philadelphia Park? We have?

19 MS. TUCKER:

20 Uh-huh (yes).

21 CHAIRMAN COLINS:

22 A separate Horsemen's Benevolent
23 Protection Association plan?

24 MS. TUCKER:

25 Well, it's a Pennsylvania Thoroughbred

1 Horsemen's Association submission.

2 CHAIRMAN COLINS:

3 Got you.

4 MS. TUCKER:

5 It wasn't the HBPA submission.

6 CHAIRMAN COLINS:

7 Okay. All right. Thank you. Any other
8 questions? Okay. Then let's proceed. Do you have a
9 motion?

10 COMMISSIONER COY:

11 Madame Chair, I move the Board approve
12 the Horsemen's Benevolent and Protective Association
13 Health Benefit Plan.

14 CHAIRMAN COLINS:

15 Is there a second?

16 COMMISSIONER GINTY:

17 Yes, I'll second that.

18 CHAIRMAN COLINS:

19 All in favor? Opposed? All right. That
20 was a no for Commissioner Ginty, and a no for
21 Commissioner Sojka.

22 COMMISSIONER MCCABE:

23 And no for me for right now.

24 CHAIRMAN COLINS:

25 And no for Commissioner McCabe.

1 COMMISSIONER MCCABE:

2 No, a permanent no. I would like to see
3 this more in writing. I think I need some more
4 information before I can make a decision. I'm still
5 not comfortable that all of the employees --- one of
6 the things I thought I heard you say is you haven't
7 figured out how you're going to implement some of this
8 yet.

9 MR. SANTANNA:

10 Yes.

11 COMMISSIONER MCCABE:

12 And I'm a little bit concerned about
13 that, that certain people will be excluded.

14 COMMISSIONER COY:

15 Well, Madame Chair, I ---.

16 CHAIRMAN COLINS:

17 Could I interrupt for a minute, then?
18 We've taken a vote. The motion as proposed does not
19 carry. And Commissioner McCabe, you are requesting
20 ---?

21 COMMISSIONER COY:

22 Well, Madame Chair since as I made the
23 motion, I withdraw the motion and move to table the
24 matter.

25 CHAIRMAN COLINS:

1 All right. Is there a second? We've
2 already voted, but is there a second?

3 COMMISSIONER MCCABE:

4 I'll second that one.

5 CHAIRMAN COLINS:

6 All right. Then we'll withdraw it. And
7 Commissioner McCabe, why don't you explain again what
8 it is you would like from --- what additional
9 information?

10 COMMISSIONER MCCABE:

11 I think part of what you described to us
12 in writing, that we have something on paper that says
13 that people will be taken care of, all of the
14 employees. The way I'm reading the statute is that
15 horsemen, trainers and employees and such others, that
16 you take care of those et al.'s, as it would say,
17 after the horsemen and the trainers. I'm a little bit
18 concerned that it's, you're taking care of the
19 horsemen, you're taking care of the trainers, but then
20 employees and others as such are not being included.
21 Or even be selective in that inclusions. I guess I'm
22 confused.

23 MR. SANTANNA:

24 We wouldn't be selective at all. We do
25 provide the direct reimbursements for all of their

1 costs through our benevolence funds below the trainer
2 now. So we will ---.

3 COMMISSIONER MCCABE:

4 I don't know if I saw that in the health
5 plan; that money's coming from the benevolence fund.

6 MR. SANTANNA:

7 Didn't we submit that, Melinda? Wasn't
8 that part of what we submitted?

9 MS. TUCKER:

10 That was not part of the health plan that
11 was submitted.

12 CHAIRMAN COLINS:

13 All right. Well, the matter's tabled.
14 We'll take it --- we'll bring it back ---.

15 MR. SANTANNA:

16 Certainly. And I'd like to go ---.

17 CHAIRMAN COLINS:

18 We'll revisit it with additional
19 evidence.

20 COMMISSIONER GINTY:

21 I'd like to go a step further and take a
22 look at the Philly Park plan. I mean, they should be
23 consistent.

24 MS. TUCKER:

25 On file at the Office.

1 COMMISSIONER GINTY:

2 Okay. Well, I'd like, Philly Park might
3 want to address whether the plan meets the
4 requirements of the statute as well.

5 MR. SANTANNA:

6 We just tried to emulate their plan;
7 that's all.

8 COMMISSIONER GINTY:

9 Okay.

10 CHAIRMAN COLINS:

11 All right. Well, we'll revisit it, and
12 you'll confirm with Melinda, and we'll get ready for
13 the next matter.

14 MR. SANTANNA:

15 Be glad to. Thank you.

16 CHAIRMAN COLINS:

17 Thank you very much.

18 COMMISSIONER COY:

19 Madame Chair, I would suggest the motion
20 needs to be voted on.

21 CHAIRMAN COLINS:

22 I'm sorry. I couldn't hear you.

23 COMMISSIONER COY:

24 I would suggest the motion needs to be
25 voted on, to table.

1 CHAIRMAN COLINS:

2 Very good. All in favor? Okay.

3 Matter's tabled. Thank you very much.

4 MS. TUCKER:

5 You're welcome.

6 CHAIRMAN COLINS:

7 Then, Melinda, you'll do the background
8 on the Philly Park plan that he was referring to? All
9 right. And you'll get the comparisons lined up.
10 Thank you. Very good.

11 Chief Counsel?

12 MR. SHERMAN:

13 Good afternoon, Madame Chairman, members
14 of the Board. Our first agenda item relates to
15 proposed regulations, which Director of Regulatory
16 Review Richard Sandusky will address.

17 MR. SANDUSKY:

18 Okay. Thank you. For the Board's
19 consideration today, we have two rulemakings, one of
20 which is a Final-form and one of which is a proposed.
21 I'll deal with the Final-form Regulation 125-84 first.
22 This was a rulemaking which provided for the execution
23 of releases of information under the federal Freedom
24 of Information Act. Specifically, it amends chapters
25 405a, 407a, 421a, 433a, 435a. The Board adopted this

1 proposed rulemaking at its March 27, 2008 meeting. It
2 was published in the Pennsylvania Bulletin on May 3rd
3 of 2008 with a 30-day comment period.

4 In response to that publication, the
5 Board received nine sets of comments. Sands Casino
6 Resort Bethlehem and Washington Trotting Association,
7 two of our slot machine licensees, and seven
8 manufacturers. Their comments weren't so much on the
9 provisions of the proposal itself, but whether or not
10 the Board would consider the information received as a
11 result of these releases as confidential information.

12 That was the Board's intent when it
13 issued the proposed rulemaking, and to address those
14 concerns we have made some minor revisions in the
15 Final-form rulemaking package. Specifically, we've
16 added a new paragraph eight to section 407a.3a, which
17 states that any information obtained as a result of
18 the execution of a release at the request of the Board
19 will be considered to be confidential information.
20 This is consistent with the requirements of our Act.

21 The other changes that were made were
22 merely a clarification that the information that is
23 obtained as a result of these releases is released to
24 the Board, not to the general public. That specific
25 qualifier was not in the proposed rulemaking.

1 I believe that these amendments will
2 address the concerns that were expressed by the
3 commentators. I'd be happy to answer any additional
4 questions the Board might have on this, and if not, we
5 would ask for a motion for adoption of the final form
6 rulemaking.

7 CHAIRMAN COLINS:

8 Any questions? Do we have a motion?

9 COMMISSIONER GINTY:

10 Madame Chairman, I move that the Board
11 adopt the Final-form Regulation Number 125-84 amending
12 Chapters 405a, 407a, 421a, 433a and 435a, and that the
13 Final-form Regulation be posted on the Board's web
14 site.

15 COMMISSIONER MCCABE:

16 Second.

17 CHAIRMAN COLINS:

18 All in favor? Opposed? Motion carries.

19 Next, please.

20 MR. SANDUSKY:

21 Thank you. The second matter is the
22 adoption of a proposed rulemaking, which is an omnibus
23 amendment to our rules and regulations governing
24 practice and procedure. These amendments are being
25 proposed based on the experience of the Board in

1 various proceedings. They're designed to clarify some
2 of the requirements and to streamline processes for
3 both the Board and individuals who are involved in
4 proceedings before the Board. There are numerous
5 clarifications made. We've deleted references to
6 hearing officers, since we exclusively use presiding
7 officers. We've reorganized the section relating to
8 complaints. We've added a new section on motions to
9 protect confidential information which instructs
10 people as to how to file a motion for protection of
11 confidential information. We've also made a number of
12 changes which will allow pleadings and documents to be
13 filed and served electronically, which should save a
14 lot of time and paper for all parties involved. If
15 there are any particular questions that the Board
16 members may have, we'll attempt to respond to them.
17 Otherwise, we'd ask for a motion for adoption.

18 CHAIRMAN COLINS:

19 May I have a motion, please?

20 COMMISSIONER ANGELI:

21 Madame Chairman, I move that the Board
22 adopt the Proposed Regulation Number 125-93 amending
23 Chapters 403a, 491a, 493a, 494a, 495a, 497a, 499a and
24 511a, and that the Board establish a public comment
25 period for 30 days and that the proposed regulation be

1 posted on the Board's web site.

2 CHAIRMAN COLINS:

3 May I have a second?

4 COMMISSIONER COY:

5 Second.

6 CHAIRMAN COLINS:

7 All in favor? Opposed? This motion
8 carries.

9 MR. SANDUSKY:

10 Thank you.

11 CHAIRMAN COLINS:

12 Thank you very much.

13 MR. SHERMAN:

14 Chairman Colins, the next matter on the
15 agenda relates to the Washington Trotting Association
16 Petition for the Waiver from the Fixed Seating.

17 CHAIRMAN COLINS:

18 Okay. All right. What we're going to do
19 before we entertain a motion is we're going to take a
20 recess, go into executive session. We will not be
21 long on this. So I anticipate about 15 minutes, 20
22 minutes. If we require more time, we'll let you know.
23 Thank you.

24 WHEREUPON THE BOARD MET IN EXECUTIVE SESSION

25 CHAIRMAN COLINS:

1 All right. Very good. The first matter
2 that we will take up now will be the motion to
3 consider the Washington Trotting Association, Inc.
4 Petition. May I have a motion, please?

5 COMMISSIONER GINTY:

6 Madame Chairman, I'm going to make a
7 motion, but I'd like to make some comments as well.
8 When this was last before us, I had some issues with
9 it, because it was asking us to make a waiver of a
10 regulation that was adopted some time ago that really
11 addressed, in my view, matters of life and death. And
12 I'm reluctant to grant piecemeal waivers of such
13 regulations. And I asked for more information, Mr.
14 Downey, and I appreciate your filing it. But I'll be
15 honest with you. At least from my point of view, it
16 was Commissioner Mann and the Office of Enforcement
17 Counsel (OEC) that saved your bacon on this one.

18 And it raises a point with me, and I want
19 to make it. The Board is maturing, too, as we've all
20 gone through a new organization with new regs issued.
21 The industry in Pennsylvania hopefully is maturing as
22 well. And it's matters like this one that I think cry
23 out for an industry position. Not one casino asking
24 for a waiver here, another one asking for a waiver
25 there, but an industry approach.

1 And we adopted a lot of regulations, and
2 I'm sure as an industry you all might have some issues
3 with those regulations. And I would just urge the
4 casino industry to come together in Pennsylvania as an
5 industry.

6 I mean, my background is in telephone,
7 and there's been a Pennsylvania Telephone Association
8 forever. There was a long distance association;
9 there's an association of electric utilities, water
10 companies and so forth, and they're there to help, in
11 part, the regulators address broad issues that involve
12 all the companies.

13 So I would urge the industry to consider
14 coming together in a mature way so we can approach
15 issues like this in a meaningful way. With that,
16 Madame Chairman, I move that the Board approve the
17 Petition submitted by the Washington Trotting
18 Association as described by the OEC.

19 CHAIRMAN COLINS:

20 May I have a second?

21 COMMISSIONER MCCABE:

22 Second.

23 CHAIRMAN COLINS:

24 All right. Before I ask for a vote,
25 initially, when the regulation which we're asking for

1 a waiver of was drafted, which was very early on, as
2 was stated many times, we relied heavily upon some of
3 the New Jersey regulations. There is a regulation in
4 New Jersey that is similar to this fixed seating
5 regulation. We relied heavily on the expertise of
6 some former New Jersey people who gave us very good
7 advice and insight into matters such as this, and
8 that's the reason for this regulation.

9 Now, in conjunction with Commissioner
10 Ginty's comments about a piecemeal approach to
11 waivers, I couldn't agree more. I think it's not the
12 right way to do business. So what I would like to do
13 is after we vote on this, to indicate that we will
14 consider the validity of this regulation going
15 forward. We can reach out and ask for industry
16 comment as to whether or not we want to rescind this
17 regulation or not, and after approaching it that way,
18 we will look at it.

19 I agree. I do not like a piecemeal
20 approach to waivers like this. That being said, we
21 will be examining this regulation further, especially
22 in light of the expert testimony we received today.
23 So may I have a vote, please? All in favor? Opposed?
24 This motion carries. Thank you.

25 MR. SHERMAN:

1 The next matter pending before the Board
2 is a motion seeking a Pro Hac Vice Admission of
3 Attorney David Jividen of Wheeling, West Virginia.
4 Attorney Jividen is being sponsored by Kerry McCann, a
5 licensed Pennsylvania attorney practicing in
6 Pittsburgh. Attorney Jividen is a 1979 graduate of
7 the University of West Virginia Law School who is
8 licensed to practice law in West Virginia. He seeks
9 admission in one matter which is pending before this
10 Board, and that relates to a petition filed by one
11 Theodore Dragisich. The OEC believes it would be
12 appropriate for the Board at this time to entertain a
13 motion relative to that Pro Hac Vice motion.

14 COMMISSIONER GINTY:

15 I have a question, if I can, for Chief
16 Counsel. Do you know what the practice is in West
17 Virginia in terms of recognizing outside attorneys?

18 MR. SHERMAN:

19 In consideration of this motion, the West
20 Virginia Gaming Commission has been contacted, and we
21 have been informed that they reciprocate in the
22 granting of Pro Hac Vice motions to out-of-state
23 counsel.

24 CHAIRMAN COLINS:

25 All right. May I have a motion?

1 COMMISSIONER MCCABE:

2 Madam Chair, I move that the Board
3 approve the motion regarding admission of David
4 Jividen as described by the Office of Chief Counsel
5 (OCC).

6 CHAIRMAN COLINS:

7 May I have a second?

8 COMMISSIONER RIVERS:

9 Second.

10 CHAIRMAN COLINS:

11 All in favor? Opposed? Motion carries.

12 MR. SHERMAN:

13 The last petition before the Board is
14 that of HSP, who has requested approval of proposed
15 changes to its organizational structure.
16 Specifically, Sugarhouse HSP Gaming, LLC, a wholly-
17 owned subsidiary of slots licensee HSP Gaming, LP, and
18 the owner of the real estate upon which the Sugarhouse
19 casino will sit, seeks approval to convert to a
20 Delaware limited partnership. Under Delaware law,
21 this conversion will not result in a new entity and is
22 being done for tax planning purposes.

23 Additionally, HSP has created five new
24 entities, all owned by the licensee, for the purpose
25 of accommodating possible future financing

1 alternatives.

2 Finally, HSP seeks relief from its
3 Statement of Conditions number 49, which requires that
4 material changes in organizational structure must be
5 reported to the Board at least 90 days prior to any
6 proposed changes and thereafter approved by the Board.
7 HSP asks the Board to waive that 90-day notice
8 requirement. The OEC has not objected to the
9 Petition. The Board is considering the matter upon a
10 documentary hearing. The record is closed and ripe
11 for the Board's consideration.

12 CHAIRMAN COLINS:

13 May I have a motion?

14 COMMISSIONER RIVERS:

15 Yes. Madame Chairman, I move that the
16 Board approve the Petition of HSP Gaming, LP as
17 described by the OCC with the addition of a \$5,000
18 civil penalty assessment upon licensee for failure to
19 comply with the 90-day notice requirement of our
20 regulation.

21 COMMISSIONER SOJKA:

22 Second.

23 CHAIRMAN COLINS:

24 All right. Let me just ask, by way of
25 clarification, some questions. Basically, the

1 licensee put in effect the changes in organization
2 structure outside the 90-day notice period; is that
3 correct?

4 MR. SHERMAN:

5 And much shorter than the 90-day notice
6 period; yes.

7 CHAIRMAN COLINS:

8 And how much shorter?

9 MR. SHERMAN:

10 The records that I reviewed were that the
11 changes were made, according to their Petition, on May
12 8th of 2008, and they actually filed the Petition for
13 Board approval on May 9th, the day after.

14 CHAIRMAN COLINS:

15 Okay. All right.

16 COMMISSIONER GINTY:

17 I have a further comment. The short
18 while I've been on the Board, I've noticed there have
19 been a number of, call them late filings. And this
20 was a close call in my opinion, and it reflects in my
21 view a minimum penalty. But I think, again, our rules
22 are there and they have to be complied with, so I hope
23 the message goes out to the industry and to their
24 attorneys that we're going to begin to enforce our
25 rules. Thank you, ma'am.

1 CHAIRMAN COLINS:

2 Now the vote, please. All in favor?

3 Opposed? Motion carries.

4 MR. SHERMAN:

5 Next on the agenda are withdrawals by
6 Principal and Key Employees presented by Deputy Chief
7 Counsel, Steve Cook.

8 MR. COOK:

9 Good afternoon, Madame Chair, members of
10 the Board. The Board has received 16 unopposed
11 petitions to withdraw applications, which include two
12 Principal applications, three Principal renewal
13 applications, nine Key Employee applications and two
14 Key Employee renewal applications. A listing of the
15 individuals in each category, along with the licensing
16 docket numbers, has been provided to the Board. These
17 petitions would all be granted without prejudice, and
18 it's my understanding that the OEC has no objections.

19 The 16 individuals are as follows. The
20 three Principal renewals are Grant Ashley, Stephen
21 Brammell, and Bruce John Yahl. The nine Key Employee
22 applicants are Garlon Banks, Robert Bradley, Lincoln
23 Cates, Joy Conway, David Dominick, Anthony Feruzzi,
24 Ryan Sidun, Daniel Vogelsong, and Lawrence Wheeler.

25 The two Principal applicants are Louis

1 DelRosso and Kirk England, and the two Key Employee
2 renewal applicants are Shari Dudley and Jay Tarbell.

3 Chief Counsel's Office respectfully
4 submits these 16 withdrawals to the Board for
5 consideration of the motion to grant the withdrawals
6 without prejudice.

7 CHAIRMAN COLINS:

8 Very good. All right. May I have a
9 motion?

10 COMMISSIONER SOJKA:

11 So moved.

12 CHAIRMAN COLINS:

13 Is there a second?

14 COMMISSIONER ANGELI:

15 Second.

16 CHAIRMAN COLINS:

17 All right. Any comments?

18 COMMISSIONER MCCABE:

19 Yes. I have a comment. One of the names
20 that you read, Grant Ashley, I worked with him in the
21 FBI, and I know him very well, and I do not feel my
22 relationship and knowing him will affect how I'm
23 voting.

24 CHAIRMAN COLINS:

25 And this is for withdrawal of

1 application? Okay. Very good.

2 COMMISSIONER MCCABE:

3 Yes. I know he got another job.

4 CHAIRMAN COLINS:

5 Okay. Very good. May I have a vote,
6 please? All in favor? Opposed? Motion carries.

7 Thank you.

8 MR. COOK:

9 Next on the agenda are Reports and
10 Recommendations. The Board has received six such
11 Reports and Recommendations from the Office of
12 Hearings and Appeals (OHA) following hearings relative
13 to applications for four Gaming permits and two Non-
14 Gaming Registrations. The Reports and
15 Recommendations, along with the records pertinent to
16 each hearing, have been provided to the Board in
17 advance of this meeting.

18 In addition, in each case the applicants
19 have been notified that the Board is considering a
20 Report and Recommendation today and that they have the
21 right to be present and address the Board. If any of
22 the individuals are present today, they should come
23 forward when their name is announced.

24 The first individual is Gardner Carter.
25 Mr. Carter was an IT specialist at Harrah's Chester

1 Downs. Mr. Carter was issued his Gaming Permit on
2 October 4th, 2007. Unbeknownst to Board staff at that
3 time, he was arrested four days earlier on numerous
4 charges, including simple assault, terroristic
5 threats, harassment, robbery, and controlled substance
6 charges.

7 The Bureau of Investigations and
8 Enforcement (BIE) was notified by Pennsylvania State
9 Police of Carter's arrest on October 10th, 2007.
10 Carter's Permit was suspended on October 31st, 2007 by
11 an Executive Director's Emergency Order. The Board
12 thereafter remanded this matter to OHA to conduct a
13 hearing and submit a report in the validity of the
14 Emergency Order.

15 OHA conducted a hearing on December 17th,
16 2007, in which Mr. Carter did not participate. The
17 OHA thereafter recommended that the Board issue an
18 Order continuing the Emergency Suspension until the
19 Board heard a request that the Suspension be dissolved
20 or modified. The Board adopted this recommendation and
21 signed the Order.

22 On June 6th, 2008, Mr. Carter filed a
23 letter with OHA stating that his criminal charges had
24 been resolved and that he'd pled guilty to one felony
25 charge, possession with intent to deliver a controlled

1 substance. In his letter he requested that his
2 suspension be dissolved.

3 OEC contested the dissolution of the
4 Suspension and requested Revocation. Another Report
5 and Recommendation was issued on July 13th, 2008,
6 recommending Revocation of Carter's Permit based upon
7 his guilty plea to the felony. Based upon the July
8 13th Report and Recommendation, the documents
9 presented and the felony charge, we believe it is
10 appropriate for the Board to now consider a motion
11 adopting the Report and Recommendation to revoke the
12 Gaming Permit of Gardner Carter.

13 CHAIRMAN COLINS:

14 May I have a motion?

15 COMMISSIONER ANGELI:

16 Madame Chairman, I move that the Board
17 issue an Order to adopt the Report and Recommendation
18 of OHA revoking the Gaming Employee Permit as
19 described by OCC.

20 COMMISSIONER COY:

21 Second.

22 CHAIRMAN COLINS:

23 Questions or comments? All in favor?
24 Opposed? Motion carries.

25 MR. COOK:

1 The second Report and Recommendation
2 pertains to Lora Mayer, a total rewards coordinator at
3 Harrah's Chester Downs. On December 16th, 2006, Ms.
4 Mayer submitted her Gaming Employee Permit
5 application. However, application did not disclose a
6 2002 driving under the influence arrest or a second
7 2002 arrest which was eventually dismissed and
8 expunged. BIE agreed to permit Ms. Mayer to amend her
9 application in exchange for a waiver of her right to a
10 hearing.

11 However, confusion ensued and Ms. Mayer,
12 believing that her application had properly been
13 amended after the meeting with Board personnel, failed
14 to take action. Because she failed to travel to
15 Harrah's to amend her application, a second Notice of
16 Recommendation of Denial of the original application
17 was sent to Ms. Mayer. The sole basis of that second
18 action was her failure to amend her application.

19 Ms. Mayer required a hearing, which was
20 held on May 28th, 2008, and a Report and
21 Recommendation was subsequently issued. The Report
22 and Recommendation, based upon the confusion which
23 arose, Ms. Mayer's cooperation, the nature of the
24 criminal offenses and her expungement, concluded that
25 it would be appropriate for the Board to accept the

1 Report and Recommendation and consider a motion to
2 grant the Permit of Ms. Mayer.

3 OCC would support that Report and
4 Recommendation.

5 CHAIRMAN COLINS:

6 All right. Thank you. May I have a
7 motion?

8 COMMISSIONER COY:

9 Madame Chair, I move that the Board issue
10 an Order to adopt the Report and Recommendation of OHA
11 granting the gaming employee permit as described by
12 OCC.

13 CHAIRMAN COLINS:

14 Is there a second?

15 COMMISSIONER GINTY:

16 Second.

17 CHAIRMAN COLINS:

18 Thank you. All in favor? Opposed?

19 Motion carries.

20 MR. COOK:

21 Jonathan Nicolais is the next Report and
22 Recommendation before the Board today, and it comes
23 before the Board in an effort to procedurally clean up
24 a pending matter.

25 Specifically, Mr. Nicolais was issued his

1 Gaming Employee Permit on March 1st, 2007. He
2 submitted a renewal application on December 19th,
3 2007, indicating that there were no changes since his
4 original application. However, the Pennsylvania
5 Department of Revenue reported to the Gaming Control
6 Board that Mr. Nicolais was delinquent in his tax
7 obligations.

8 As a result thereof, OEC objected to Mr.
9 Nicolais renewing his Gaming Employee Permit. Mr.
10 Nicolais requested a hearing on the issue, and it was
11 held before a hearing officer on June 10th, 2008.
12 Subsequent to the hearing, it was confirmed that Mr.
13 Nicolais was compliant with the Department of Revenue,
14 and the OEC withdrew its objection.

15 As a result thereof, OHA issued a Report
16 and Recommendation that Mr. Nicolais be granted a
17 Gaming Employee Permit. However, as a result of a
18 promotion to the position of player services shift
19 manager at Philadelphia Park on June 24th, 2008, Mr.
20 Nicolais was issued a Temporary Key Employee
21 credential and has now made application to the Board
22 as a Key Employee.

23 As such, he is no longer in need of a
24 Gaming Employee Permit and the matter is now moot.
25 However, in order to clean it off the records, it

1 would be appropriate for the Board to issue an Order
2 dismissing Hearings and Appeals' recommendation of the
3 approval of Jonathan Nicolais' Gaming Employee Permit
4 as moot.

5 CHAIRMAN COLINS:

6 Motion, please?

7 COMMISSIONER GINTY:

8 I think I followed that. But Madame
9 Chairman, I move that the Board issue an Order to,
10 make sure I have this right, dismiss ---

11 MR. COOK:

12 Correct.

13 COMMISSIONER GINTY:

14 --- for mootness ---

15 MR. COOK:

16 That's the recommendation.

17 COMMISSIONER GINTY:

18 --- the Report and Recommendation of OHA
19 granting a Gaming Employee Permit as described by OCC.

20 CHAIRMAN COLINS:

21 Second, please.

22 COMMISSIONER MCCABE:

23 Second.

24 CHAIRMAN COLINS:

25 All in favor? Opposed? Motion carries.

1 MR. COOK:

2 The next Report and Recommendation
3 involves Christopher Saab, who has submitted a Gaming
4 Employee application to work as a slot operations,
5 slots host at Harrah's Chester Downs. Mr. Saab
6 appropriately disclosed 13 arrests and convictions
7 between January 2000 and January 2008 for offenses
8 including driving without a license, loitering,
9 prostitution, solicitation, failure to appear and
10 probation violations.

11 However, he failed to disclose three
12 additional and older arrests discovered during BIE's
13 background investigation. These additional arrests
14 included possession of drug paraphernalia and two
15 arrests involving non-payment for restaurant meals.
16 Mr. Saab was contacted by BIE regarding his criminal
17 history, acknowledged the arrests and indicated that
18 he was told by Harrah's staff that he only needed to
19 report the arrests that occurred within the past ten
20 years. Harrah's is reportedly aware of his entire
21 criminal history.

22 Based upon his failure to disclose his
23 prior arrests, Mr. Saab required and appeared for a
24 hearing on June 5th, 2008, in which he testified about
25 his criminal record, his wish to turn over a new leaf,

1 as well as that he's been in rehabilitation for over a
2 year in order to remedy a former life of drugs and
3 crime.

4 OEC has argued that the application
5 should be denied based upon the nondisclosures of his
6 pre-1998 crimes and the nature, volume and proximity
7 in time of all crimes for which he was arrested and
8 convicted. The hearing officer's Report and
9 Recommendation believes nothing other than the pre-
10 1998 crimes should be considered, because Mr. Saab's
11 notice that OEC was recommending denial of his
12 application only spoke to the pre-1998 crimes.

13 Based upon the Report and Recommendation
14 and the records presented, it would be appropriate for
15 the Board to now consider a motion relative to the
16 issuance of Mr. Saab's Gaming Permit.

17 CHAIRMAN COLINS:

18 Thank you. May I have a motion, please?

19 COMMISSIONER MCCABE:

20 Yes. Madame Chair, I move that the Board
21 issue an Order to reject the Report and Recommendation
22 of OHA to issue a Gaming Employee Permit as described
23 by OCC.

24 CHAIRMAN COLINS:

25 May I have a second?

1 COMMISSIONER RIVERS:

2 Second.

3 CHAIRMAN COLINS:

4 All in favor? Opposed? Motion carries.

5 MR. COOK:

6 The next matter involves Ms. Holly Huber.
7 Holly Huber submitted her Non-Gaming Employee
8 Registration application to Hollywood Casino to work
9 as a dishwasher. Ms. Huber was issued a Notice of
10 Recommendation of Denial of her original application
11 due to the fact that she failed to disclose her
12 complete criminal history. Specifically, she did not
13 reveal the existence of a pending felony offense, a
14 charge of theft by unlawful taking, which at the time
15 was pending against her. Ms. Huber required a
16 hearing, which was held on May 13th and May 15th,
17 2008. Ms. Huber testified that she pled guilty during
18 April 2008 to the felony charge and was sentenced to a
19 concurrent term of imprisonment, house arrest and
20 probation. She also provided character witnesses and
21 several letters of recommendation from friends and
22 coworkers at Hollywood Casino supporting her character
23 and work habits.

24 The Report and Recommendation issued by
25 OHA recommends that the Board consider a motion

1 denying Ms. Huber's non-gaming registration based upon
2 her felony conviction and failure to appear.

3 The OCC concurs in that recommendation.

4 CHAIRMAN COLINS:

5 May I have a motion, please?

6 COMMISSIONER RIVERS:

7 Yes. Madame Chairman, I move that the
8 Board issue an Order to adopt the Report and
9 Recommendation of OHA denying the Non-Gaming Employee
10 Registration as described by the OCC.

11 COMMISSIONER SOJKA:

12 Second.

13 CHAIRMAN COLINS:

14 Very good. Thank you. All in favor?
15 Opposed? Motion carries.

16 MR. COOK:

17 The last Report and Recommendation is
18 that of Nicholas Meenan. Mr. Meenan submitted a Non-
19 Gaming Employee Registration seeking to work as a cook
20 at the Philadelphia Park facility. Based upon
21 discoveries made by the BIE during its investigation,
22 Mr. Meenan was issued a Notice of Recommendation of
23 Denial, and he required a hearing which was held on
24 June 19th, 2008. Subsequently, a Report and
25 Recommendation was issued, and that report, as well as

1 the evidence presented at the June 19th, 2008 hearing,
2 are before the Board for consideration today.

3 We would ask a motion on this Report and
4 Recommendation.

5 CHAIRMAN COLINS:

6 May I have a motion, please?

7 COMMISSIONER SOJKA:

8 Yes. Madame Chairman, I move that the
9 Board issue an Order to reject the Report and
10 Recommendation of OHA that would approve the Non-
11 Gaming Employee Registration, but then remand the
12 matter to OHA for further hearings on the character of
13 this applicant.

14 CHAIRMAN COLINS:

15 May I have a second?

16 COMMISSIONER ANGELI:

17 Second.

18 CHAIRMAN COLINS:

19 All in favor? Opposed? Motion carries.

20 MR. SHERMAN:

21 The next matter for the OCC is a request
22 for a hearing on the validity of the issuance of an
23 Emergency Order of Suspension for Mr. Allen Gartei.
24 The Board had received a request from OEC to conduct a
25 hearing regarding the validity of the issuance of the

1 Emergency Order for this gentleman.

2 Mr. Gartei was issued a Non-Gaming
3 Employee Registration during January 2007 for the
4 position of steward at Harrah's Chester Downs.
5 Subsequently, the BIE was notified by the Pennsylvania
6 State Police that Mr. Gartei was arrested on July 8th,
7 2008 and charged with eight felony and four
8 misdemeanor criminal offenses. Six of the offenses
9 are sexual in nature.

10 OEC filed a request for an Emergency
11 Order of Suspension of non-gaming registration on July
12 17th, 2008, and the Order was signed by the Acting
13 Executive Director. Board regulations require that a
14 Temporary Emergency Order be presented to the Board
15 for a hearing or, in the alternative, assignment to
16 OHA to conduct the hearing as to the validity of the
17 Suspension.

18 In this case, the OCC recommends that the
19 Board consider a motion to refer the matter to OHA to
20 promptly schedule a hearing, and subsequent thereto,
21 issue a Report and Recommendation to the Board
22 regarding the Suspension.

23 Additionally, the OCC recommends that the
24 Board issue an Order that the Temporary Emergency
25 Order remain in place until such time as the Board can

1 review the Report and Recommendations generated by
2 OHA.

3 CHAIRMAN COLINS:

4 Thank you. May I have a motion?

5 COMMISSIONER MCCABE:

6 Madame Chair, I move that the Board issue
7 an Order to extend the Temporary Emergency Suspension
8 of Allen Gartei and that the matter be referred to OHA
9 for a hearing to determine the validity of the
10 Temporary Emergency Order.

11 CHAIRMAN COLINS:

12 May I have a second?

13 COMMISSIONER GINTY:

14 Second.

15 CHAIRMAN COLINS:

16 All in favor? Opposed? Motion carries.

17 MR. SHERMAN:

18 The final matter presented by the OCC is
19 by Counsel Glen Stuart.

20 MR. STUART:

21 Thank you, Madame Chairman, members of
22 the Board. Presently before you for your
23 consideration is a Proposed Order from the Office of
24 Gaming Operations. This Order addresses the
25 reconfiguration of gaming floors which would result in

1 neither the expansion of the gaming floor nor the
2 addition or deletion of the number of slot machines.
3 It has been the experience of the Office of Gaming
4 Operations that operators need to alter the physical
5 layout of their gaming floor to accommodate patrons
6 moving throughout the casino and to maximize machine
7 play and profitability. In accordance to Section
8 467a.1c of the Board's regulations, a Licensee must
9 currently petition the Board and receive Board
10 approval if any such alteration is desired.

11 This process may require a Licensee to
12 wait several months before it can make a simple
13 reconfiguration of its gaming floor. This Proposed
14 Order is intended to streamline this process to enable
15 all Licensees the ability to make simple
16 rearrangements without lengthy delay.

17 This Order will give delegated authority
18 to the Board's Executive Director to approve simple
19 reconfigurations of the gaming floor, as long as the
20 reconfiguration does not increase or decrease the
21 number of slot machines or the size of the gaming
22 floor.

23 This process would be similar to that of
24 the expansion plans for which the Board has previously
25 delegated authority for approval to the Executive

1 Director. This process would still require a Licensee
2 to file a Petition with the Board; however, approval
3 would be given in writing to the Licensees by the
4 Executive Director.

5 At this time, Counsel to the Office of
6 Gaming Operations respectfully requests that the Board
7 adopt this recommendation and delegate the authority
8 to the Executive Director to approve minor gaming
9 floor reconfigurations.

10 CHAIRMAN COLINS:

11 Okay. Can I have a motion, please?

12 COMMISSIONER RIVERS:

13 Yes. Madame Chairman, I move that the
14 Board issue an Order to adopt the recommendation of
15 the Office of Gaming Operations and the OCC to
16 delegate authority to the Executive Director to
17 approve minor gaming floor reconfigurations or
18 relocation of slot machines.

19 CHAIRMAN COLINS:

20 May I have a second?

21 COMMISSIONER MCCABE:

22 Second.

23 CHAIRMAN COLINS:

24 All in favor? Opposed? Motion carries.

25 ATTORNEY STUART:

1 Thank you. And this concludes the
2 presentation of the OCC.

3 CHAIRMAN COLINS:

4 Thank you very much. In Susan Hensel's
5 absence, Sean Hannon will proceed with Licensing
6 matters.

7 MR. HANNON:

8 Good afternoon, Chairman Colins and
9 members of the Board. I have a number of issues to
10 bring before the Board today. The first two items
11 involve the renewal of Manufacturer Licenses. Prior
12 to today's meeting the Board was provided with the
13 background investigation and executive summary
14 suitability report for each manufacturer. These
15 applications were put through our standard licensing
16 procedure, including investigation by BIE.

17 The first Proposed Order is for the
18 approval of the renewal of a Manufacturer License to
19 Ainsworth Game Technology Limited. The Bureau of
20 Licensing has not identified any issues that would
21 preclude licensure of this company. I ask that you
22 consider the Order granting this license.

23 CHAIRMAN COLINS:

24 May I have a motion, please?

25 ATTORNEY CREANY:

1 Chairman Colins --- I'm sorry. Before,
2 you give a motion.

3 CHAIRMAN COLINS:

4 I'm sorry.

5 ATTORNEY CREANY:

6 I'd like, with regard to the suitability
7 report on Ainsworth Gaming, OEC would respectfully
8 request that page three of the suitability report,
9 paragraph J, third full paragraph, beginning with, it
10 is the position of OEC that it be stricken from the
11 suitability report. But OEC would like to give an
12 oral approval, a recommended approval of the renewal
13 application.

14 CHAIRMAN COLINS:

15 Very good.

16 COMMISSIONER ANGELI:

17 Okay. In that case ---.

18 COMMISSIONER GINTY:

19 Can I ask a question?

20 COMMISSIONER ANGELI:

21 Well, let me put the motion on the table
22 first.

23 CHAIRMAN COLINS:

24 Go on if you'd like.

25 COMMISSIONER ANGELI:

1 Madame Chairman, I move that the Board
2 issue an Order to renew the Manufacturer License as
3 described by the Bureau of Licensing.

4 CHAIRMAN COLINS:

5 All right. Second?

6 COMMISSIONER COY:

7 Second.

8 CHAIRMAN COLINS:

9 Very good. Did you have a question, sir?

10 COMMISSIONER GINTY:

11 Why?

12 ATTORNEY CREANY:

13 The language is incorrect. It says
14 something that is basically not true. And not my
15 position; correct.

16 CHAIRMAN COLINS:

17 Very good.

18 COMMISSIONER GINTY:

19 But nevertheless, you ---?

20 ATTORNEY CREANY:

21 Yes. It's nothing to preclude licensure,
22 and we recommend licensure.

23 CHAIRMAN COLINS:

24 Very good. May I have a vote, please?

25 All in favor? Opposed? Motion carries.

1 MR. HANNON:

2 The next Proposed Order is for the
3 approval of the renewal of the Manufacturer License to
4 Aruze Corporation. The Bureau of Licensing has not
5 identified any issues that would preclude licensure of
6 this company. I ask that you consider the Order
7 granting this license.

8 CHAIRMAN COLINS:

9 Enforcement Counsel?

10 ATTORNEY CREANY:

11 OEC fully supports.

12 COMMISSIONER COY:

13 Madame Chair, I move that the Board issue
14 an Order to renew the Manufacturer License as
15 described by the Bureau of Licensing.

16 CHAIRMAN COLINS:

17 May I have a second?

18 COMMISSIONER GINTY:

19 Second.

20 CHAIRMAN COLINS:

21 All in favor? Opposed? Motion carries.

22 MR. HANNON:

23 Next is an Order regarding the issuance
24 of Principal and Key Employee licenses as well as two
25 Principal waivers. Prior to this meeting the Bureau

1 of Licensing provided you with a Proposed Order for
2 three principals for initial licensure, 40 Key
3 Employees, 38 of which are for initial licensure and
4 two for renewal of their license. In addition, there
5 are two Principal waivers. I ask that the Board
6 consider the Order granting these licenses and
7 waivers.

8 CHAIRMAN COLINS:

9 OEC?

10 ATTORNEY CREANY:

11 OEC does not object.

12 CHAIRMAN COLINS:

13 Thank you. May I have a motion?

14 COMMISSIONER GINTY:

15 Madame Chairman, I move that the Board
16 issue an Order to approve the issuance of Principal
17 and Key Employee licenses as described by the Bureau
18 of Licensing.

19 COMMISSIONER MCCABE:

20 Second.

21 CHAIRMAN COLINS:

22 All in favor? Opposed? Motion carries.

23 MR. HANNON:

24 Next item is a Proposed Order approving
25 88 Temporary Key Employee licenses. I ask that the

1 Board consider the Order granting these licenses.

2 CHAIRMAN COLINS:

3 Enforcement Counsel?

4 ATTORNEY CREANY:

5 No objection from Enforcement Counsel.

6 CHAIRMAN COLINS:

7 Thank you. May I have a motion?

8 COMMISSIONER MCCABE:

9 Madame Chair, I move that the Board issue
10 an Order to approve the issuance of Temporary Key
11 Employee licenses as described by the Bureau of
12 Licensing.

13 CHAIRMAN COLINS:

14 May I have a second?

15 COMMISSIONER RIVERS:

16 Second.

17 CHAIRMAN COLINS:

18 All in favor? Opposed? Motion carries.

19 MR. HANNON:

20 The Bureau of Licensing also provided you
21 with an Order and a list of 983 individuals who the
22 Bureau has granted occupation permits to and 466
23 individuals who the Bureau has granted registrations
24 to under the authority delegated to the Director of
25 Licensing. I ask that the Board adopt a motion

1 approving the Order.

2 ATTORNEY CREANY:

3 OEC does not object.

4 CHAIRMAN COLINS:

5 Thank you. May I have a motion?

6 COMMISSIONER RIVERS:

7 Yes. Madame Chairman, I move that the
8 Board issue an Order to approve the issuance of Gaming
9 and Non-Gaming Permits and Registration as described
10 by the Bureau of Licensing.

11 COMMISSIONER SOJKA:

12 Second.

13 CHAIRMAN COLINS:

14 All right. Just by way of comment,
15 that's over 1,300 permits; correct?

16 MR. HANNON:

17 Correct.

18 CHAIRMAN COLINS:

19 Right. And then how much, is that a
20 month's worth of work?

21 MR. HANNON:

22 That is a month's worth of work.

23 CHAIRMAN COLINS:

24 Okay. Just to note the volume of work
25 that the Board covers in a month in Licensing alone.

1 Just to underscore that. All right. May I have a
2 vote, please? All in favor? Opposed? Motion
3 carries.

4 MR. HANNON:

5 In addition, we have recommendations of
6 denial for 12 Gaming and 12 Non-Gaming Employee
7 applications. Prior to this meeting, the Bureau of
8 Licensing provided you with Orders addressing each of
9 the individual gaming and non-gaming applicants who
10 the Bureau of Investigation and Enforcement (BIE) has
11 recommended for denial. In each case, the applicant
12 failed to request a hearing within the specified time
13 period.

14 I ask that the Board adopt a motion
15 approving the Order denying the gaming and non-gaming
16 applications.

17 CHAIRMAN COLINS:

18 Enforcement Counsel?

19 ATTORNEY CREANY:

20 We fully support that motion.

21 CHAIRMAN COLINS:

22 Very good. May I have a motion?

23 COMMISSIONER SOJKA:

24 Yes, Madame Chairman. I move that the
25 Board issue an Order to approve the denial of gaming

1 and Non-Gaming Employee licenses as described by the
2 Bureau of Licensing.

3 CHAIRMAN COLINS:

4 May I have a second?

5 COMMISSIONER ANGELI:

6 Second.

7 CHAIRMAN COLINS:

8 All in favor? Opposed? Motion carries.

9 MR. HANNON:

10 Finally, we have two Orders regarding
11 vendors. The first Order is for the certification of
12 the following six vendors. Anderson Interiors
13 Incorporated, Hershock's Incorporated, JR Metzger
14 Incorporated, Orlando Diefendurfer (phonetic)
15 Electrical Contractors, Stephen M. Timchak and the
16 Chicago Consultants Studio Incorporated. I ask that
17 the Board approve these vendors for certification.

18 ATTORNEY CREANY:

19 No objection.

20 CHAIRMAN COLINS:

21 Okay. Thank you.

22 COMMISSIONER ANGELI:

23 Madame Chairman, I move that the Board
24 issue an Order to approve the applications for vendor
25 certification.

1 COMMISSIONER COY:

2 Second.

3 CHAIRMAN COLINS:

4 All in favor? Opposed? Motion carries.

5 MR. HANNON:

6 Lastly, the Bureau of Licensing provided
7 you with an Order and an attached list of 44
8 registered vendors. I ask that the Board adopt a
9 motion approving the Order registering these vendors.

10 ATTORNEY CREANY:

11 No objection.

12 CHAIRMAN COLINS:

13 Thank you. May I have a motion?

14 COMMISSIONER COY:

15 Madame Chair, I move that the Board issue
16 an Order to approve the applications for vendor
17 registration.

18 COMMISSIONER GINTY:

19 Second.

20 CHAIRMAN COLINS:

21 All in favor? Opposed? Motion carries.

22 MR. HANNON:

23 That concludes the Bureau of Licensing
24 presentation.

25 CHAIRMAN COLINS:

1 Thank you very much. Okay. Mr. Pitre?
2 Mr. Miller?

3 MR. DALE MILLER:

4 Chairman Colins and members of the Board,
5 good afternoon. I am Dale Miller for the OEC. That's
6 M-I-L-L-E-R.

7 Presented for the Board's consideration
8 at this time is a Consent Agreement between the OEC
9 and Harrah's Chester Downs and Marina, LLC, that's
10 Harrah's Chester Downs after Harrah's' admission to an
11 incident in which a person under the age of 21
12 operated a slot machine, placed wagers, completed a
13 cashier transaction and entered the gaming floor at
14 Harrah's licensed facility in Chester.

15 As a result of this agreement, Harrah's
16 has agreed to pay a fine of \$20,000 to the Board and
17 make a donation of \$5,000 to the Problem Gaming
18 Education and Outreach Fund. They have also made
19 various corrective measures to prevent this from
20 happening in the future. Shall I recite the facts of
21 the incident?

22 CHAIRMAN COLINS:

23 Yes.

24 MR. DALE MILLER:

25 On March 10th, 2008, at approximately

1 9:20 in the evening, M.W., a 14-year-old individual
2 who was born on December 23rd, 1993, entered the
3 gaming floor at Harrah's, and she was accompanied by
4 her aunt. M.W. entered the gaming floor at the podium
5 area, which is right at the beginning of the floor.
6 It's in zone six. She was unnoticed. She was
7 unchecked by security officers, and she sat at a slot
8 machine. The particular number of the slot machine
9 was HH-2306.

10 Approximately 30 minutes later, that same
11 14-year-old girl completed a transaction at the main
12 cage and was not asked for identification at that
13 time. After completing the transaction, she went back
14 to a different slot machine, EE-0909 and CC-1403, and
15 played for approximately 30 minutes. It was around
16 10:30 p.m. when she was first confronted by a Harrah's
17 security officer and asked for identification. She
18 produced, I believe it was her aunt's driver's
19 license, which was rejected by the security officer.
20 Rightly so. M.W. and her aunt were subsequently
21 escorted from the facility and permanently ejected.

22 The proposed --- I note that this is the
23 first incident of underage gaming that we brought
24 before the Board. That is certainly a mitigating
25 factor in this case against Harrah's. As an

1 aggravating factor, there were actually three separate
2 violations by the 14-year-old girl, and that was
3 entrance of someone under 18 onto the gaming floor, a
4 person under the age of 21 actually playing a slot
5 machine, and completing a transaction at the main
6 cage.

7 Harrah's has agreed to put into effect
8 --- and I'll let Harrah's explain exactly what they're
9 going to do --- put into effect measures involving
10 their own employees which will prevent this happening
11 in the future, and I note also that the employees
12 involved in this were appropriately disciplined.

13 In addition to the measures that Harrah's
14 will explain in a minute, Harrah's is also proposing
15 and will in fact change their gaming floor. They will
16 remove from the gaming floor all juvenile pathways.
17 At this time juveniles can traverse the gaming floor
18 on separate pathways as long as they're escorted.
19 That tends to, in any casino, allow for the movement
20 of persons under the age of 21 to a slot machine if
21 they choose to do so. By removing those juvenile
22 pathways, it will prevent any juveniles at all from
23 going onto the gaming floor, near the restaurants and
24 that sort of thing.

25 It will in fact increase the size of the

1 gaming floor, but only because the color of the carpet
2 will change, essentially.

3 I would at this time ask Mr. Downey, who
4 represents Harrah's, to explain to the Board what
5 measures Harrah's has taken in order to make sure that
6 this doesn't happen again.

7 ATTORNEY DOWNEY:

8 Thank you. Madame Chairman, members of
9 the Board, good afternoon again. Bill Downey,
10 D-O-W-N-E-Y, with Fox Rothschild on behalf of Chester
11 Downs. With me at the counsel table this afternoon is
12 Timothy J. Lowry, L-O-W-R-Y. Tim is senior corporate
13 counsel for Harrah's.

14 Madame Chair, members of the Board, this
15 is a matter, obviously this is the first matter, as
16 Mr. Miller referenced, in which Harrah's comes before
17 you in the case of an underage player. It is a matter
18 that Harrah's takes very seriously, as evidenced by
19 Harrah's groundbreaking program in the area of
20 underage gaming.

21 Harrah's has basically taken the full
22 panoply of options in terms of various areas to
23 address in terms of how they're going to attack this
24 problem. Specifically, sort of I'll just start from
25 the start, with respect to the actual individuals

1 involved in the incidents, in terms of our employees
2 base, we've taken appropriate measures with respect to
3 discipline of those individuals who interacted with
4 the patron, or the minor, rather, and had the
5 opportunity, specifically had the opportunity to have
6 addressed the situation.

7 The flip side of that coin is that we've
8 also specifically commended the security officer who
9 identified the minor on the floor. In that respect,
10 Harrah's has implemented a program pursuant to which
11 they were incentivize their employees on the floor for
12 identification and removal of underage patrons. There
13 are a couple of different incentive options, but
14 effectively it's a monetary comp-based incentive
15 program.

16 With respect to the training programs
17 that have been implemented, Harrah's has sort of
18 redoubled their efforts, if you will, in terms of
19 basis for identification, and along those lines they
20 have implemented a program pursuant to which they will
21 engage their officers cycling through the shifts in a
22 series of quizzes and informational sessions.

23 Additional license verification machines,
24 three of them have been purchased and will be placed
25 strategically through the floor, so that both the

1 security officers and those folks in the food and
2 beverage side of the operation will have easy access
3 to these machines for checking and confirming
4 identification that's offered.

5 Entrance points into the casino floor
6 have been further delineated by stanchions, so that we
7 are forcing a funnel effect into the floor, thereby
8 enabling sort of a higher level of scrutiny of those
9 patrons coming to the floor.

10 An additional security post has been
11 created at the front of the gaming floor during peak
12 hours, and then perhaps most substantively, as Mr.
13 Miller referenced, Harrah's has made a determination
14 that no person under the age of 21 years of age will
15 be allowed onto the casino floor for any purpose.
16 Presently the operating plan provides for a somewhat
17 winding route available with escort. That will no
18 longer be the case, and sort of the other effect of
19 implementing that program will be that no one under
20 the age of 21 will have access to any of their non-
21 gaming amenities other than the racing product and one
22 of their restaurants. In sum, this will provide a
23 much clearer perimeter, which they will be required to
24 defend, frankly, and without the issue of having a
25 soft spot through the middle of the zone, if you will.

1 CHAIRMAN COLINS:

2 Thank you.

3 ATTORNEY DOWNEY:

4 With that, we'll take any questions,
5 obviously.

6 CHAIRMAN COLINS:

7 Thank you. Are there any questions?

8 Very good. May I have a --- do you have anything
9 further, Mr. Miller?

10 MR. DALE MILLER:

11 I have nothing further, Chairman, other
12 than that we recommend that the Board approve the
13 agreement.

14 CHAIRMAN COLINS:

15 Did you state what the terms are,
16 exactly, what the fine is and all that?

17 MR. DALE MILLER:

18 The terms of the agreement are
19 that ---.

20 CHAIRMAN COLINS:

21 Is it? I'm sorry.

22 MR. DALE MILLER:

23 I did state them.

24 CHAIRMAN COLINS:

25 I'm very sorry.

1 COMMISSIONER GINTY:

2 Could he repeat them?

3 CHAIRMAN COLINS:

4 Yeah.

5 MR. DALE MILLER:

6 The terms of the agreement are that
7 Harrah's will pay a fine of \$20,000 and make a
8 donation to the Problem Gaming Education and Outreach
9 Fund, that is the Pennsylvania Gaming Control Board
10 fund, in the amount of \$5,000.

11 They will make sure that those things
12 mentioned by Mr. Downey are implemented, and they will
13 change their gaming floor so that no persons under 21
14 will be permitted under the floor, and within 14 days
15 of the date of the Order, should it be approved, they
16 will submit all amendments necessary to their
17 compulsive and problem gambling plan, their internal
18 controls, and their security SOP to reflect the
19 modifications of the gaming floor.

20 CHAIRMAN COLINS:

21 Okay. Thank you. Now the motion, now.

22 COMMISSIONER GINTY:

23 Yes. And first of all, I think both
24 Harrah's and the OEC are to be commended at how you
25 worked this out, and I certainly appreciate your

1 stepping up to it here. And with that, Madame
2 Chairman, I move that the Board approve the Consent
3 Agreement between the Bureau of Investigations and
4 Harrah's Chester Downs and Marina LLC regarding
5 underage gaming, as described by the OEC.

6 CHAIRMAN COLINS:

7 May I have a second?

8 COMMISSIONER MCCABE:

9 Second.

10 CHAIRMAN COLINS:

11 All in favor? Opposed? Motion carries.

12 Next matter.

13 MR. DALE MILLER:

14 The next item we have, Chairman, is a
15 second Consent Agreement between the OEC and Harrah's
16 Chester Downs and Marina LLC, which occurred
17 subsequent to Harrah's admissions of violations of its
18 internal controls for failing to have adequate
19 security on the gaming floor.

20 I have to note that there is no
21 mitigating factor here, since this is a second
22 Harrah's violation we're bringing before the Board.
23 The agreement calls for Harrah's to pay a fine of
24 \$10,000 to the Pennsylvania Gaming Control Board and
25 immediately institute policies, provide training,

1 guidance, reinforcement to its employees and so on, to
2 minimize the probability of future violations like
3 this of its internal controls.

4 The facts of the Consent Agreement are,
5 on October 6th of 2007, October 13th, 2007, December
6 2nd, 2007, Pennsylvania Gaming Control Board
7 representative Harry Schmidt (phonetic) conducted a
8 routine check of the six security zones at Harrah's.

9 I should note that the Harrah's gaming
10 floor is divided into six security zones and a podium
11 which must be manned at all times by a security
12 officer. Those are mandated posts mandated by their
13 internal controls. Agent Schmidt discovered upon his
14 routine check at least one security zone was
15 unattended on each of these visits. His observations
16 were confirmed by the surveillance department of the
17 casino, and the matters were the subject of two BIE
18 investigations.

19 On July 19th, 2008, Harrah's surveillance
20 department observed that zone four on the floor was
21 without a security officer for approximately 30
22 minutes. To Harrah's credit, they reported it to us.
23 Agent Schmidt then observed zone one on July 28th,
24 2008 without a security guard for approximately six
25 minutes.

1 On August 3rd, 2008, Agent Schmidt
2 discovered the security podium at Harrah's was
3 unattended for two minutes. The security podium, as I
4 said, is a mandatory post. All these incidents were
5 confirmed by the surveillance department, and they
6 were the subject of three BIE investigations.

7 I would note that all of the security
8 lapses by themselves were small. Several minutes
9 here, several minutes there, but all together it
10 created a problem that we see affects of security of
11 the gaming floor, and that we're very concerned with.

12 In aggravation, I would note that we had
13 a conference on this very issue back in September.
14 There were security lapses at that time, not as many,
15 but we had a conference, at which time we warned
16 Harrah's that if any of these incidents happened
17 again, a complaint would be filed against them. They
18 did in fact happen. We, in lieu of a Complaint,
19 entered into this Consent Agreement.

20 I would ask at this time that Harrah's
21 counsel present to the Board the policies and
22 procedures changes that Harrah's has made and will
23 make to ensure that this doesn't happen again.

24 CHAIRMAN COLINS:

25 Okay. Mr. Downey?

1 ATTORNEY DOWNEY:

2 Thank you. Again, for the record, Bill
3 Downey, D-O-W-N-E-Y, from Fox Rothschild on behalf of
4 Chester Downs, and again, with me is Timothy J. Lowry,
5 L-O-W-R-Y, senior corporate counsel.

6 Madam Chair, members of the Board, in
7 addressing these matters of effectively missing
8 officers, Harrah's has made a determination that we've
9 got to come at this from effectively two angles, and
10 there is, in addition to the obvious disciplinary
11 concern, it's a combination of training and
12 verification.

13 On the training side, Harrah's has again
14 redoubled its efforts to instill in their security
15 officers the understanding that their presence on the
16 floor, and in their zone, importantly, because I want
17 to point out that in not all instances were the
18 officers off the floor, but out of their zone. But
19 the importance of their presence in the zone is
20 critical to the appropriate coverage of the floor in
21 general.

22 Additionally, with respect to the
23 implementation of an additional program, Harrah's has
24 implemented two courses of conduct that are designed
25 to identify the location and effectively audit the

1 location of their security officers.

2 The first provides for an hourly call in,
3 where each security officer will be required to be
4 available at a particular telephone. Upon receiving a
5 call in, effectively, their location will be verified
6 by surveillance, so there will be sort of a two-step
7 process.

8 Second, they have implemented --- the
9 security managers of the property will implement what
10 is called a pipe tour. And that will require on a
11 periodic basis that a roving security manager will
12 actually make physical contact with the security
13 officers in their zone. The location and time of that
14 contact will be recorded through a digital recording
15 device, again just as a further effort to audit
16 location.

17 And obviously in each instance --- I
18 would offer this. In each instance, the basis and
19 duration, the basis for departure from zone and the
20 duration of time away from the zone, frankly, were
21 radically distinct. We had everything from a family
22 emergency who thought there was coverage, because he
23 in fact reported properly to supervisory personnel,
24 who failed to take the right steps, all the way to the
25 person who just strolled off the floor and took a

1 break. That's, again, we're focusing on training in
2 that respect, but also appropriate discipline ran the
3 whole meter from termination to first written warning.

4 COMMISSIONER COY:

5 Question. Is the procedure within
6 Harrah's, if your security guard requests relief, do
7 they then have the ability to leave at that point, or
8 do they have to wait till the relief shows up before
9 they leave?

10 ATTORNEY DOWNEY:

11 It's a two-step process, Commissioner.
12 The call must go in to supervisory personnel. The
13 supervisory personnel place the Replacement Order, and
14 the notion is, the general rule is, it's a see-the-
15 white-of-the-eyes or you don't go, and that's the
16 rule, and that's frankly why in some instances there
17 was discipline even though bluntly, it was probably a
18 close call from a business perspective.

19 CHAIRMAN COLINS:

20 Anything else on this?

21 MR. DALE MILLER:

22 We have nothing else to present,
23 Chairman.

24 CHAIRMAN COLINS:

25 All right. May I have a motion?

1 COMMISSIONER MCCABE:

2 Madame Chair, I move that the Board
3 approve the Consent Agreement between the Bureau of
4 Investigations and Harrah's Chester Downs and Marina
5 LLC regarding the violation of internal controls.

6 COMMISSIONER RIVERS:

7 Second.

8 CHAIRMAN COLINS:

9 All in favor? Opposed? Motion carries.
10 Thank you.

11 ATTORNEY DOWNEY:

12 Thank you.

13 MR. DALE MILLER:

14 Thank you.

15 CHAIRMAN COLINS:

16 Next matter, please.

17 MR. DALE MILLER:

18 That concludes my business.

19 MR. DUSTIN MILLER:

20 Good afternoon, Madame Chair, members of
21 the Board. My name's Dustin Miller. I'm here on
22 behalf of OEC along with Katie Higgins, also Assistant
23 Enforcement Counsel, and today we're going to present
24 eight separate matters regarding either Suspensions or
25 Revocations of casino employees. With respect to each

1 matter, the records pertinent have been provided to
2 the Board in advance of this meeting. Upon
3 notification of the complaints filed to suspend and/or
4 revoke the permit or registration, none of the
5 individuals responded to the matters set forth in the
6 complaints. In addition, in each case the applicants
7 have been notified that the Board is considering their
8 Suspension and/or Revocation today, and that they have
9 the right to be present to address the Board. If any
10 of the individuals are present today, they should come
11 forward when their name is announced.

12 The first matter is with regards to
13 Brittani Christian. And the Board has received a
14 request from our office to suspend the Gaming Employee
15 Permit of Brittani Christian pending Revocation.
16 Christian had been employed as a player services
17 representative at Philadelphia Park Casino and
18 permitted as a Gaming Employee.

19 Allegedly on at least ten occasions Ms.
20 Christian took inactive players' club cards and put e-
21 credits on these cards and distributed these cards to
22 co-conspirators for use at the Philadelphia Park
23 Casino. On nine of those occasions she allegedly put
24 \$100 credits on the cards, and on one occasion a \$125
25 credit.

1 Philadelphia Park terminated Christian's
2 employment and filed a notice of misconduct with the
3 Board. There were also criminal charges related to
4 this incident which resulted in the Pennsylvania State
5 Police filing 40 third degree felony charges against
6 her.

7 And also, she did not disclose this
8 arrest to either her employer or to our office or the
9 Pennsylvania Gaming Control Board.

10 Our office filed an enforcement action
11 against Ms. Christian and she was served in a timely
12 manner. She did not respond to the Complaint, and
13 therefore the facts alleged are conclusively
14 established.

15 Given Christian's arrest and the
16 underlying facts which have the direct effect of
17 undermining the integrity of gaming, OEC has asked
18 this Board to suspend her Gaming Employee Permit
19 pending the resolution of her criminal charges.

20 Based upon the undisputed facts of
21 record, it would be appropriate for this Board to
22 entertain a motion to consider and grant the requested
23 relief.

24 CHAIRMAN COLINS:

25 Thank you.

1 COMMISSIONER RIVERS:

2 Madame Chairman, I move that the Board
3 issue an Order to approve the Suspension of Brittani
4 Christian's Gaming Employee Permit pending the
5 resolution of criminal charges.

6 COMMISSIONER SOJKA:

7 Second.

8 CHAIRMAN COLINS:

9 All in favor? Opposed? Motion carries.

10 MR. DUSTIN MILLER:

11 The next matter is within relation to
12 Milagros Arroyo-Tirado, a Non-Gaming Employee, and
13 Katie Higgins will handle that.

14 MS. HIGGINS:

15 Madame Chair, members of the Board, Katie
16 Higgins, H-I-G-G-I-N-S, for OEC.

17 On July 11, 2008, the OEC filed an
18 enforcement action against Milagros Arroyo-Tirado, a
19 non-gaming registration holder, based on her arrest
20 for the offense of theft of property lost, mislaid or
21 delivered by mistake. The charge stemmed from Ms.
22 Arroyo-Tirado picking up a wallet lying on the gaming
23 floor at Hollywood Casino as she was performing her
24 duties as a housekeeper.

25 Ms. Arroyo-Tirado took the wallet into a

1 restroom, took a five dollar bill out of it and threw
2 it in the trash. The enforcement action was served on
3 Ms. Arroyo-Tirado on July 11, 2008 by certified mail,
4 and she was advised that she had 20 days to respond.

5 Ms. Arroyo-Tirado did not respond to the
6 enforcement action, and therefore, pursuant to Section
7 493a-2g of the Regulations, all facts alleged in the
8 Complaint are deemed admitted. The OEC would ask that
9 Ms. Arroyo-Tirado's non-gaming registration be
10 suspended pending the resolution of her criminal
11 charges.

12 CHAIRMAN COLINS:

13 May I have a motion, please?

14 COMMISSIONER SOJKA:

15 Madame Chairman, I move that the Board
16 issue an Order to approve the Revocation of Milagros
17 Arroyo-Tirado's Non-Gaming Employee Registration.

18 CHAIRMAN COLINS:

19 Okay. May I have a second?

20 COMMISSIONER ANGELI:

21 Second.

22 CHAIRMAN COLINS:

23 Okay. All in favor, then? Opposed?

24 Motion carries on this as a Revocation.

25 COMMISSIONER SOJKA:

1 Revocation.

2 CHAIRMAN COLINS:

3 Okay. Next matter?

4 MS. HIGGINS:

5 Next is a motion to suspend the non-
6 gaming registration of Bianca Snedden. OEC filed an
7 enforcement action against Ms. Snedden on June 5th,
8 2008, based on Ms. Snedden's arrest in Erie County for
9 two felony counts of forgery and two misdemeanors of
10 receiving stolen property. The felonies were
11 subsequently dismissed and Ms. Snedden was admitted
12 into the ARD program in Erie County on April 3rd,
13 2008.

14 The enforcement action was served by
15 certified mail on Snedden, and she was advised that
16 she had 20 days to respond. Ms. Snedden did not
17 respond, and therefore, again pursuant to Section
18 493a-2g, the facts alleged in the Complaint are deemed
19 admitted. The OEC would ask that Ms. Snedden's non-
20 gaming registration be suspended pending the
21 successful completion of the ARD program in Erie
22 County.

23 CHAIRMAN COLINS:

24 All right. May I have a motion, please?

25 COMMISSIONER ANGELI:

1 Notwithstanding any recommendation of
2 OEC, I move that the Board issue an Order to approve
3 Revocation of the Non-Gaming Employee Registration of
4 Non-Gaming Employee Registration for Bianca Snedden.

5 COMMISSIONER COY:

6 Second.

7 CHAIRMAN COLINS:

8 All in favor? Opposed? Motion carries.

9 MR. DUSTIN MILLER:

10 The next request from OEC involves Tony
11 Ogbin, who is employed as a generalist for Mount Airy
12 Resort and Casino.

13 On April 10th, 2008 the Bureau of
14 Licensing learned from the Pennsylvania Department of
15 Revenue that Ms. Ogbin was delinquent in her tax
16 obligations to the Commonwealth. At the time of Ms.
17 Ogbin's licensure, Ms. Ogbin was directed to enter
18 into a payment agreement with the Department of
19 Revenue in order to remedy her delinquent taxes as a
20 condition to her licensure.

21 Allegedly, Ms. Ogbin entered into the
22 agreement with the Department of Revenue; however, she
23 failed to make a single payment to remedy her
24 delinquent tax issues following her licensure. OEC
25 filed an enforcement action against Ogbin to suspend

1 her license until such time as her tax obligations are
2 remedied. She did not respond to the complaint, and
3 therefore the facts alleged are conclusively
4 established.

5 Based upon OEC's request and the record
6 presented, it would be appropriate for the Board to
7 consider a motion suspending Tonya Ogbin's gaming
8 permit pending the remedy of her delinquent tax
9 issues.

10 CHAIRMAN COLINS:

11 May I have a motion?

12 COMMISSIONER COY:

13 Madame Chair, I move the Board issue an
14 Order to approve the Suspension of Tonya Ogbin's
15 Gaming Employee Permit until such time as she fully
16 remedies her delinquent tax obligations to the
17 Pennsylvania Department of Revenue.

18 CHAIRMAN COLINS:

19 May I have a second?

20 COMMISSIONER GINTY:

21 Second.

22 CHAIRMAN COLINS:

23 All in favor? Opposed? Motion carries.

24 MR. DUSTIN MILLER:

25 The next matter involves Kerrie Serge.

1 OEC has made a request to the Board to suspend the
2 Non-Gaming Employee Registration of Kerrie Serge, an
3 administrative assistant for Mount Airy Casino and
4 Resort.

5 Kerrie Serge was issued a Non-Gaming
6 Employee Registration on September 12th, 2007. In
7 January of 2008, Mount Airy became aware from another
8 employee that Ms. Serge may have entered the payroll
9 system for Mount Airy and falsified her own time
10 records to show that she worked on January 1st, 2008,
11 when in fact she did not.

12 After the BIE became aware of this
13 internal investigation, they launched their own
14 investigation to confirm the allegations made by the
15 anonymous employee. Ms. Serge admitted to the
16 allegations in an interview with Mount Airy security
17 staff. Ms. Serge was testified on February 1st, 2008.

18
19 Based upon the reason for her
20 termination, the OEC filed an enforcement action
21 against Ms. Serge. She was served but never
22 responded. The matters set forth in the enforcement
23 action are now deemed admitted by default.

24 It would be appropriate for the Board to
25 consider granting a Petition and suspending Kerrie

1 Serge's registration for a minimum of three years.

2 CHAIRMAN COLINS:

3 May I have a motion, please?

4 COMMISSIONER GINTY:

5 Madame Chairman, notwithstanding the
6 recommendation of the OEC, I move that the Board issue
7 an Order of Revocation of Kerrie Serge's Non-Gaming
8 Employee Registration.

9 CHAIRMAN COLINS:

10 May I have a second?

11 COMMISSIONER MCCABE:

12 Second.

13 CHAIRMAN COLINS:

14 All in favor? Opposed? Motion carries.

15 MR. DUSTIN MILLER:

16 The next matter is within regards to
17 Michael Drew. The OEC is requesting that the Gaming
18 Employee Permit of Michael Drew, a security officer
19 for the Philadelphia Park Casino, be revoked.

20 On September 5th, 2007, an EBS attendant
21 at Philadelphia Park found \$2,600 at a machine at the
22 casino. She immediately sought out a security
23 officer, Mr. Drew, to take possession of the lost
24 money. However, when Mr. Drew turned the money in to
25 lost and found, he claimed that he and the EBS

1 attendant both found the money.

2 If nobody claimed the money in 30 days,
3 the finder of the money gets to keep it, per
4 Philadelphia Park's internal policy. Thus, Mr. Drew
5 is making a claim to money that he did not find. Upon
6 further questioning, Mr. Drew admitted that he did not
7 find the money. Mr. Drew was terminated on September
8 13th, 2007.

9 Based upon the reasons for termination
10 and subsequent criminal charges, OEC filed an
11 enforcement action against Mr. Drew. He was served
12 but never responded. The matters set forth in the
13 enforcement action are now deemed admitted by default.

14 It would be appropriate for the Board to
15 consider granting the Petition and revoking Michael
16 Drew's permit.

17 CHAIRMAN COLINS:

18 May I have a motion?

19 COMMISSIONER MCCABE:

20 Madame Chairman, notwithstanding any
21 recommendation of the OEC, I move that the Board issue
22 an Order to approve a one-year Suspension of Michael
23 Drew's Gaming Employee Permit.

24 COMMISSIONER RIVERS:

25 Second.

1 CHAIRMAN COLINS:

2 All in favor? Opposed? Motion carries.

3 MR. DUSTIN MILLER:

4 The next matter is with regards to Steven
5 Morelli. In this matter the OEC is requesting a
6 Revocation of the Non-Gaming Employee Registration of
7 Steven Morelli, a busser at Presque Isle Downs.

8 On January 10th, 2008, Mr. Morelli was
9 arrested by the Pennsylvania State Police and charged
10 with one count of theft by unlawful taking, one count
11 of receiving stolen property, and one count of
12 criminal mischief.

13 Mr. Morelli was accused of stealing
14 compact discs from the victim's house and later
15 reselling those compact discs to CD Warehouse. On
16 January 23rd, 2008, Mr. Morelli reached a plea
17 agreement whereby he pled guilty to receiving stolen
18 property. Mr. Morelli never reported his arrest to
19 either his employer or PGCB staff. On February 8th,
20 2008, Mr. Morelli was testified by Presque Isle Downs.

21 The OEC filed an enforcement action
22 against Mr. Morelli, and despite notice of the
23 Complaint, Mr. Morelli did not respond. The matters
24 set forth in the enforcement action are now deemed
25 admitted by default.

1 Based on Mr. Morelli's admission of guilt
2 and his failure to disclose his arrest to the PGCB,
3 the OEC recommends that the Board consider Revocation
4 of Mr. Morelli's non-gaming registration.

5 CHAIRMAN COLINS:

6 Thank you. May I have a motion, please?

7 COMMISSIONER RIVERS:

8 Yes. Madame Chairman, I move that the
9 Board issue an Order to approve the Revocation of
10 Steven Morelli's Non-Gaming Employee Registration.

11 COMMISSIONER SOJKA:

12 Second.

13 CHAIRMAN COLINS:

14 All in favor? Opposed? Motion carries.

15 MR. DUSTIN MILLER:

16 The final request for Revocation involves
17 Michael Serge, a general maintenance worker for the
18 Mount Airy Casino and Resort who holds a non-gaming
19 registration that was issued on October 4th, 2007.

20 On February 22nd, 2008, the BIE became
21 aware of Mr. Serge's arrest by the Pennsylvania
22 Attorney General's office on June 14th, 2007, for two
23 counts of unlawful delivery of heroin and two counts
24 of possession of heroin. These charges are graded as
25 two felonies and two misdemeanors, respectively.

1 On November 21st, 2007, Mr. Serge pled
2 guilty to one count of possession of heroin. At no
3 time did Mr. Serge disclose his arrest and conviction
4 to his employer or the Pennsylvania Gaming Control
5 Board. Mr. Serge was terminated on February 15th,
6 2008.

7 Due to Mr. Serge's conviction and his
8 failure to disclose either his arrest or conviction to
9 the Pennsylvania Gaming Control Board, the OEC filed
10 an enforcement complaint to revoke Mr. Serge's non-
11 gaming registration. Mr. Serge failed to respond to
12 the Complaint, and all averments made in the Complaint
13 are now deemed to be admitted.

14 Therefore at this time OEC asks the Board
15 to entertain a motion to revoke the non-gaming
16 registration of Michael Serge.

17 CHAIRMAN COLINS:

18 May I have a motion, please?

19 COMMISSIONER SOJKA:

20 Yes, Madame Chairman. I move that the
21 Board issue an Order to approve the Revocation of
22 Michael Serge's Non-Gaming Employee Registration.

23 COMMISSIONER ANGELI:

24 Second.

25 CHAIRMAN COLINS:

1 All in favor? Opposed? Motion carries.
2 Thank you very much.

3 MR. DUSTIN MILLER:

4 Thank you, Madame Chairman.

5 CHAIRMAN COLINS:

6 Thank you. That will conclude our
7 meeting. Our next public meeting will be held on
8 September 30th at 11:00 a.m. in the Keystone Building,
9 PUC Hearing Room Number One. Do we have a motion to
10 adjourn?

11 COMMISSIONER SOJKA:

12 So moved.

13 CHAIRMAN COLINS:

14 Second? All in favor? Thank you very
15 much.

16

17 * * * * *

18 MEETING CONCLUDED AT 4:00 P.M.

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