

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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PUBLIC MEETING

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BEFORE: LINDA S. LLOYD, HEARING OFFICER

HEARING: Thursday, November 12, 2009, 10:00 a.m.

LOCATION: East Hanover Municipality Building  
8848 Jonestown Road  
Grantville, PA 17028

WITNESSES: John Finamore, Frank Quigley,  
Christopher McErlean, Thomas Auriemma,  
Javon White, Richard Gold, Lisa Stokes,  
Timothy J. Aullie, Nanette Horner,  
Gerald Stoll, Michael Rosenberry,  
Katie Higgins, Melvin Johnson

Reporter: Sarah Wendorf

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HEARING OFFICER:

My name is Linda Lloyd, and I am the presiding officer assigned by the Board to conduct this portion of the License Renewal Hearing of Mountainview Thoroughbred Racing Association doing business as Hollywood Casino at Penn National. Before we begin, if you could please silence all of your cell phones, BlackBerrys, et cetera so we are not interrupted during presentations. As the presiding officer I call this hearing to order. The date is November 12th, 2009. The time is 10:00 a.m. And the location is at the East Hanover Township Municipal Building at 8848 Jonestown Road, Grantville, Pennsylvania.

This license renewal hearing is convened by the Pennsylvania Gaming Control Board pursuant to the authority found at Section 1326(b) of the Gaming Act and the Board's regulations at 58 Pa.C. 491a.8. The public hearing was advertised on the Board's website, was announced by the Board at a Board meeting on November 4th, 2009, and was advertised in the local newspapers. We do have a Board member present today for the hearing. Chairman Fajt is somewhere in the

1 room. The Board and its staff would like to thank  
2 East Hanover Township and its staff for making this  
3 space available to the Board for the hearing today.  
4 The hearing will begin with a presentation by Penn  
5 National. After the close of each witness's testimony  
6 or at the end of their presentation, whichever is more  
7 convenient, Office of Enforcement Counsel will have  
8 the opportunity to cross examine the witnesses.  
9 Redirect will be permitted and so forth until all  
10 parties are satisfied that all the questions have been  
11 asked and answered. After Penn National has concluded  
12 its presentation, the Office of Enforcement Counsel  
13 will make its presentation.

14                   Again, after the close of each witness's  
15 testimony, Penn National's Counsel will have the  
16 opportunity to cross examine the witness and redirect  
17 will be permitted and so forth until all parties are  
18 satisfied that all questions have been asked and  
19 answered. After the close of the testimony and  
20 evidence from the parties, those individuals that have  
21 registered to speak at today's hearing during the  
22 public comment period will be heard if their name is  
23 called. Elected officials will have approximately ten  
24 minutes to speak. Representatives from community  
25 groups will have five minutes, and individuals will

1 have about three minutes. Following the close of the  
 2 public comment period Penn National and the Office of  
 3 Enforcement Counsel will have the opportunity to  
 4 provide short closing statements. This is an official  
 5 administrative hearing, so please treat this as if you  
 6 were attending a court proceeding. All witnesses if  
 7 you would speak loudly and clearly into the microphone  
 8 so that the court reporter and others can hear what  
 9 you have to say. If you have any questions about  
 10 today's proceedings there are a variety of Board staff  
 11 available to answer those questions. If we could  
 12 begin by having all the witnesses from Penn National  
 13 and Office of Enforcement Counsel who will testify  
 14 today please stand and raise your right hand to be  
 15 sworn by the court reporter.

16 -----  
 17 WITNESSES SWORN EN MASSE

18 -----

19 HEARING OFFICER:

20 And I would remind you that when you  
 21 speak for the first time today if you could state your  
 22 name and spell it for the court reporter she would be  
 23 appreciative. I have two hearing exhibits to move  
 24 into the record. Hearing Exhibit Number One is the  
 25 Notice of Pre-hearing at this public hearing today.

1 And Exhibit Number Two is the one written comment that  
2 we have received for the record. And I'm not sure if  
3 Penn National has received that written comment or  
4 not.

5 ATTORNEY QUAGLIA:

6 No, we have not.

7 HEARING OFFICER:

8 Okay. We will take care of that. Our  
9 Board clerk will take care of that. Do I hear any  
10 objections to the two written comment on the other  
11 exhibits ---

12 ATTORNEY DAVENPORT:

13 No objection.

14 HEARING OFFICER:

15 --- to be entered into the record?

16 ATTORNEY QUAGLIA:

17 I would like to reserve the right to see  
18 it before I decide whether we have an objection.

19 HEARING OFFICER:

20 Okay. We'll address that again later  
21 after you've gotten the opportunity to see that. Penn  
22 National, if you are ready to begin, please, go ahead.

23 ATTORNEY QUAGLIA:

24 Thank you very much, Ms. Lloyd. I'm Ray  
25 Quaglia, Q-U-A-G-L-I-A, with the Ballard Spahr firm in

1 Philadelphia on behalf of the Applicant, Licensee,  
2 Penn National. And we'd like to begin as we always do  
3 by thanking the Board's staff for all of their hard  
4 work getting us to this renewal hearing today.  
5 Without excluding anyone, we'd like to express our  
6 particular gratitude to Nan Horner, the Director of  
7 the Board's Office of Compulsive and Problem Gambling,  
8 for all of her hard work with the representatives of  
9 Hollywood Casino in helping to develop an amended  
10 responsible gaming plan for the property. We would  
11 like to begin by showing a short video. I suspect  
12 that very little of this information will be new to  
13 many of us here, but since this is a public hearing,  
14 we thought it would be useful to provide a short  
15 overview of the business of Penn National Gaming,  
16 which the parent company of Hollywood Casino at Penn  
17 National Race Course. So if we could begin the video,  
18 please.

19 VIDEO PLAYED

20 ATTORNEY QUAGLIA:

21 We have a number of hearing witnesses and  
22 representatives here today who are available. I will  
23 introduce each of the witnesses as he or she is called  
24 to testify, but I will mention at this point that in  
25 addition we have here Jim Baldacci, the Deputy Chief



1 Compliance Officer for Penn National Gaming and Laura  
 2 Palazzo, the Vice President and Chief Financial  
 3 Officer for Hollywood Casino at Penn National Race  
 4 Course. And our first witness ---. If you want to go  
 5 there. Our first witness today to provide an overview  
 6 is John Finamore, Senior Vice President of Regional  
 7 Operations for Penn National Gaming. Mr. Finamore has  
 8 nearly 30 years hospitality and casino experience. He  
 9 was with Station Casinos from 1994 until 2002 and has  
 10 been with Penn National Gaming since 2002. He is  
 11 responsible among other things for the seven casino  
 12 properties and multiple race tracks and off track  
 13 wagering facilities.

14 -----  
 15 JOHN FINAMORE, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED  
 16 AS FOLLOWS:

17 -----  
 18 DIRECT EXAMINATION  
 19 BY ATTORNEY QUAGLIA:

20 Q. Good morning, Mr. Finamore. If you could just  
 21 give us to the extent that it was not covered in the  
 22 video a brief overview of the history of Penn National  
 23 and Penn National Race Course?  
 24 A. Certainly. Thank you. This is on. Can you hear  
 25 me okay? Good morning. Again, a lot of the

1 information was covered in the video, but just to hit  
2 some of the highlights. The race track at Penn  
3 National Race Course opened originally in 1972. It  
4 obviously looks very different today. It was  
5 purchased by the Carlino family in 1982. The  
6 company's IPO, initial public offering, took place in  
7 1994. Today, of course, the company enjoys a market  
8 cap of well over \$2 billion. As you saw in the video,  
9 the company has evolved over the years from what was  
10 exclusively a racing company to a very diversified  
11 gaming and racing company today. In fact, the company  
12 today is the third largest publicly traded ---. Okay.  
13 The company today is, in fact, the third largest  
14 publicly traded casino gaming company in the nation.

15 Some of the other milestones of note in our  
16 company's past as we've grown, certainly we saw in the  
17 video the acquisition of Charles Town Racing and  
18 Slots. That was really a springboard for the company  
19 along with the acquisition of Hollywood Casino company  
20 in 2003, and the Argosy Casino company in 2005. Today  
21 we operate 19 facilities in 15 jurisdictions. As I  
22 said, we are the third largest publicly trading gaming  
23 company in the nation. Here's some slides of our  
24 beautiful Hollywood Casino at Penn National Race  
25 Course property. I know everyone in the room is

1 familiar with it, but here is the front entrance to  
2 the porte-cochere at night. A shot of the slot floor.  
3 And this is our Epic Buffet that we added post-opening  
4 in October of 2008. Our Final Cut Steakhouse, which  
5 we opened in December of 2008.

6 Q. And Mr. Finamore obviously Penn National  
7 Mountainview made a number of commitments at the time  
8 of its initial licensure in 2006. Could you maybe  
9 update for the record how the company is coming along  
10 or has come along in honoring those commitments?

11 A. Certainly. I think first and foremost the  
12 earmarked revenues for horseracing and certainly the  
13 commitments we made as a racing company back at that  
14 time were that we would see substantial increases in  
15 our purses. And, you know, we look back to pre-slots.  
16 Our purses were --- our average daily purses were  
17 running about \$70,000 a day. Today that number is  
18 \$185,000 a day, and that is one of the highest daily  
19 purse amounts in the mid-Atlantic region.

20 We talked a lot back then about commitment to the  
21 backside of our racing operation. And we have I'm  
22 proud to say today committed over \$10 million to  
23 backside improvements, and actually that total exceeds  
24 the requirements of the Gaming Act. And it's  
25 something we'll talk about a little later this

1 morning. We talked a lot about building an integrated  
2 --- a truly integrated slot and racing facility. We  
3 learned that lesson in our Charles Town facility where  
4 we kept the original facility in place and added onto  
5 it, but there is a better way to do it. We took our  
6 time here a few years ago and demolished the original  
7 grandstand as you all know and built this truly  
8 integrated slot and racing facility which has been I  
9 think a great design for us. It has exposed our slot  
10 customers to the horseracing product and vice versa.

11 Of course we spent over \$325 million on this  
12 facility, and we're very proud of the facility as it  
13 stands today. Back then we talked about gaming  
14 revenues we projected of \$160 million in our first  
15 full year of operation. The first 11 months of our  
16 operation, that's February of '08 through December  
17 '08, we actually saw revenues of \$171 million. And we  
18 are projecting year end '09 totals to be \$237 million,  
19 well in excess of what we projected at \$160 million  
20 for our first full year of operation. We also talked  
21 originally about a master plan and commitment to  
22 building up the facility. I talked a little bit about  
23 the buffet that we added, the Epic Buffet, in October  
24 of '08; the steakhouse that we added in December of  
25 '08. We've taken the slot count from just over 2,000

1 games, 2,020 when we opened in February of '08, to the  
2 current count of just under 2,400. 2,377 today's  
3 count. And we have plans to take that count to 2,500  
4 games in the very near future. So again we talked  
5 about the master plan in growing our business, and we  
6 have fulfilled that commitment. We would love today  
7 to talk about table games and our plans for  
8 introducing that product at our property. We are  
9 planning to do that and hopeful that we will be able  
10 to do that shortly. Obviously the extent and timing  
11 is not known at this point. But that product will  
12 determine a lot of our future master plan including a  
13 hotel possibly and second parking garage and  
14 additional gaming space.

15 We talked originally about our commitments to MBE  
16 and WBE initiatives. We're going to talk a lot about  
17 that later this morning. Certainly during the  
18 construction period we set targets for MBE and WBE  
19 commitments. We exceeded those. We also have ongoing  
20 MBE and WBE commitments from our ongoing operation.  
21 And finally, we talked a lot about diversity in the  
22 planning stages for the property. And Frank Quigley,  
23 our General Manager, will talk a lot about our ongoing  
24 diversity efforts and our diversity plan this morning.  
25 Q. Thank you very much, Mr. Finamore.

1 A. Thank you.

2 ATTORNEY QUAGLIA:

3 Our next witness would be Frank Quigley,  
4 the Vice President and General Manager of Hollywood  
5 Casino at Penn National Race Course. Mr. Quigley has  
6 30 years experience in the gaming industry. He  
7 progressed from dealer to General Manager. He spent  
8 over 20 years with Harrah's and Showboat. Joined  
9 Argosy in 2003, and then became part of the Penn  
10 National gaming team when Argosy was acquired by Penn  
11 National. He has previously served as the General  
12 Manager for the Penn Properties in Sioux City and  
13 Joliet, and has been the General Manager at Hollywood  
14 Casino since August of this year.

15 -----  
16 FRANK QUIGLEY, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED  
17 AS FOLLOWS:

18 -----  
19 DIRECT EXAMINATION

20 BY ATTORNEY QUAGLIA:

21 Q. Mr. Quigley, good morning. If we could start you  
22 off talking a little bit about the slot machine group  
23 at Hollywood Casino?

24 A. Good morning and thank you very much. Last name  
25 is Quigley, Q-U-I-G-L-E-Y. As John spoke earlier we

1 opened the property in February of '08, with 2,020  
2 machines, and as you can see by the slide there we are  
3 currently at 2,377 with plans next year in our capital  
4 plan to expand to 2,500 machines. And that actually  
5 is regardless of what happens with table games. We  
6 will expand to 2,500 machines next year.

7 Q. Speaking of table games since Mr. Finamore raised  
8 the issue and I know it's very much on everyone's  
9 mind, what plans if any does Hollywood Casino have for  
10 a table game option?

11 A. Well we are very excited about table games.  
12 Obviously we are all waiting for the timing and for  
13 the, you know, legislation to be signed with table  
14 games. And actually what we do with table games is  
15 obviously going to be relative to that legislation,  
16 particularly the tax part of that piece of legislation  
17 and whether that will be profitable at the level of  
18 tax that is in that legislation. With that said,  
19 hopefully we would like to start with approximately 40  
20 table games, traditional table games and 10 to 15  
21 poker tables to start with. We also would like to  
22 expand --- we have plans for a 45,000 square foot  
23 expansion that we would like to include in that table  
24 games' plan. With that expansion we see probably  
25 between 200 to 250 construction jobs directly

1 associated to that project. Also a significant number  
2 of jobs that --- ancillary jobs that would be  
3 associated with the project. With table games itself  
4 we see 300 to 400 additional permanent jobs, and they  
5 are good jobs that come in the table game environment.  
6 I've been involved in table games my whole career.  
7 And these jobs could be anywhere between \$35,000 to  
8 \$45,000 a year jobs depending on the market and the  
9 relative tips that would come in the market.

10       It is our plan, and I'm confident that we can  
11 accomplish this. We will hire every entry level  
12 position, meaning dealers for the first wave of this  
13 operation in Pennsylvania in our current labor pool  
14 that we have. Our first goal is to offer every one of  
15 those jobs to the employees that are at the property  
16 today, our current employees. Then after that we will  
17 go out to the local labor pool, and we will continue  
18 to fill the rest of those jobs within the local labor  
19 market. So all of our entry level positions and  
20 tables will be filled locally.

21       With regard to supervision, for the first wave of  
22 supervision it is a specialized part of our industry,  
23 and we will have to recruit some supervision from the  
24 outside for the first wave. The second wave of  
25 supervision will all be trained in-house. And within



1 the first couple of years of table games after that is  
2 over we will be able to hire all Pennsylvania  
3 employees with that. We're pretty excited about that.  
4 There's also initially going to be a significant need  
5 for training. It is our hope to partner with local  
6 community colleges to provide that training both in-  
7 house and with local community colleges.

8 Q. Thank you. And for the record, if you could just  
9 summarize the revenues and the gaming taxes and fees  
10 paid to date at Penn National Race Course?

11 A. Well as John spoke our first year of revenue was  
12 approximately \$170 million. We are projecting about  
13 \$237 million this year. With that \$80 million will go  
14 to tax relief. Another \$28 million will go to the  
15 racehorse development fund. Close to \$12 million will  
16 go to the economic development and tourism fund. And  
17 another \$14.7 will go to local and county sheriffs  
18 estimates. With that alone with our regulatory fees  
19 we will be paying around \$140 million in taxes.

20 Q. Mr. Finamore also touched on diversity. If you  
21 could just give us maybe a big picture of the  
22 company's commitment and then we can talk about  
23 details?

24 A. Sure. This is actually very important to us.  
25 Right now as my presence is evidence of this I've been

1 here for three months. I am new. We are in a  
2 transition state --- a point of transition with regard  
3 to leadership on our property right now. The  
4 overwhelming majority of this transition right now is  
5 for lack of a better word, manage transition. I am  
6 currently interviewing for an Assistant General  
7 Manager, which would be a second. We're currently  
8 interviewing right now for our lead compliance  
9 officer. All of those positions are managed.

10       However, we do have one very tragic loss that  
11 we've had recently that is unmanaged that we cannot  
12 talk about diversity on this property without bringing  
13 up the name Nadine Hall. Nadine Hall was our Vice  
14 President of Operations and Community Affairs. And  
15 Nadine championed the early efforts of diversity. So  
16 I do not want to give any testimony about our  
17 diversity without mentioning her name, because we are  
18 very proud of the efforts that we have made with  
19 regard to diversity. And actually Nadine had  
20 quarterbacked this. I, being new, have had a long  
21 track record of accomplishments with regard to these  
22 issues. And I just want to go on the record to say  
23 that it is my commitment as always in my experience as  
24 I've worked throughout the country with Penn, Penn's  
25 commitment to diversity. And I will continue to build

1 on the positives that we have had in the last year and  
2 a half, the last two years and continue to grow that  
3 both for Penn obviously but in Nadine's memory also.  
4 And they are comprehensive across the board with  
5 employee, employment, contracting, purchasing,  
6 procurement. We have a significant training program.  
7 And we participate as you will see in a slide to come  
8 in a large number of diversity events.

9 Q. Thank you. If you could maybe walk us through a  
10 summary of the workforce at Hollywood Casino at Penn  
11 National?

12 A. Sure. Currently we have 1,080 employees. 1,064  
13 of them are Pennsylvania residents. 12.3 percent are  
14 representative of various minority groups.  
15 Representing our labor pool which we look at as the  
16 population within a one-hour drive of our property,  
17 which is approximately nine percent. That comes from  
18 statistics from 2007. Forty-eight (48) percent of  
19 those are female.

20 Q. Thank you. And within the workforce what are the  
21 various classifications of the positions?

22 A. And the breakdowns are 7 executives, 141  
23 management personnel, 13 salaried or professional  
24 meaning accountants and the like and 919 hourly  
25 positions.

1 Q. Thank you. And you mentioned also diversity and  
2 contracting, purchasing and procurement. If you could  
3 walk us through some highlights of that aspect?

4 A. Sure. As a result of the efforts of the team that  
5 developed and built the property approximately \$20.2  
6 million of construction expenditures were awarded to  
7 MBEs, WBEs related to construction of the facility. We  
8 have over \$2 million or 10.9 percent of the total in  
9 operating disbursements in 2008, and more than \$2.1 or  
10 11.6 percent of the total of operating disbursements  
11 during the first nine months of this year. We hosted  
12 the first Purchasing Conference and Minority Vendor  
13 Fair in October 2008, at our property. We gave  
14 minority vendors the opportunity to meet with  
15 purchasing representatives from several of the PA  
16 casinos and showcase their products. We had a  
17 response from approximately 73 vendors attended fair.  
18 And we're also a member of the Minority Supplier  
19 Diversity Council in the tri-state area of PA, New  
20 Jersey and Delaware.

21 Q. Does Hollywood Casino pursue diversity with  
22 respect to its suppliers?

23 A. Yes. As you can see a breakdown here of our  
24 registered vendors, PA vendors we have 309, minority  
25 business enterprises, 96, women owned, 128, disabled

1 veterans, 4, disabled, 3, disadvantaged, 15 and small  
2 business enterprises, 62.

3 Q. You also alluded previously to participation in  
4 diversity events?

5 A. Yes. And this is a sample that we participate,  
6 you know, Nadine headed up a large majority of this  
7 along with our HR department. We will continue to do  
8 this. There is a long list starting with mock  
9 interviews that we do at a lot of the high schools and  
10 local colleges to a long list that you can see there.  
11 I don't want to name every one of them.

12 Q. Thank you. And obviously the issue of responsible  
13 gaming is very important to everybody, Mr. Quigley.  
14 What is Hollywood Casino doing to protect the more  
15 vulnerable of the adult population?

16 A. Well responsible gaming is also another very big  
17 deal in Penn National in our approach to the business  
18 and quite honestly my approach to the business.  
19 Simply put, we do not want people with gaming problems  
20 in our operation, and we work very hard to ensure that  
21 that doesn't happen. We are working with the Council  
22 of Compulsive Gambling of Pennsylvania to establish  
23 and to actually upgrade what we currently have from a  
24 training program. We are incorporating those training  
25 programs into our new hire orientations to ensure that

1 every employee in our operation is trained with regard  
2 to responsible gaming. We are a contributor to the  
3 CCGP and recently working with Nan Horner. We have  
4 received approval from our responsible gaming plan  
5 just as of November 6th.

6 Q. Speak briefly about community involvement. We saw  
7 some of that in the video, but specifically for  
8 Hollywood Casino and Penn National Race Course?

9 A. As you can see in the video, and I can speak to my  
10 experience working for Penn in other areas of the  
11 country, we are really good corporate citizens. And  
12 as you can see here we have spent approximately  
13 \$300,000 in cash donations. This does not list the  
14 significant number of in kind donations we have done  
15 to a long list of local organizations, and we will  
16 continue to do that.

17 ATTORNEY QUAGLIA:

18 Thank you very much, Mr. Quigley.

19 A. Thank you.

20 ATTORNEY QUAGLIA:

21 Our next witness ---.

22 ATTORNEY DAVENPORT:

23 Before you move on I'd like to have an  
24 opportunity to ask a couple questions to Mr. Quigley.

25 A. Sure.

1 CROSS EXAMINATION

2 BY ATTORNEY DAVENPORT:

3 Q. I'm Nan Davenport, Deputy Chief Enforcement  
4 Counsel for the Office of Enforcement Counsel. Good  
5 morning, Mr. Quigley.

6 A. Good morning, Ms. Davenport.

7 Q. You stated that Penn National has plans to add up  
8 to 2,500 gaming machines in the future ---

9 A. Correct.

10 Q. --- in 2010? Did you plan to do that in  
11 increments or would that be increased within the  
12 current number of machines?

13 A. That would be increased with the current number of  
14 machines. We will do that incrementally throughout  
15 the year.

16 ATTORNEY QUAGLIA:

17 I'm sorry. If I can clarify what I was  
18 confused ---. I think your testimony was the total  
19 number of machines would increase from 2,377 to 2,500?

20 ATTORNEY QUAGLIA:

21 To 2,500.

22 ATTORNEY QUAGLIA:

23 Not that you would add another 2,500.

24 A. Not an additional 2,500.

25 ATTORNEY DAVENPORT:

1 Correct.

2 ATTORNEY QUAGLIA:

3 Thank you.

4 BY ATTORNEY DAVENPORT:

5 Q. So you don't mean to do that like in increments of  
6 ten machines?

7 A. We're not sure yet. We're developing that plan.  
8 It will be more than ten machines, but we'll probably  
9 do those machines 50 at a time. Something like that.

10 Q. And as you know the Act prohibits anyone under the  
11 age of 21 from gaming. However, the Act does not  
12 prohibit anyone over the age of 18 to be on the gaming  
13 floor. Does Hollywood Casino permit individuals over  
14 the age of 18 to be on the gaming floor?

15 A. We do not permit individuals over the age of 18 on  
16 the gaming floor. We've recently had several issues  
17 with regard to that back in the summer. And several  
18 months ago, Jay White, our Director of Security, is  
19 going to speak directly to that. I don't want to  
20 steal his thunder. He'll be angry with me if I take  
21 all of his material.

22 ATTORNEY DAVENPORT:

23 Okay. Thank you.

24 ATTORNEY QUAGLIA:

25 Thank you.



1 A. Thank you.

2 ATTORNEY QUAGLIA:

3 Our next witness to discuss horseracing  
4 at Penn National Race Course is Christopher McErlean,  
5 Vice President of Racing for Penn National Gaming.  
6 Mr. McErlean has more than 20 years experience in  
7 racing management. He is the former vice president of  
8 racing for the New Jersey Sports and Exposition  
9 Authority Racetracks, Meadowlands and Monmouth Park.  
10 He oversees operations for Penn National's seven pari-  
11 mutuel facilities nationwide. And is the Penn  
12 representative for national racing issues and  
13 initiatives. He is the Vice President of the  
14 Thoroughbred Racing Associations, the Former President  
15 and Chairman of the Harness Tracks of America, a Board  
16 member of the Thoroughbred Racing Protective Bureau  
17 and the United States Trotting Association.

18 -----

19 CHRISTOPHER MCERLEAN, HAVING BEEN PREVIOUSLY SWORN,  
20 TESTIFIED AS FOLLOWS:

21 -----

22 DIRECT EXAMINATION

23 BY ATTORNEY QUAGLIA:

24 Q. Good morning, Mr. McErlean, if you could just  
25 maybe give us an overview of the horseracing at Penn

1 National Gaming?

2 A. Sure. Good morning. I'll spell my last name.  
3 M-C capital E R-L-E-A-N. As Mr. Finamore noted in his  
4 opening Penn National Gaming started with one race  
5 track in Grantville, Pennsylvania, Penn National Race  
6 Course, and that is still the flagship race track in  
7 the Penn National organization. And Penn National  
8 Race Course has really been the catalyst for the  
9 company in the tremendous growth that you've seen in  
10 the video and in our previous presentation. The  
11 Pennsylvania off-track wagering facilities, which were  
12 approved in the early 1990s, helped fuel the first  
13 public offering for the company. And I think as a  
14 testament to the company with its tremendous growth in  
15 non-racing entities, the brand name of the company,  
16 Penn National Gaming. And Penn National is still  
17 reflected in the name and reflects its roots in the  
18 racing heritage. So that's something which the  
19 company as a whole is very proud of, and I think shows  
20 as we go forward reflecting the name of the company.

21 Q. If you can give us an overview of the racing  
22 operations overseen by Penn National Gaming?

23 A. Sure. Again, Penn National started with one race  
24 track in 1972, Penn National Race Course. We now have  
25 six wholly owned race track facilities plus one joint

1 venture in the state of New Jersey with another racing  
2 organization. Those totals make us the second largest  
3 operator of pari-mutuel facilities in North America.  
4 And we're very poised to potentially be the leading  
5 operator within the next year. We also have five off-  
6 track wagering locations, four in the State of  
7 Pennsylvania and one in the State of New Jersey. We  
8 do operate a regional Internet and telephone wagering  
9 company located here in the State of Pennsylvania. Of  
10 our racing facilities we operate over 1,100 live  
11 performances annually. And more than \$700 million is  
12 generated in hand or wagering at our facilities  
13 through both live racing and simulcasting at those  
14 facilities.

15 Q. And has Penn National Gaming at a corporate level  
16 attempted to integrate racing and gaming elsewhere as  
17 well as in Pennsylvania?

18 A. I think as will show the integration of racing and  
19 gaming is really the niche that this company has taken  
20 advantage of. We currently operate of our seven  
21 facilities, four have gaming. That is the second  
22 highest of any operator in the United States. We have  
23 the most slot machines at race track operations, over  
24 9,000. Those operations that have gaming have helped  
25 contribute over \$100 million in funding for the

1 horseracing industry in those respective states which  
2 is for purses for horsemen, incentives for breeders  
3 just in 2009. And in those states that we operate  
4 those integrated racing and gaming facilities, over  
5 \$370 million has been generated for state tax revenues  
6 in those jurisdictions.

7 Q. Thank you. Please tell us a little bit about  
8 horseracing at Penn National Race Course?

9 A. Sure. I stated earlier the Penn National Race  
10 Course began operation in 1972. We are a year round  
11 thoroughbred racing operation. We're one of only  
12 three race tracks in the United States that operate  
13 year round thoroughbred racing. We have 200 racing  
14 dates scheduled for the year 2010, which will be  
15 approved by the Pennsylvania Horse Racing Commission  
16 next week. We race on average a four-day, four-night  
17 a week schedule Wednesday through Saturday evenings.  
18 We also offer simulcasting, televising races from race  
19 tracks around the country on a daily basis. And as  
20 noted earlier, in the State of Pennsylvania we  
21 currently operate four off-track wagering facilities  
22 and host an Internet and telephone wagering operation  
23 out of our Penn National Race Course facility.

24 Q. Thank you. For anyone who is not familiar with  
25 the track we have several photographs. If you could

1 just walk us through and tell us what we're looking  
2 at?

3 A. Sure. As noted earlier, the integration of racing  
4 and gaming was a key component not only of Act 71, but  
5 of the philosophy with the new Hollywood Casino at  
6 Penn National Race Course. Here you see a racing  
7 scene. In the background is a brand new tote board  
8 with all the racing information for the races. The  
9 next slide shows our grandstand facilities. You're  
10 looking on the left. The lower part is our new  
11 Mountainview dining room for seating for up to 500  
12 people. On the upper part is box seating for horsemen  
13 owners and guests. And on the top part of that is our  
14 main racing level and simulcasting level. I'm sorry.  
15 On the other slide on the right hand side is a race  
16 book style handicapping teletheater. There's seating  
17 for about 150 individuals with two dozen 50-inch  
18 monitors and private betting windows as well. And the  
19 final slide is one our newest barns or stabling for  
20 the racehorses on our backstretch. As we note here we  
21 have an extensive program in place and moving forward  
22 for capital improvements on the backstretch.

23 Q. Thank you. Obviously one of the requirements of  
24 the Gaming Act is for there to be capital improvements  
25 or investments in the racing facility. If you could

1 for the record, review the capital improvements that  
2 have been made at Penn National Race Course?

3 A. Sure. In late 2007, Penn National and the  
4 representative horsemen's group, the HBPA, per Act 71  
5 came to an agreement in regards to funding of  
6 backstretch improvements for the race track. Our  
7 agreement was a 10-year agreement with a \$10 million  
8 investment. Under Act 71 the minimums were \$5 million  
9 over the first five years and \$250,000 for the next  
10 five years, so we had exceeded the Act 71 mandate by  
11 over 60 percent. Those improvements again which were  
12 jointly agreed upon between the horsemen's  
13 organization at our race track and Penn National Race  
14 Course include focus on new barns.

15 Most of the barns at the track are the original  
16 barns, so we are looking to in most cases build new  
17 barns as well as sight improvements to the property  
18 and the backstretch operations. In the first 20  
19 months of casino operation which started in February  
20 of 2008, we've spent almost 50 percent of the Act 71  
21 funding already, so we certainly moved very quickly in  
22 terms of instituting these improvements. The most  
23 visible are we will have five brand new barns. Each  
24 barn has stabling for about 45 horses. Five of them  
25 will be in place by the end of this year. Four are

1 actually completed now and our fifth one is under  
2 construction as we speak. And planned in our 2010  
3 backstretch improvement plan we have funding for up to  
4 \$two million in improvements. The majority of which  
5 will go for three new barns in the backstretch area.  
6 Over and above what is mandated by Act 71, Penn  
7 National Race Course has committed additional capital  
8 improvements for the racing program since the  
9 introduction of the Hollywood Casino.

10 That has totaled over \$3 million in additional  
11 capital improvements, some of which you see here. An  
12 entirely new dirt racing surface, our electrical  
13 service and water service on our backstretch and for  
14 our track lighting has been all redone. We've  
15 invested in equipment and vehicles for our track  
16 maintenance. And we've also initiated some additional  
17 safety improvements and customer satisfaction  
18 improvements to the facility and to the racing  
19 operation. Again these funds are over and above  
20 anything mandated by the Act 71.

21 Q. And what has the impact been on the racing purses  
22 of the casino?

23 A. As everybody knows the racehorse development fund  
24 receives 12 percent of the net revenue from gaming,  
25 and that's had a tremendous impact in terms of what is

1 available for purse money or prize money for the  
2 horsemen competing at Penn National Race Course. As  
3 this chart indicates in 2007, we were \$70,000 a day in  
4 daily distribution of purses. In our almost two years  
5 of operation that has shot up to over \$160,000 a day,  
6 and currently we are paying out in average daily  
7 purses in excess of \$180,000 a day. So there's been  
8 almost a threefold increase in purses since we've  
9 opened the casino.

10 Q. Consistent with the increased purses, have there  
11 been other impacts of the casino on the racing product  
12 at Penn National Race Course?

13 A. Most definitely. The purse increases have really  
14 been the catalyst for improvement in the quality of  
15 the racing. And horse racing is not like any other  
16 professional sport. Money, prize money and prize to  
17 the best performers. And we are getting an influx of  
18 new horses, more competitive races. Our field size,  
19 the number of horses per race, is over nine horses a  
20 race which is the highest in the mid-Atlantic region,  
21 and one of the highest numbers from a national  
22 standpoint. Wagering on our races. The amount of  
23 money bet on races happening at Penn National both at  
24 the track and across the country is up over ten  
25 percent from last year which again reflects the



1 increased quality. This year we had a record purse of  
2 \$200,000 for our signature event, Pennsylvania  
3 Governor's Cup. And we also set a record handle for  
4 that race on that event day on a 2009 addition. And  
5 again as I mentioned before, our purse distribution is  
6 up significantly from where it was pre-slots at Penn  
7 National Race Course.

8 ATTORNEY QUAGLIA:

9 Thank you very much, Mr. McErlean.

10 A. Thank you.

11 ATTORNEY QUAGLIA:

12 Our next witness to discuss compliance is  
13 Thomas Auriemma, the Vice President and Chief  
14 Compliance Officer at Penn National Gaming. Mr.  
15 Auriemma has 30 years experience as a casino regulator  
16 in Atlantic City. He served with both the New Jersey  
17 Casino Control Commission and the New Jersey Division  
18 of Gaming Enforcement. He was the Director of the New  
19 Jersey Division of Gaming Enforcement for five years  
20 before coming to Penn National Gaming as Chief  
21 Compliance Officer in March 2007.

22 -----

23 THOMAS AURIEMMA, HAVING BEEN PREVIOUSLY SWORN,  
24 TESTIFIED AS FOLLOWS:

25 -----

1 DIRECT EXAMINATION

2 BY ATTORNEY QUAGLIA:

3 Q. Mr. Auriemma, good morning. If you could give us  
4 an overview of the compliance function at Penn  
5 National Gaming?

6 A. Good morning and thank you. Thomas Auriemma,  
7 A-U-R-I-E-M-M-A. I am the Vice President Chief  
8 Compliance Officer at Penn National Gaming. As such I  
9 report the General Council of Penn National Gaming,  
10 and I also report to the Compliance Committee of Penn  
11 National. We have a three member Compliance Committee  
12 consisting of Steve DuCharme, who was the former chair  
13 of the Nevada Gaming Control Board. He's an outside  
14 consultant to the company and serves as the chair of  
15 Penn National's Compliance Committee.

16 The other two members are outside directors of  
17 Penn National Gaming, David Handler and Robert Levy.  
18 Additionally, every Penn National property throughout  
19 the country as you heard earlier we operate 19 racing  
20 and gaming facilities in 15 jurisdictions in the  
21 United States and Canada. Every one of those  
22 properties has a commission officer or compliance  
23 manager. There is that function also here at  
24 Hollywood Casino at Penn National Race Course. At the  
25 present time it's being temporarily performed by Laura

1 Palazzo, who is the Chief Financial Officer of the  
2 property. The property is actively looking for a new  
3 compliance manager, and I think Mr. Quigley is hopeful  
4 that within the next several weeks or so a new  
5 compliance manager will be hired and will come on  
6 board shortly thereafter.

7 Q. Thank you. If you could for the record give us an  
8 update of licensure and any new developments at Penn  
9 National Gaming?

10 A. Yes. As many of you know in June of 2007, Penn  
11 National Gaming entered into a merger agreement with  
12 two private equity firms in New York, Fortress  
13 Investment Group and the Center Ridge Partners, LP,  
14 which would have taken Penn National private. Penn  
15 National's a publicly traded company traded on NASDAQ.  
16 Pursuant to the agreement a variety of regulatory  
17 approvals were necessary from regulatory bodies around  
18 the country and of course here in Pennsylvania. There  
19 were private road shows that were conducted. Various  
20 approvals were, in fact, obtained in the fall of 2007,  
21 and through the spring of 2008. Pennsylvania Gaming  
22 Control Board had also given approval to that merger.  
23 However, it became obvious by virtue of the turmoil in  
24 the credit markets in the late spring of 2008, that  
25 the Fortress Investment Group and Center Ridge

1 Partners were unable to fund their obligations. As a  
2 result, negotiations ensued between Penn National and  
3 those two entities, and a termination agreement was  
4 entered into on July 3rd, 2008, terminating the merger  
5 agreement. That required also certain approvals from  
6 various regulatory bodies. Those approvals were all  
7 obtained by the end of October 2008. The transaction  
8 was closed. And as a result, Penn National Gaming  
9 remained and to this day remains a publicly traded  
10 company. Fortress Investment Group and Center Ridge  
11 Partners purchased preferred stock in Penn National  
12 pursuant to that merger agreement.

13 Wes Edens, who is an executive with Fortress  
14 Investment Group, became a member of the Penn National  
15 Board expanding Penn's Board from six to seven  
16 individuals. And most importantly that merger  
17 agreement brought over approximately \$1,500,000,000  
18 cash to Penn National. At this point in time Penn  
19 National has a result of its very strong cash position  
20 access to borrowing capacity and significant cash flow  
21 applications pending in Kansas and Nevada. We have  
22 recently been licensed in the State of Maryland to  
23 construct a slot facility, and we are constructing  
24 that facility as we speak right now. If all goes well  
25 that facility will open about this time next year.

1 Recently in the State of Ohio last week the voters  
2 approved a referendum to permit casino gaming in that  
3 state and Penn National has the opportunity to develop  
4 two casinos, one in Columbus and one in Toledo. And  
5 we are actively pursuing those opportunities. Penn  
6 National and all of its subsidiaries as I said are  
7 licensed in 19 ---. I'm sorry. In 15 jurisdictions.  
8 Actually if you count Maryland, it would be 16  
9 jurisdictions. In some of those jurisdictions we are  
10 licensed by both gaming and racing bodies. Penn  
11 National nor its subsidiaries have never been found  
12 unsuitable anywhere.

13 Q. Thank you, Mr. Auriemma. We've talked about that  
14 at the corporate level. But now at Penn National Race  
15 Course itself, if you could talk about the compliance  
16 function at that level?

17 A. Obviously with respect to any property it's a  
18 dynamic industry. There's always a learning curve.  
19 That learning curve is essentially complete at this  
20 point in time. The property in February will have  
21 been opened about two years. The property has a new  
22 General Manager which you just heard from, Mr.  
23 Quigley. And also has a new Director of Security,  
24 Javon White, who you will also hear from in a few  
25 minutes. One of the key goals of the property and of

1 corporate compliance, the folks who work for me is to  
 2 ensure that minors are kept off of the gaming floor.  
 3 The property had some difficulties with respect to  
 4 that matter, but I believe that those matters have  
 5 been rectified. And I think Jay White will testify as  
 6 to what has been implemented to in the future prevent  
 7 minors from accessing the gaming floor. With respect  
 8 to any outstanding compliance issues, I don't believe  
 9 there are any outstanding compliance issues that the  
 10 property has at this point in time.

11 ATTORNEY QUAGLIA:

12 Thank you very much, Mr. Auriemma. Our  
 13 next witness will be Javon White, the new Director of  
 14 Security at Hollywood Casino at Penn National Race  
 15 Course. Mr. White has 25 years casino security  
 16 experience. He was with the Trump properties from  
 17 1984 until earlier this year where he began as a  
 18 security officer and worked his way up to Security  
 19 Operations Manager. He began at Hollywood Casino just  
 20 last month as Director of Security.

21 -----

22 JAVON WHITE, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED  
 23 AS FOLLOWS:

24 -----

25 DIRECT EXAMINATION

1 BY ATTORNEY QUAGLIA:

2 Q. Mr. White, good morning. And the issue du jour is  
3 underage gaming. If you could talk us through what  
4 efforts you're putting in place to protect against  
5 that?

6 A. I sure could. Good morning to everyone. At  
7 Hollywood Casino we're very seriously monitored in the  
8 threat of underage gaming, and we've taken a very  
9 serious look at that to prevent it. We establish and  
10 some of these things have already been established by  
11 looking into enhancing, but we've already established  
12 a method of a multiple layer of deterrents. That  
13 involves highly visible prohibitive signage at the  
14 entrance ways, vigilance as far as security's involved  
15 with screening for underage at every entranceway and  
16 also multiple departmental team efforts in the gaming  
17 area that just doesn't just fall on to security's  
18 responsibility. But in addition to security we have  
19 assistance from food and beverage and the other  
20 departments that are there.

21 Okay. Just an example of the signage. As you can  
22 see it's very outstanding and very visible as you ---  
23 before you even come into the casino area. That is at  
24 three of the main entrances that we do have coming  
25 into the casino facility. And it's very clear we

1 don't want underage gaming.

2       Okay. Once you actually come inside, the second  
3 level would be meeting up with our security force  
4 there. And besides being greeted of course we then  
5 look for anyone that appears to be 30 years of age or  
6 under. And we strongly suggest that anyone that we  
7 stop that we found does have the good identification,  
8 authentic identification, we issue an I.D. badge. But  
9 at this step we also use the latest state-of-the-art  
10 scanners to make sure that the identification is  
11 verifiable and authentic.

12       And then a third level is --- our security rovers  
13 are present within the casino floor and on the casino  
14 floor within the slot area. In addition to that, we  
15 have very good cooperation with other departments as  
16 you can see that we have a waitress from the food and  
17 beverage that's pointing out a person that may be  
18 questionable. And also housekeeping and other  
19 departments. And we make it a joint effort in unison  
20 to detect and avoid underage gaming at Hollywood  
21 Casino.

22       Some of these as I testified, these are some of  
23 the actions that have been taken just prior to me  
24 getting there. And we were looking to this to even  
25 enhance it more. But you can see --- hopefully can



1 see there the stanchion. We have a large area of  
2 entranceway. It's a grand entrance to the casino  
3 area, but we've been able to both narrow that up to 50  
4 percent at these entrances to kind of enhance our  
5 effectiveness in bringing the groups that's coming  
6 inside to our security officers standing there to be  
7 scanned. In addition to that, we direct that any  
8 security officer detecting someone and directing  
9 someone maybe to the racing area which had been  
10 pointed out earlier because we don't allow them on the  
11 casino floor and someone that basically is underage  
12 and tries to come inside.

13       Once we refuse them, we also put out a radio  
14 transmission to our other entranceways. This also is  
15 picked up by surveillance, which does an outstanding  
16 job. I have been very impressed with monitoring their  
17 activities after they've been asked to leave our  
18 facility and prevent re-entry. As I mentioned, we  
19 strongly suggest that people that we determined to be  
20 under 30 years of age or so that we issue a badge to  
21 them. It makes it easy, and once they're on the floor  
22 and they've presented a valid I.D. and have been found  
23 to be of age, we don't have to continually ask them.  
24 Because we are diligent as are the other departments  
25 on the floor. The one thing that we do is we go

1 beyond that a little bit and take the proactive step  
2 that if they should exit and return because of just  
3 experience and history there, we check the integrity  
4 of the band itself to make sure it hasn't been  
5 compromised, passed on and so on if they come back  
6 onto the floor.

7 ATTORNEY QUAGLIA:

8 Thank you very much. Our next witness  
9 today is Richard Gold. Mr. Gold is the General  
10 Manager of the Holiday Inn Grantville.

11 -----  
12 RICHARD GOLD, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED  
13 AS FOLLOWS:

14 -----  
15 DIRECT EXAMINATION

16 BY ATTORNEY QUAGLIA:

17 Q. Good morning, Mr. Gold. We appreciate your being  
18 here with us today. If I could ask you to just state  
19 for the record the nature of the relationship between  
20 your facility and Hollywood Casino?

21 A. My name is Richard Gold, G-O-L-D. General Manager  
22 of the Holiday Inn. We have had a relationship with  
23 the race track and now the casino. The hotel was  
24 built in the mid '70s about the time the track opened,  
25 and we've had a very mutually beneficial business and

1 community relationship with both entities.

2 Q. And based on your experience how would you  
3 describe Hollywood Casino as a corporate neighbor?

4 A. Penn National has always had a leadership role in  
5 the community as a business partner and a corporate  
6 neighbor. And that level of leadership has been  
7 enhanced significantly since the casino opened a few  
8 years ago.

9 ATTORNEY QUAGLIA:

10 Thank you very much. Our next witness is  
11 Lisa Stokes. Ms. Stokes is the president of BRP  
12 Entertainment, and again she is not a Penn employee,  
13 so we appreciate her taking the time to join us this  
14 morning.

15 -----

16 LISA STOKES, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED  
17 AS FOLLOWS:

18 -----

19 DIRECT EXAMINATION

20 BY ATTORNEY QUAGLIA:

21 Q. Ms. Stokes, if you could state for the record what  
22 is the business of BRP Entertainment?

23 A. Sure. My name is Lisa Stokes, S-T-O-K-E-S. I'm  
24 the President owner of BRP Entertainment, and we are a  
25 certified business enterprise in the Commonwealth of

1 Pennsylvania. We've been doing business for 48 years,  
2 and we're also a certified Gaming Control Board  
3 member. We're an entertainment agency. We provide  
4 local, regional and national entertainment for the  
5 casino. And since Hollywood Casino has opened they've  
6 actually provided performance opportunities for over  
7 1,000 artists in our community.

8 Q. Thank you. And to be clear, what is the nature of  
9 the relationship between BRP and Hollywood?

10 A. We actually coordinate and offer entertainment  
11 ideas. We bring entertainment to the property, and  
12 we're there to make sure that everything happens  
13 according to regulations to provide the entertainment.

14 Q. And based on your experience how would you  
15 describe Hollywood Casino as a business partner?

16 A. Terrific business partner. And the corporate  
17 community themselves has really embraced them as a  
18 first class entertainment venue in the market. Myself  
19 I serve on several boards in the community, and  
20 there's probably twofold. They make a commitment to  
21 all philanthropic efforts that they're asked to help  
22 with. But also the community at large has really  
23 embraced them as first class opportunity to bring  
24 employees and clients to the property. And they've  
25 had best practices and a lot of integrity in working

1 with them. And it's really been an attribute to the  
2 community.

3 ATTORNEY QUAGLIA:

4 Thank you very much, Ms. Stokes. Again  
5 thank you for being here and Mr. Gold as well. We  
6 appreciate you taking the time to join us today, and  
7 we will go full circle and close where we started with  
8 the final comments from Mr. Finamore.

9 MR. FINAMORE:

10 Thank you. I believe we've told the  
11 story this morning of commitments made and commitments  
12 kept. We are very proud as we've talked about this  
13 morning about our product, the growth of our business  
14 that we've enjoyed, certainly our successful diversity  
15 efforts. The employment opportunities that we have  
16 provided and certainly for Pennsylvania residents has  
17 been certainly a huge success of our property. We  
18 touched on the tax generation that has been realized  
19 for the state and the local entities. Certainly  
20 substantially amounts of money. And finally, our  
21 efforts to revitalize horse racing and the breeders'  
22 programs have certainly increased a generation of  
23 funds from slot revenues. Just to conclude, we look  
24 forward to future growth at our property. We are  
25 hopeful that we will be able to introduce table games

1 product at some point in the near future at an  
2 appropriate tax rate and that we look forward to  
3 continuing to fulfill the commitments that we made.

4 ATTORNEY QUAGLIA:

5 Thank you, Mr. Finamore. Ms. Lloyd,  
6 housekeeping I'd like to introduce five exhibits for  
7 the record.

8 HEARING OFFICER:

9 Okay.

10 ATTORNEY QUAGLIA:

11 And you have copies of them, and Ms.  
12 Davenport has copies. The Mountainview Exhibit One is  
13 our Amended Application. Mountainview Exhibit Two is  
14 a hard copy of the PowerPoint that we've been using  
15 for our presentation here this morning. Mountainview  
16 Exhibit Three is the DVD containing the short video  
17 about Penn National Gaming that we began our  
18 presentation with. Mountainview Exhibit Four is the  
19 Decision of the Pennsylvania Supreme Court in DePaul  
20 versus Commonwealth. That's reported at 969 A.2d  
21 536, a 2009 decision. And Mountainview Exhibit Five  
22 is a correspondence dated May 22nd, 2009 and May 29th,  
23 2009, between Mountainview's Counsel, Bob Crauss, and  
24 Doug Sherman, the Board's Acting Chief Counsel.  
25 Exhibits Four and Five pertain to the OEC's Exhibit

1 Number One. And we would respectively ask that those  
2 exhibits be admitted into evidence.

3 HEARING OFFICER:

4 Any objection?

5 ATTORNEY DAVENPORT:

6 No objection.

7 HEARING OFFICER:

8 They are entered.

9 ATTORNEY QUAGLIA:

10 Thank you very much. And we're prepared  
11 to take questions or Cross Examination as it were.

12 ATTORNEY DAVENPORT:

13 They did such a thorough job. I was  
14 crossing my questions off as I was going along, so at  
15 this point I have no questions.

16 HEARING OFFICER:

17 Okay. Then I will do my housekeeping  
18 matter and apologize. I thought there was a written  
19 comment. I was mistaken. There are no written  
20 comments to be entered into the record at this point.  
21 So we didn't keep anything from you, Mr. Quaglia.

22 ATTORNEY QUAGLIA:

23 I never thought you did.

24 HEARING OFFICER:

25 If we can take a short five-minute break,

1 and we'll reconvene at 11:10.

2 ATTORNEY QUAGLIA:

3 Thank you.

4 SHORT BREAK TAKEN

5 HEARING OFFICER:

6 Okay. We are back on the record, and it  
7 is now the Office of Enforcement Counsel's  
8 opportunity.

9 ATTORNEY DAVENPORT:

10 Good morning, Director Lloyd. The Office  
11 of Enforcement Counsel is established with the Board's  
12 Bureau of Investigations and Enforcement and advises  
13 the bureau of all matters including granting of  
14 licenses, current administrations, the content of  
15 background investigations, audits and inspections and  
16 violations of Pennsylvania Race Horse Development  
17 Gaming Act, the regulations and the facility's  
18 internal controls. The Office of Enforcement Counsel  
19 also files recommendations and objections relating to  
20 the issuance of licenses, permits and registrations on  
21 behalf of the Bureau of Investigations and Enforcement  
22 or BIE. Pursuant to Section 1302 of the Gaming Act,  
23 the Board may issue a Category 1 slot machine license  
24 to a licensed race track facility that has been issued  
25 a license from either the state Horse Racing



1 Commission or state Harness Racing Commission to  
2 conduct thoroughbred and harness race meetings with  
3 pari-mutuel wagering. In November 2005, the  
4 Pennsylvania Racing Commission issued racing licenses  
5 to the Mountainview Thoroughbred Racing Association to  
6 conduct 103 racing days into the Pennsylvania National  
7 Turf Club to conduct 124 racing days for the 2006  
8 racing season. The Board approved Mountainview  
9 Thoroughbred Racing Association doing business as  
10 Hollywood Casino at Penn National Race Course for a  
11 conditional Category 1 slot machine license on  
12 September 27th of 2006. On December 20th, 2006, the  
13 Board approved Mountainview for its permanent Category  
14 1 slot machine license, and Hollywood Casino at Penn  
15 National opened on February 12th, 2008.

16           According to Section 1326 of the Gaming  
17 Act and Section 441A16 of current regulations, a slot  
18 machine licensee's license shall be valid for one year  
19 from the date of approval of a license renewal by the  
20 Board. Mountainview, its affiliates and principals  
21 have timely submitted the renewal applications. This  
22 morning we have Tim Aullie from the Pennsylvania State  
23 Police here to testify about reported criminal  
24 offences at Hollywood Casino at Penn National. Now,  
25 according to Section 1517C of the Gaming Act the power

1 and duties of Pennsylvania State Police include among  
2 other things to initiate proceedings for criminal  
3 violations of the Act and to conduct administrative  
4 inspections on the premises of the licensed facility  
5 to ensure compliance of the Gaming Act and the  
6 regulations.

7 -----

8 TIMOTHY J. AULLIE, HAVING BEEN PREVIOUSLY SWORN,  
9 TESTIFIED AS FOLLOWS:

10 -----

11 DIRECT EXAMINATION

12 BY ATTORNEY DAVENPORT:

13 Q. Good morning, Captain Aullie.

14 A. Good morning.

15 Q. Could you please your name and your title for the  
16 record, please?

17 A. My name is Captain Timothy J. Aullie. That's  
18 A-U-L-L-I-E. I'm the Director for Gaming Enforcement  
19 for the Pennsylvania State Police. I've served in  
20 that capacity for the last four years. I've been a  
21 member of the Pennsylvania State Police for a little  
22 over 23 years. Prior to my current assignment in  
23 gaming I served in the executive office as the  
24 Executive Officer to the Deputy Commissioner of  
25 Operations for approximately 11 years.

1 Q. Are there troopers assigned to the Hollywood  
2 Casino at Penn National?

3 A. Yes. As you indicated the Act requires the state  
4 police to provide law enforcement at the gaming sites  
5 in the slots areas and slots related areas. The way  
6 the state police facilitates that is through the  
7 establishment and assignment of the Gaming Enforcement  
8 Office. Each one of the casinos including the  
9 Hollywood Casino at Penn National there's an  
10 enforcement office. In this case we share that office  
11 with agents from the Gaming Control Board. So we have  
12 a dedicated contingent of troopers that serve right at  
13 Penn National.

14 They're on site law enforcement response, and I do  
15 stress that it's law enforcement. Our partners in the  
16 Gaming Control Board and the casino compliance reps,  
17 they are our partners. They take care of the  
18 regulatory enforcement, and we work in partnership  
19 with them. And I would also say that we work in  
20 partnership with security and surveillance such that  
21 when the law is violated when there is a situation  
22 where a law enforcement response is needed we are able  
23 to immediately respond.

24 Q. Who has the primary police jurisdiction over the  
25 parking lot, the trackside area, basically off the

1 gaming floor?

2 A. The Gaming Act, as I say we have that in the  
3 Gaming Enforcement Office for the floor in outside  
4 areas would go to the local law enforcement agency.  
5 And jurisdiction in this case it's the Pennsylvania  
6 State Police, Troop H, Harrisburg Office.

7 Q. Could you please describe the working relationship  
8 between the state police established at the casino as  
9 well as Hollywood Casino at Penn National?

10 A. At this site as well as really throughout the  
11 industry and throughout all of our offices we  
12 fortunately have a very positive working relationship  
13 with Penn National. Any time we have had any issues  
14 that have arisen and certainly there have been without  
15 exception they've always been dealt with in a  
16 cooperative manner. They have a good open  
17 relationship with casino management. And I might add  
18 that it has been nothing but enhanced since Mr.  
19 Quigley and Mr. White have arrived in their more  
20 recent positions as well. So we have a very positive  
21 relationship with management and employees at the  
22 casino.

23 Q. And what is the state police relationship with the  
24 Board's casino compliance representatives that are  
25 assigned to Penn National?

1 A. As I said earlier we truly are partners. That's a  
2 sincere term. We work very well with our partners in  
3 the casino compliance section of the Bureau on site.

4 Q. Are you familiar with the Uniform Crime Reporting  
5 System?

6 A. Yes. Maybe unfortunately, but, yes, I am familiar  
7 with that. The Uniform Crime Reporting System is  
8 basically a nationwide crime reporting standardized  
9 method of reporting crime from the local level to the  
10 state level to the tribal level, college universities,  
11 and even the federal level. It's a standardized  
12 system for reporting crimes just so that there can be  
13 any segment of the country whether it be in the local  
14 jurisdiction or on a national basis. The FBI compiles  
15 these lists ultimately. Everything is coded so that  
16 we're able to track crime across the country. Each  
17 agency is responsible for compiling their own  
18 statistics and submitting them into an automated  
19 system. All the law enforcement agencies are required  
20 to submit the information in Pennsylvania. Each  
21 agency reports to the state police, and then in return  
22 the state police reports to the FBI. This is public  
23 information. It's available on the Pennsylvania State  
24 Police public website. There's a specific link to the  
25 Uniform Crime Reporting program. It's edited or I

1 should say updated on pretty much a continual basis,  
2 but no less than a monthly basis. Crimes are entered  
3 at the local level. For instance, at Penn National if  
4 a crime is committed the trooper completes the  
5 investigative report. Supervisors will check those  
6 reports, monitor the investigation, make the entries  
7 of the crime into the system where they are recorded.  
8 Then if there are updates, if there is an arrest made  
9 let's say in two or three weeks or something other  
10 than today if there's a crime today that is --- if  
11 there's an arrest today then the entry would be made  
12 all at the same time. And I guess my point is that  
13 it's an ongoing living document that is subject to  
14 continual update.

15 Q. Okay. And we have an overhead projection. Is  
16 that the UCR for Penn National?

17 A. Yes. Difficult to read, but I would draw anyone's  
18 attention to the center of the page. There are two  
19 columns referred to as actual offences. One column is  
20 actual offences 2008. One is actual offences 2009.  
21 These statistics are specific to the Penn National  
22 site for 2008, and that would be for the entire  
23 calendar year of 2008. There was a grand total of 300  
24 crimes investigated by the state police. And by  
25 looking at actual offenses, what we have done there is

1 cut out the offenses that would be termed unfounded.  
2 Meaning if someone claims that their wallet was taken  
3 from them, we respond. We initiate an investigation.  
4 In the meantime they get home, discover their wallet  
5 was on their dresser and their wallet was never stolen  
6 to begin with. That would be reported as an offense  
7 on the front end, but would be reduced and edited in  
8 the UCR report such that it would not be included in  
9 the actual offenses. So actual offenses would be the  
10 actual clean number of offenses that have occurred.

11 For 2008, for the entire calendar year, Penn  
12 National stats were 300. For 2009, year to date for  
13 this year the stats would be through October of this  
14 year the number is 440. Of those 440 ---. I guess  
15 first of all address the 300 for 2008, up to 440.  
16 That may seem like a noticeable or alarming increase.  
17 I don't think you can necessarily jump to that  
18 conclusion one way or the other. Each facility is  
19 very different. Penn National has actually  
20 experienced based on, and as evidenced by the revenue  
21 figures that were given earlier to us, they've  
22 experienced a significant increase in business. And I  
23 might also add that I think our troopers as well as  
24 security and surveillance departments have also become  
25 more proficient with their roles on site. So I don't

1 think we can necessarily draw any conclusions, and I  
2 certainly don't think you can do that based on a one  
3 year to the next comparison. Any kind of trend that  
4 would attempt to be drawn would have to go on for a  
5 period of time more than two years. More in the terms  
6 of five years before you're drawing conclusions with  
7 that.

8 Q. Does the UCR list the number of actual offences  
9 that are prosecuted?

10 A. Prosecutions are not listed because they can ---.  
11 Prosecutions have multiple factors that come into  
12 play. As my example, I will draw attention to under  
13 the 2009 offenses of the 440 total cases, 286 of them  
14 were the thefts. Most of those dealt with voucher  
15 thefts. Of those 286 cases, 248 of them were cleared.  
16 And what I mean by cleared is they were resolved, and  
17 it's through the positive response of security and  
18 surveillance and the state police.

19 Our efforts were put into determining what  
20 happened to that voucher. And oftentimes the victim  
21 does not want to pursue prosecution. It's not  
22 uncommon to discover that there is some possibility  
23 the person took the voucher didn't realize they were  
24 doing anything wrong. So we have a pretty high  
25 clearance. But also of those 248 clearances, we have



1 34 people that we actually made arrests on. And again  
2 getting back to the prosecution question, there are  
3 multiple things from the district attorney, the  
4 district magistrate, the perspective of the victim,  
5 the totality of all of the circumstances of the case  
6 that come into prosecution. So, no, the UCR reports  
7 do not necessarily reflect prosecutions. But I will  
8 add through my comments about the thefts what we feel  
9 we're ending up with is often --- it's somewhat  
10 burdensome on the casino at times to assist us in  
11 resolving those cases of those stolen vouchers.  
12 Pennsylvania law has written such that we really are  
13 required to respond in the manner that we do.

14 And as evidence by letters I have received from  
15 satisfied customers so to speak, I think they are very  
16 appreciative of not only the state police, but also of  
17 the casino efforts for both the security and  
18 surveillance arenas. Additional UCR stats. Again,  
19 286 of the 440 were thefts. Twenty (20) of them were  
20 counterfeit, counterfeit bills. And I think really  
21 considering the ---. I don't really count that. I  
22 would have defer to the casino, but I think it's very  
23 safe to say there are millions and millions of people  
24 that visit this facility on an annual basis. And to  
25 have 440 crimes is not anything that I'm alarmed with

1 that there's a crime spree here by any means.

2 Q. And with respect to the voucher theft let's take  
3 an example that a patron used the machine, leaves the  
4 voucher in the machine. The next person comes up and  
5 cashes that out. Would that be considered a voucher  
6 theft?

7 A. On the face value, yes, it would be. But that's  
8 how our troopers are able to get involved.  
9 Surveillance is extremely helpful in determining what  
10 happened to that voucher. In many cases we're able to  
11 track down the individual through surveillance that  
12 took the voucher. We're able to interview the victim  
13 or interview the person that took the voucher.  
14 Oftentimes it's a situation where that person makes  
15 the victim whole. The victim does not want to  
16 participate in the prosecution. It may be a de minimus  
17 amount. The district attorney may have a threshold  
18 that he doesn't want to --- or she doesn't want to  
19 prosecute under a certain threshold. So although it's  
20 a difficult situation we feel it would negligent not  
21 to respond to those theft situations.

22 Q. But those numbers do occur or appear on the UCR?

23 A. Yes, they do.

24 Q. Have the troopers stationed at Penn National cited  
25 individuals under the age of 21 for criminal trespass

1 for attempting to enter the gaming floor?

2 A. Yes, we have arrested individuals under 21. The  
3 law states that it's illegal for anyone under 21 to  
4 engage in gaming. There really isn't an enforcement  
5 section to that law. So with individuals under 21  
6 years old, the casino actually is doing a commendable  
7 and much improved job over detecting these individuals  
8 and removing them from the floor. And in most cases  
9 the only time we become involved is if there's some  
10 other violation such as underage drinking or  
11 disorderly conduct or if they become disruptive in  
12 some way or if there's a question about their  
13 identification.

14 So in terms of the number of arrests we have made  
15 where it's been necessary for law enforcement to  
16 respond, in 2007, we arrested a total of seven  
17 underage individuals. Of those seven, three were  
18 underage consumption, two for trespass, one for  
19 carrying false identification and one for forging  
20 false identification. In 2009, there were a total of  
21 six. Three for underage consumption and three for  
22 disorderly conduct.

23 Q. And generally are the Pennsylvania State Police  
24 satisfied with the level of cooperation between the  
25 staff of Hollywood Casino and the troopers stationed

1 within the facility?

2 A. Yes, very much so. We have a positive  
3 relationship with the casino. As I said before, Mr.  
4 Quigley and Mr. White have done nothing but enhanced  
5 that. The employee level, things are working well and  
6 a very positive relationship.

7 ATTORNEY DAVENPORT:

8 Thank you, Captain Aullie.

9 ATTORNEY QUAGLIA:

10 I have no questions. Thank you.

11 ATTORNEY DAVENPORT:

12 Section 1509 of the Gaming Act requires  
13 the establishment of a compulsive and problem gambling  
14 program. Amendments to Mountainview Thoroughbred  
15 Racing Association compulsive and problem gambling  
16 plan was approved by the Board's Office of Compulsive  
17 and Problem Gambling on November 6th, 2009. Nan  
18 Horner, the Director of the Office of Compulsive and  
19 Problem Gaming is here today to testify regarding  
20 Mountainview's compulsive and problem gambling plan.

21 -----

22 NANETTE HORNER, HAVING BEEN PREVIOUSLY SWORN,  
23 TESTIFIED AS FOLLOWS:

24 -----

25 A. Good morning. My name is Nanette Horner. That's

1 N-A-N-E-T-T-E, last name H-O-R-N-E-R. I am the  
2 Director of the Pennsylvania Gaming Control Board  
3 Office of Compulsive and Problem Gambling.

4 DIRECT EXAMINATION

5 BY ATTORNEY DAVENPORT:

6 Q. Could you please summarize the compulsive and  
7 problem gambling plan requirements that are contained  
8 in the Gaming Act and the regulations for slot machine  
9 licenses?

10 A. The Gaming Act regulations and guidelines address  
11 issues such as the requirement for slot machine  
12 licensees to develop and implement a compulsive and  
13 problem gambling plan, to train employees regarding  
14 signs and symptoms of problem gambling. To establish  
15 and comply with procedures, train employees, to  
16 prevent self-excluded, excluded, underage and  
17 intoxicated individuals from engaging in slot machine  
18 gambling and from receiving direct mail marketing  
19 material.

20 To notify me, the director, within 24 hours of a  
21 violation by an individual who's on the self-exclusion  
22 or exclusion list. They must include a problem  
23 gambling statement and a toll-free number of an  
24 approved font size on all advertisements and  
25 promotional material. They must establish procedures

1 to respond to and disseminate problem gambling  
2 materials and brochures and place approved signage in  
3 locations that specify individuals who are under 21  
4 years of age and those who are on the exclusion or  
5 self-exclusion list are prohibited from gambling.

6 Q. What are the procedures to approve the compulsive  
7 and problem gambling plan?

8 A. The procedures are that when a licensed applicant  
9 filed its application it had to submit a compulsive  
10 and problem gambling plan with the application. None  
11 of the applications as submitted were approved. But  
12 after a licensee received its license and prior to  
13 opening, the compulsive and problem gambling plans  
14 were revised. They were submitted to my office,  
15 compared with the regulatory requirements. And  
16 there's usually a little bit back and forth prior to  
17 approval of the plans.

18 Q. And did you approve Mountainview's compulsive and  
19 problem gambling plan?

20 A. Yes. Mountainview's original compulsive and  
21 problem gambling plan was approved prior to the  
22 opening of the facility, and the approval was dated  
23 February 11, 2008.

24 Q. What are Mountainview's training requirements with  
25 respect to their compulsive and problem gambling plan?

1 A. Generally all of Mountainview's employees are  
2 educated on the issue of compulsive and problem  
3 gambling, the prohibition of underage gambling, the  
4 prohibition of gambling by intoxicated patrons and the  
5 identification and ejection of excluded and self-  
6 excluded individuals. The materials, the training  
7 materials that they utilize have been developed by the  
8 Council on Compulsive Gambling of Pennsylvania, which  
9 is a group that has specialized knowledge, skills,  
10 training and experience in responsible gaming and  
11 employee training programs. And Mountainview also has  
12 utilized its own employees to develop training  
13 materials for departmental training.

14 Q. What are the duties and responsibilities of  
15 Mountainview's employees with respect to the  
16 compulsive and problem gambling plan?

17 A. The employees of specific departments are trained  
18 in department specific types of training regarding  
19 policies and procedures that are set forth in their  
20 approved compulsive and problem gambling plan. So  
21 departments that have specific duties and  
22 responsibilities would include security, surveillance,  
23 their slots department, the cashier's cage, marketing,  
24 food, beverage and also valet.

25 Q. Is it a requirement to establish the procedures to

1 attempt to identify patrons and employees with  
2 suspected or known compulsive and problem gambling  
3 behaviors?

4 A. Yes. The facility's compulsive and problem  
5 gambling plan must contain the procedures to attempt  
6 to identify the patrons and employees with suspected  
7 or known compulsive and problem gambling behavior, and  
8 also to provide information to individuals regarding  
9 treatment services and gamblers anonymous programs.  
10 Mountainview's compulsive and problem gambling plan  
11 does address these requirements. But I just would  
12 like to say on the record that problem gambling is a  
13 hidden addiction. Signs and symptoms are not readily  
14 apparent. They're very subtle. So an employee, for  
15 example, might be concerned with a statement or a  
16 series of statements from a customer or a statement  
17 from a third party saying that they are concerned  
18 about someone gambling too much. So employees are not  
19 licensed mental health professionals. They are not  
20 supposed to diagnose an individual and to really avoid  
21 placing labels on an individual.

22 Q. If an employee sees such behavior is there a  
23 requirement that he or she report the behavior?

24 A. Yes. General employees would report to a  
25 supervisor, the supervisor would either attempt to



1 handle it or report that to security. Security has  
2 had a higher level of training regarding the issues.

3 Q. Is there a requirement to provide information to  
4 the individual with suspected compulsive and problem  
5 gambling behaviors?

6 A. Yes. In the regulations and as covered by  
7 Mountainview's compulsive and problem gambling plan  
8 there is a requirement that the facility provide  
9 information to individuals or to family members of  
10 individuals who have problems. So many of those items  
11 are on display. Employees can direct an individual on  
12 where to obtain the information. Also some employees  
13 have received additional training in order to attempt  
14 to provide that information to an individual.  
15 However, if an attempt is being made to provide  
16 information to a person exhibiting signs and symptoms  
17 of problem gambling behavior, that person says not  
18 interested, go away, leave me alone, then you can't  
19 force the information on a person.

20 Q. Could you review the signage requirements under  
21 the plan?

22 A. Yes. The signage requirements require that a  
23 problem gambling statement and a toll-free number must  
24 be on the signage within 50 feet of each entrance and  
25 exit of the facility and either on or within 50 feet

1 of each ATM and cash dispensing machine in the  
2 facility. Signage at all entrances must be placed in  
3 order to notify self-excluded individuals that they  
4 are subject to arrest for trespass. Signage within 50  
5 feet of the entrance and exit of the gaming floor must  
6 be placed to notify individuals under the age of 21  
7 they are not permitted to gamble. And signage at all  
8 entrances notifying individuals that firearms and  
9 deadly weapons are prohibited without any Gaming  
10 Control Board permission.

11 Q. I believe you testified that Mountainview's  
12 original compulsive and problem gambling plan was  
13 approved before the facility opened?

14 A. That is correct.

15 Q. Has it been revised since that time?

16 A. Yes. An amendment for their compulsive and  
17 problem gambling plan for which the entire plan was  
18 rewritten, reorganized and revised including revised  
19 exhibits was approved by me on November 6th, 2009.

20 Q. Has Mountainview submitted a 501A4 report?

21 A. Yes. The 501A4 report requires a summary of the  
22 compulsive and problem gambling plan, and it is part  
23 of the renewal procedure. And I can just go through a  
24 couple of points of what was contained in their  
25 report. They established a responsible gaming

1 committee, which is compromised of its General  
2 Manager, who acts as chairman of the committee, Vice  
3 President of Slots, VP of Human Resources, VP of  
4 Security, VP of Food and Beverage and the Compliance  
5 Manager. There are quarterly responsible gaming  
6 committee meetings. They have training for tier two  
7 of problem gambling, which is primarily team members  
8 who have direct contact with guests. And they have  
9 tier three training, which is security department,  
10 supervisors and managers.

11 It covers topics related to compulsive and problem  
12 gambling, characteristics and symptoms, relationship  
13 to other addictions, social and economic consequences  
14 of the problem as well as techniques and procedures  
15 that is to be used by employees to discuss the issue  
16 and procedures related to responsible alcohol service.  
17 They assess the effectiveness of the responsible  
18 gambling training by conducting quarterly reviews with  
19 groups of employees who are randomly selected by the  
20 training department. And they periodically conduct  
21 awareness events for employees and patrons regarding  
22 responsible gambling.

23 ATTORNEY DAVENPORT:

24 Thank you, Ms. Horner.

25 A. Thank you.

1                   HEARING OFFICER:

2                   Any questions?

3                   ATTORNEY QUAGLIA:

4                   No, no questions for Ms. Horner.

5                   ATTORNEY DAVENPORT:

6                   The Board's Bureau of Casino Compliance  
7 is responsible for protecting the integrity of gaming  
8 within each casino with the enforcement of gaming  
9 regulations and being the first line responding to  
10 patron complaints. The Bureau of Casino Compliance  
11 has casino compliance representatives that are  
12 assigned to each facility who are familiar with the  
13 Gaming Act, the regulations and the facility's  
14 internal controls as well its policies and procedures.

15                   The Bureau of Casino Compliance also  
16 insures that all casino employees that have access to  
17 the gaming floor are properly licensed and that all  
18 vendors who have a business relationship with the  
19 casino have complied with the Bureau of Licensing  
20 registration requirements. The casino compliance  
21 representatives monitor the casino's surveillance  
22 department to ensure that there is adequate camera  
23 coverage throughout the facility and that such  
24 coverage meets the requirements of the regulations.  
25 In addition, the Bureau of Casino Compliance refers

1 any criminal acts to the Pennsylvania State Police for  
2 investigation and refers any violation of the Act,  
3 regulations or internal controls to the Office of  
4 Enforcement Counsel for possible sanctions against the  
5 casino or its employees. Gerry Stoll for the Bureau  
6 of Casino Compliance is here to present its working  
7 relationship with Mountainview Thoroughbred Racing  
8 Association.

9 -----

10 GERALD STOLL, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED  
11 AS FOLLOWS:

12 -----

13 DIRECT EXAMINATION

14 BY ATTORNEY DAVENPORT:

15 Q. Good morning, Mr. Stoll.

16 A. Good morning, ma'am.

17 Q. Could you please state your name, your title for  
18 the record, please?

19 A. All right. My name's Gerald Stoll, S-T-O-L-L. I  
20 am the Senior Compliance Supervisor for the Bureau of  
21 Compliance and have acted in that capacity for the  
22 last four years.

23 Q. And what is the role of casino compliance  
24 representatives at Hollywood Casino at Penn National?

25 A. The casino compliance representatives are a

1 24-hour, 7 day a week presence on the casino floor.  
2 More or less the boots on the ground, the conduit  
3 communication from the casino to the Board. We  
4 supplement the Gaming Board and the various bureaus  
5 there whether it be compulsive gaming we process those  
6 that wish to be excluded. We supplement, you know,  
7 emergency credential procedures for Office of  
8 Enforcement Counsel. We more or less ensure that, you  
9 know, the property has the information that it  
10 requires and the Board has the information that it  
11 requires from the property on a 24-hour basis.

12 Q. And please describe the bureau's working  
13 relationship with the management employees at  
14 Hollywood Casino?

15 A. All right. Our employees to a man or a woman tell  
16 me that there is nothing but a 100 percent  
17 professional relationship with the management of  
18 Hollywood. And I have seen nothing in my experience  
19 there to indicate that it's less than 100 percent  
20 cooperation. And they're working in a partnership to  
21 make everyone concerned whether it be the patrons, the  
22 operators or the gaming Board's successful.

23 Q. Has the Mountainview cooperated with any  
24 investigations that have been initiated by the Bureau?

25 A. Yes. Mountainview has cooperated 100 percent with

1 any initiative, any problem that we brought to their  
2 attention.

3 Q. And could you please describe the Bureau's working  
4 relationship with the troopers, the Pennsylvania state  
5 troopers that are assigned to Hollywood Casino?

6 A. With my casino's compliance representatives and  
7 the troopers' shared office we have a different  
8 definition of responsibilities. PSP's criminal, ours  
9 is regulatory. But we will generally refer  
10 investigations to each other, if we come upon a  
11 criminal investigation, we will refer it immediately  
12 to the state police. And the state police will refer  
13 any regulatory issues that they identify. We have a  
14 fantastic relationship with all members of the  
15 Pennsylvania State Police assigned to Hollywood.

16 Q. Does the Bureau work with G-tech and the  
17 Department of Revenue in order to ensure that the  
18 proper revenue is collected by the Commonwealth?

19 A. Yes, we do.

20 Q. I'm sorry. Have there been any issues with  
21 respect to collection of taxes on the gross terminal  
22 revenue?

23 A. No, ma'am.

24 Q. And have there been any issues with respect to the  
25 connectivity to the central control computer system?

1 A. Nothing out of the ordinary.

2 Q. Does the Bureau of Casino Compliance work with the  
3 casino on its compulsive and problem gambling issues?

4 A. Actually Nanette Horner would work with them, but  
5 we actually make sure that the things in there are  
6 adhered to by the property.

7 Q. So you make sure they adhere to the plan?

8 A. Yes, ma'am.

9 Q. If the Bureau of Casino Compliance have raised any  
10 issues or concerns has Mountainview cooperated with  
11 the Bureau to address those concerns?

12 A. Yes, ma'am, they have.

13 ATTORNEY DAVENPORT:

14 Thank you. I have no other questions.

15 HEARING OFFICER:

16 Mr. Quaglia.

17 ATTORNEY QUAGLIA:

18 No. No questions. Thank you.

19 ATTORNEY DAVENPORT:

20 The Board's Bureau of Investigations and  
21 Enforcement was responsible for conducting  
22 Mountainview Thoroughbred Racing Association's  
23 Category 1 renewal background investigation. Mike  
24 Rosenberry is present today to testify regarding  
25 Mountainview's background investigation.



1 -----  
2 MICHAEL ROSENBERRY, HAVING BEEN PREVIOUSLY SWORN,  
3 TESTIFIED AS FOLLOWS:

4 -----  
5 DIRECT EXAMINATION  
6 BY ATTORNEY DAVENPORT:

7 Q. Good morning, Mr. Rosenberry.

8 A. Good morning.

9 Q. Could you please state your name and spell it for  
10 the record?

11 A. My name is Michael Rosenberry. It's  
12 R-O-S-E-N-B-E-R-R-Y. I'm the Regional Director for  
13 the Central Region of the Bureau of Investigations and  
14 Enforcement.

15 Q. Did the Bureau of Investigations and Enforcement  
16 conduct a renewal investigation to determine the  
17 suitability of Mountainview for licensure?

18 A. Yes, we did.

19 Q. And when did the Bureau of Investigations and  
20 Enforcement begin their suitability investigation?

21 A. The renewal investigation actually began in some  
22 part of December of 2007, and continued through  
23 December of 2008. Since that time the investigation  
24 has been updated. Supplemental reports of  
25 investigation have been completed to ensure that all

1 investigative information is timely and still  
2 accurate.

3 Q. As part of the renewal investigation did BIE  
4 review applications submitted by Mountainview, its  
5 affiliates and principals?

6 A. Yes, we did.

7 Q. And were those applicants investigated for felony  
8 convictions, gambling offenses, civil litigation,  
9 credit history, outstanding judgments, regulatory  
10 history and Department of Revenue tax status?

11 A. Yes, they were.

12 Q. Did Mountainview timely provide BIE with all  
13 requested documents and information regarding its  
14 renewal investigation?

15 A. Yes, they did.

16 Q. Is there anything that's outstanding to the best  
17 of your knowledge?

18 A. No.

19 Q. In your opinion did Mountainview fully cooperate  
20 with the Bureau during its renewal investigation?

21 A. Yes.

22 Q. Did the Bureau complete its renewal investigation  
23 of Mountainview, its affiliates and principals?

24 A. With the exception of a potential applicant, Carol  
25 Martin, who I believe is the Regional Director for

1 Internal Audits for Penn Gaming, the renewal  
2 investigation for Mountainview, the affiliated  
3 companies, entities, all the principals is complete.

4 Q. To the best of your knowledge has Mountainview  
5 paid all the costs and fees due to the Board for its  
6 renewal investigation?

7 A. BIE was informed on the 9th of November that  
8 Mountainview is currently up to date on all costs and  
9 fees.

10 Q. And to the best of your knowledge has Mountainview  
11 satisfied its local state and federal tax obligations?

12 A. To the best of my knowledge which is based on  
13 transfers that have been received from the Internal  
14 Revenue Service database, checks and correspondence  
15 with the Pennsylvania Department of Revenue,  
16 Mountainview is current with all of its tax  
17 obligations.

18 Q. Did the Bureau determine whether there are any  
19 issues related to Mountainveiw's suitability or the  
20 suitability of any of its affiliates or principals  
21 that would impede licensure?

22 A. The renewal investigation has not uncovered any  
23 issues relating to Mountainview, the affiliates,  
24 principals nor the employees that would affect  
25 suitability or impede for licensure.

1 Q. Are the Bureau of Investigations and Enforcement's  
2 findings contained in a report of investigation?

3 A. Actually BIE's findings are contained in no less  
4 than 24 reports of investigations obtained and more  
5 than 20 supplemental reports of investigations.

6 Q. And were those reports forwarded to the Bureau of  
7 Licensing?

8 A. Yes, they were.

9 Q. Are BIE's findings incorporated into a suitability  
10 report that will go to the Board?

11 A. Yes.

12 Q. And at this time is the Bureau aware of any issues  
13 that would preclude the entity, its affiliates and  
14 principals from being licensed by the Board?

15 A. No, we're not.

16 ATTORNEY DAVENPORT:

17 Thank you.

18 HEARING OFFICER:

19 Any questions, Mr. Quaglia?

20 ATTORNEY QUAGLIA:

21 No, no questions. Thank you.

22 ATTORNEY DAVENPORT:

23 The Office of Enforcement Counsel,  
24 Assistant Enforcement Counsel Katie Higgins will  
25 discuss stipulations that the parties have entered

1 into with respect to enforcement actions taken by the  
2 Bureau of Investigations and Enforcement against  
3 Mountainview Thoroughbred Racing Association.

4 -----  
5 KATIE HIGGINS, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED  
6 AS FOLLOWS:

7 -----  
8 A. My name is Katie Higgins, H-I-G-G-I-N-S. I'm with  
9 the Assistant Enforcement Counsel with the Office of  
10 Enforcement Counsel. The OEC and Mountainview  
11 Thoroughbred have entered into the following  
12 stipulations regarding enforcement action. On  
13 September 26th, 2006, the Board approved a consent  
14 agreement with respect to Section 1513 of Pennsylvania  
15 Race Horse Development and Gaming Act regarding  
16 political influence, and Penn National paid a civil  
17 penalty of \$15,000.

18 Subsequently on April 30th, 2009, the Pennsylvania  
19 Supreme Court ruled that Section 1513 of the Act  
20 violates Article 1 Section 7 of the Pennsylvania  
21 Constitution and enjoys the enforcements of that  
22 section. On October 1st, 2008, the Board approved a  
23 consent agreement with respect to Section 1513a.3a of  
24 the regulations regarding underage gaming, and Penn  
25 National paid a civil penalty of \$5,000. The OEC

1 conducted one compliance conference at Penn National's  
2 facility since the time of Penn National's initial  
3 licensure. Penn National took corrective measures to  
4 remedy the concern of BIE with respect to the  
5 compliance issues. The OEC has sent Penn National 12  
6 warning letters since the time of licensure for  
7 possible violation of the Act and regulations  
8 promulgated thereunder. Penn National has  
9 appropriately responded to each warning letter issued  
10 by the OEC. The OEC sent Penn National one cease and  
11 desist letter since the time of licensure. The OEC  
12 has filed three enforcement action complaints to  
13 revoke non-gaming employee registrations for  
14 individuals who violated either the Act or  
15 regulations. In each instance the individual's  
16 registration was revoked by the Board.

17 And finally, the OEC has filed three requests for  
18 emergency suspension of either gaming employees,  
19 occupation permits or non-gaming employee registration  
20 for individuals who were arrested and charged with  
21 felony offenses. In each instance, the individual's  
22 permit or registration was suspended by the Board.  
23 Thank you.

24 ATTORNEY DAVENPORT:

25 Thank you. As Mike Rosenberry from the

1 Bureau of Investigations and Enforcement testified,  
2 the Bureau has reported investigations containing a  
3 suitability report which was forwarded to the Board.  
4 The suitability report also contains information on  
5 the background of the licensee, race track gaming and  
6 back side improvements, gaming operations, employment,  
7 diversity, regulatory history and issues since  
8 licensure, compliance with its statements and  
9 conditions, fulfillment of promises and commitments,  
10 payment of application and background investigation  
11 fees, financial suitability, bond for the issuance of  
12 slot machine licensing, civil litigation, tax  
13 clearances, background investigation and principals  
14 and Mountainview Thoroughbred Racing Association's  
15 compulsive and problem gambling plan.

16           As noted in the suitability report,  
17 Mountainview remains in good standing with the  
18 Pennsylvania Racing Commission. A letter of good  
19 standing noting that there were no regulatory  
20 violations involving Penn National Turf Club, Inc.,  
21 and Mountainview is attached to the suitability report  
22 as Exhibit One. In addition, the Pennsylvania  
23 Department of Revenue reports to the Board that  
24 Mountainview is compliant with Chapter 14 of the  
25 Gaming Act and the Department of Revenue's regulations

1 regarding all payment of taxes and assessments. In  
2 addition, the Department of Revenue has reported that  
3 there have been no issues regarding collection of  
4 taxes on gross terminal revenue or connectivity to the  
5 Department's central control computer system. The  
6 Pennsylvania Department of Labor and Industry reports  
7 to the Board that Mountainview is compliant with its  
8 unemployment compensation and Workers' Compensation  
9 taxes. Section 212 of the Gaming Act requires that  
10 the Board promote ensured diversity in all aspects of  
11 gaming activities all under the act. And that the  
12 Board shall work to enhance the representation of  
13 diverse groups and the ownership participation and  
14 operation of licensed entities and licensed facilities  
15 through the ownership, participation and operation of  
16 business enterprises associated with or utilized by  
17 the licensed entities or licensed facilities and  
18 through the provision of goods and services utilized  
19 by slot machine licenses.

20                   The Board's Director of Diversity  
21 reviewed Mountainview Thoroughbred Racing  
22 Association's diversity plan and concluded that it's  
23 not deficient and that Mountainview has demonstrated a  
24 good faith effort to achieve the diversity goals of  
25 the Board. Mountainview Thoroughbred Racing



1 Association's suitability report also contains an  
2 analysis by the Board's financial investigations unit  
3 and Mountainview's finances. It indicates that there  
4 is no reason at this time to find Mountainview or its  
5 parent company, Penn National Gaming, financially  
6 unsuitable for continued licensure. The Office of  
7 Enforcement Counsel and Mountainview Thoroughbred  
8 Racing Association have entered into a consent  
9 agreement for violation of Section 513A2B of the  
10 regulations. This consent agreement will be submitted  
11 to the Board for approval at its November 18th  
12 meeting. So I therefore request that the record  
13 remain open to include a consent agreement and the  
14 Board order as an exhibit.

15           At this time we'd also like to move into  
16 the record OEC Exhibits 1 through 26 which are  
17 contained in the binder which have been provided to  
18 the opposing parties. As well as OEC Exhibit Number  
19 27, which is the suitability report for the Licensee.

20           HEARING OFFICER:

21           Would you like to enter as well the  
22 stipulations regarding Exhibits 1 through 26?

23           ATTORNEY DAVENPORT:

24           I would, please.

25           HEARING OFFICER:

1                   We'll make that Exhibit Number 28. Any  
2 objections from Penn National?

3                   ATTORNEY QUAGLIA:

4                   No objection to admissibility. We have  
5 obviously some confidentiality concerns, and I don't  
6 know at what point you want to address that.

7                   ATTORNEY DAVENPORT:

8                   If you want to address what ---.  
9 Obviously sections in the suitability report must  
10 remain confidential.

11                   ATTORNEY QUAGLIA:

12                   Yes. We would request confidential  
13 treatment for the confidential sections of the  
14 suitability report, for the warning letters and the  
15 responses, which would be OEC Exhibits 3-A through 16-  
16 B. And also because I don't know that I mentioned it  
17 earlier we would request confidential treatment for  
18 the confidential portions of the application updates  
19 that were submitted as Mountainview Exhibit One.

20                   HEARING OFFICER:

21                   Okay. Any information that is  
22 confidential and protected under the Act, regulations  
23 or other state and federal law we certainly keep  
24 confidential as we are required to do.

25                   ATTORNEY QUAGLIA:

1 Thank you.

2 HEARING OFFICER:

3 Anything further from OEC?

4 ATTORNEY DAVENPORT:

5 No.

6 HEARING OFFICER:

7 It's my understanding that we have had  
8 one individual registered today to speak and that  
9 would be Mr. Melvin Johnson. Is Mr. Johnson here? If  
10 you would like to come forward. And if you could have  
11 a seat here at the end of the table in front of the  
12 microphone. You might want to remain standing because  
13 the court reporter will swear you in first.

14 -----  
15 MELVIN JOHNSON, HAVING BEEN PREVIOUSLY SWORN,  
16 TESTIFIED AS FOLLOWS:

17 -----  
18 HEARING OFFICER:

19 And Mr. Johnson, if you're here on behalf  
20 of an entity or a group if you could let us know who  
21 that is. If you're here just because you'd like to be  
22 here and speak to the Board that's great too. If  
23 you'd like to begin.

24 A. Thank you for the opportunity. My name is Melvin  
25 Johnson, J-O-H-N-S-O-N, President and CEO of the MT

1 Johnson Group. For the sake of my background, I'm a  
2 former nuclear pipe specialist from the U.S. Navy  
3 Department. Came to Pennsylvania in Harrisburg in  
4 1972, to create the Office of Minority Women Business  
5 Enterprise. Served for 30 years in that office as  
6 Chief of Investigations, Chief of Construction and  
7 Grants Review and as Director. Since that time I have  
8 worked as the Executive Director of the African  
9 American Chamber of Commerce and now the President and  
10 CEO of the MT Johnson Group. I come this morning  
11 because of an issue that has been longstanding in  
12 terms of a greater transparency in the diversity  
13 issues that have been spoken to so much with not only  
14 this casino, but various casinos around the  
15 Commonwealth.

16 I am in receipt of the diversity plan for  
17 Hollywood Casino dated 2005, 2006; the 2007 gaming  
18 diversity study and also the letter that I would like  
19 to just mention that was issued by then Thomas Decker,  
20 chair of the Pennsylvania Gaming Board based on the  
21 hearings that were held on September 29th in  
22 Philadelphia. It reads that feedback indicated that  
23 although potential slot facility operators are moving  
24 forward with plans to locate in communities throughout  
25 the state, little or no outreach efforts are underway

1 to increase diversity.

2       This letter puts current and future applicants for  
3 slot machines or related licenses on notice of that.  
4 And in examining the applicant's diversity practices,  
5 the Board will not only look at those practices after  
6 an application is submitted, but also will look at the  
7 applicant's diversity practice history. This is  
8 particularly true for those applicants breaking ground  
9 on new projects and developing new business in  
10 Pennsylvania. My concern is that the transparency  
11 with which we have moved to is insufficient to give  
12 those of us who are specialists in this area the kind  
13 of information we need. I listened intently to Mr.  
14 Finamore and to Mr. Quigley, and the anticipation of  
15 new construction is certainly one that I'm interested  
16 in.

17       One of the things that I have continually tried to  
18 address to this entity, Mountainview, is that the  
19 contractors that you contract with report the  
20 contracts in MBE or WBE. But that does not examine  
21 the workforce in the manner sufficient to find out  
22 whether or not they are really a diverse company.  
23 There are too many shell games and too many front  
24 companies, some that are set up by the prime  
25 contractors themselves. The entity that is important

1 to me is that when a prime contractor's awarded a  
2 contract, we have no process to identify whether they  
3 are required to meet Federal Executive Order 11246,  
4 which was established and amended in 1980. Now, we  
5 say there's no federal money involved in the project.  
6 That is correct. But once a contractor has accepted  
7 federal monies on any project that they do across the  
8 country, be it a house that is a HUD house that has  
9 federal monies in it or any other entity, they're  
10 required to meet the federal requirements. In 1980,  
11 standards were set by the U.S. Department of Labor for  
12 all of those contractors.

13       And the regulations said that if all of your  
14 projects across the country because of the gross  
15 discrimination that has occurred against women and  
16 minorities you will employ in all your trades women at  
17 6.9 percent of your workforce. And what happened at  
18 that point was they employed a woman and they ran her  
19 around to a different job every day, and they counted  
20 her on five different jobs in a week. The regulations  
21 were changed in 1980, to request that 6.9 percent of  
22 the work hours would be reported in those --- by those  
23 contractors who met the standard as a federal  
24 contractor. In terms of minorities in 1980, a  
25 standard was set and published in the Federal Register

1 for each SMSA, Standard Metropolitan Statistical Area,  
2 in the country. Just so happens Dauphin County is 6.2  
3 at the 1980 standard. What I'm saying to you is that  
4 there are many contractors who meet the federal  
5 requirement, but are not looked at for the federal  
6 standard although they are required to do so. I have  
7 addressed this to the Hollywood Casino people and was  
8 not given an audience to talk with them about it.  
9 Subsequent to my several times trying to meet with  
10 them, I did finally meet with the before mentioned Ms.  
11 Nadine Hall, who has since passed away. And the final  
12 indication was that's something you'll have to take up  
13 with the contractor.

14 My concern is that there are many contractors who  
15 are shell, who may be MBE or WBE or DBE, but when you  
16 look at the aggregate workforce it doesn't look  
17 anything like the owner. The reason for MBE and WBE  
18 was that work persons could not be employed because of  
19 discrimination with other major firms. But that was  
20 hoped that the MBE and WBE would hire minorities. So  
21 we need to look at the workforce of all contractors if  
22 they meet the federal standard, but we don't ask them  
23 that question. So in the sake of transparency I would  
24 like to see that kind of data utilized. This is 30  
25 years now. This is 30 years of them having the

1 requirement and many contractors should be pre-  
2 qualified or looked at even prior to being awarded a  
3 contract so we know up front whether or not they have  
4 met the spirit and intent of the 1980 directive. I  
5 think this is important especially in today's market  
6 where we're trying to reach people at a lower level  
7 and working with stimulus on a national basis right  
8 now to see that the funds get to the lowest level.  
9 And it's been long since an obligation and an  
10 opportunity for people to have those training programs  
11 in place so that women and minorities can learn a  
12 skill trade if they want to. I would ask for a new  
13 kind of transparency and a new kind of bidding to  
14 realistically have the spirit and intent of the  
15 Pennsylvania law that says that we award to the lowest  
16 qualified responsible bidder which was defined in  
17 1988, in the contracts of the Department of General  
18 services.

19       So my testimony today is that I'm looking for more  
20 openness and more transparency in the areas of  
21 diversity in the workforce numbers by trade. So that  
22 we actually know that not just MBE and WBEs are  
23 getting contracts, but there are workers on the job in  
24 every job category that at least meets the 1980  
25 standard in 2009 or 2010. Thank you very much.



1                   HEARING OFFICER:

2                   Thank you, Mr. Johnson.

3 A.    I have copies of that regulation to leave with  
4 you.

5                   HEARING OFFICER:

6                   Okay. That's fine.

7 A.    Can they be a part of the record?

8                   HEARING OFFICER:

9                   Yes. Mr. Quaglia, if you give him a copy  
10 and our Office of Enforcement Counsel a copy and  
11 myself, and we can include those in the record. Thank  
12 you. Mr. Johnson is the only speaker I had on my list  
13 today. If there is anyone else in the room who  
14 believes that they have registered, if you could raise  
15 your hand right now. Okay. I don't see anyone else.  
16 Now this is the opportunity for Penn National if they  
17 have brief closing remarks. Mr. Quaglia.

18                   ATTORNEY QUAGLIA:

19                   No. I believe Mr. Finamore previously  
20 delivered our closing remarks. We appreciate the  
21 opportunity to have made this presentation here today  
22 and thank you for your time and patience.

23                   HEARING OFFICER:

24                   Ms. Davenport.

25                   ATTORNEY DAVENPORT:

1           No closing, but we would ask that the  
2 record remain open for at least 15 days so that we can  
3 supplement it with additional documents.

4           HEARING OFFICER:

5           We will keep the record open until the  
6 Board schedules its hearing of the matter at their  
7 next public --- a public meeting of their choosing.  
8 We will do that. A few housekeeping matters. The  
9 parties did have an opportunity to present any written  
10 memorandum to the Board clerk on or before the close  
11 of business of Thursday, November 19th, if you'd like  
12 to take advantage of that. The record will remain  
13 open until the Board hears the matter at a meeting of  
14 their choosing.

15           The next step is I will prepare a report  
16 for the Board based upon the testimony and evidence  
17 entered into the record today. That report will be  
18 sent to the Board with the transcript and exhibits of  
19 everything that we've heard today and that has been  
20 submitted into the record. The Board will then  
21 schedule the matter to be heard at a future public  
22 hearing at its pleasure. I want to thank everyone for  
23 coming today, for your cooperation. I would like to  
24 again thank East Hanover Township for the use of its  
25 facilities today. And that is the end of our hearing.

1 The hearing is concluded and adjourned. Thank you.

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MEETING CONCLUDED AT 12:12 P.M.

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CERTIFICATE

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I hereby certify that the foregoing proceedings, hearing held before Hearing Officer Lloyd was reported by me on 11/12/2009 and that I Sarah Wendorf read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.

