

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

* * * * *

PUBLIC HEARING

* * * * *

BEFORE: GREGORY C. FAJT, CHAIRMAN

James B. Ginty; Raymond S. Angeli; Jeffrey
W. Coy; Kenneth T. McCabe; Gary A. Sojka;
Kenneth I. Trujillo

David Barasch, Deputy Secretary of the
Department of Revenue, Representative;
Michael Dillon, representing Russell
Redding, Secretary of Agriculture

HEARING: Wednesday, April 7, 2010
10:35 a.m.

LOCATION: Temple University, Harrisburg Campus
Room 246/248 Lecture Hall
Harrisburg, PA 17101

WITNESSES: John Finamore, Frank Quigley,
Christopher McErlean

Reporter: Alicia R. Brant

Any reproduction of this transcript is prohibited
without authorization by the certifying agency.

A P P E A R A N C E S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

OFFICE OF ENFORCEMENT COUNSEL:

CYRUS PITRE, ESQUIRE

NAN DAVENPORT, ESQUIRE

PA Gaming Control Board

P.O. Box 69060

Harrisburg, PA 17106-9060

Counsel for the Pennsylvania Gaming Control Board

RAYMOND A. QUAGLIA, ESQUIRE

Ballard, Spahr, Andrews & Ingersoll, LLP

1735 Market Street

51st Floor

Philadelphia, PA 19103-7599

Counsel for the Mountainview Thoroughbred

Racing Association

I N D E X

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

OPENING REMARKS

By Chairman Fajt

4

PRESENTATION

By Attorney Quaglia

4 - 6

TESTIMONY

By Mr. Finamore

6 - 7

By Mr. Quigley

7 - 11

By Mr. McErlean

12 - 17

By Mr. Finamore

17

PRESENTATION

By Mr. Quaglia

17 - 18

QUESTIONS

By Attorney Davenport

18 - 22

PRESENTATION

By Attorney Davenport

22 - 23

QUESTIONS FROM BOARD

23 - 34

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

P R O C E E D I N G S

CHAIRMAN:

We'll now call the matter of Mountainview Thoroughbred Racing Association, Petition for Authorization to Conduct Table Games. Could the representatives of Mountain view please come forward? Please stay standing once you come forward. Stand to be sworn. Anybody who's testifying on behalf of Mountainview please stand to be sworn.

WITNESSES SWORN EN MASSE

CHAIRMAN:

Thank you. And again, just as a reminder before you speak if you could state and spell your name for the stenographer. Can I please have some quiet? Thank you. I note for the record that Mountainview's public input hearing on this petition was held on March 24th, 2010, at the East Hanover Township Municipal Building in Grantville, Pennsylvania. And with that, Mountainview, you may begin.

ATTORNEY QUAGLIA:

Thank you, Mr. Chairman. Good morning to

1 members of the Board and the public. I'm Ray Quaglia,
2 Q-U-A-G-L-I-A, from the Ballard Spahr firm in
3 Philadelphia representing the Petitioner, Mountainview
4 Thoroughbred Racing Association. In deference to the
5 Board's crowded docket and with apologies to
6 Commissioner Trujillo, we don't have our video to show
7 you today but we will be making a short presentation.

8 Before we begin I had just a couple
9 housekeeping matters. We have three exhibits today in
10 addition to the exhibits previously marked and
11 admitted at our public input hearing. Copies have
12 been given to Micky King and to OEC Counsel.
13 Petitioner's Exhibit One is a hard copy of our
14 PowerPoint presentation which I believe each of you
15 should have with you. Petitioner's Exhibit Two is a
16 DVD or I guess a disk version of the PowerPoint
17 presentation. And Petitioner's Exhibit Three is a
18 letter from William J. Clifford, the senior
19 vice-president and CFO of Penn National Gaming to Mr.
20 Jeff Cousins dated March 24th, 2010, which relates to
21 the Penn National's commitment for the funding of
22 table game changes.

23 With the housekeeping out of the way I'll
24 call our first witness who is John Finamore, the
25 senior vice-president of regional operations for Penn

1 National Gaming, Mountainview's parent company. And
2 Mr. Finamore will provide an overview of Penn
3 National's table game experience and the plans for
4 funding table games at Mountainview. Mr. Finamore.

5 -----
6 JOHN FINAMORE, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED
7 AS FOLLOWS:
8 -----

9 A. Thanks, Ray. My name is John Finamore,
10 F-I-N-A-M-O-R-E, senior vice-president, regional
11 operations for Penn National Gaming. Good morning,
12 Mr. Chairman, Commissioners and Staff. As you know,
13 Penn National is the third largest publicly traded
14 company in the world. And as such we have an awful
15 lot of experience system wide operating table games.

16 In fact, as you can see on the slide 12 of our
17 facilities currently offer table games and we also
18 have table games operations that are very much at the
19 same stage as Pennsylvania starting up in Charlestown,
20 West Virginia, and in the early planning stages for
21 our facilities in Kansas and Ohio.

22 Back to Penn National, the estimated costs of the
23 initial table games operation, of course, includes the
24 authorization fee of \$16.5 million, and the
25 construction in FF&E costs associated with Phase I of

1 \$.5 million. The total of \$25 million for Phase I
2 will be financed in its entirety by Penn National
3 Gaming. And of course, there does exist the potential
4 to expand the gaming floor at some point in the future
5 based on business. But again, Phase I as contemplated
6 will cost \$25 million all in. Thank you.

7 ATTORNEY QUAGLIA:

8 Thank you, Mr. Finamore. Petitioner's
9 next witness is Frank Quigley sitting directly to my
10 left, vice-president and general manager of Hollywood
11 Casino at Penn National. And Mr. Quigley is here to
12 provide an overview of Mountainview's plans for table
13 games as well as reaffirm its commitment and discuss
14 its efforts with respect to diversity and responsible
15 gaming. Mr. Quigley.

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

19 -----
20 A. It's Frank, F-R-A-N-K, Quigley, Q-U-I-G-L-E-Y.
21 Good morning, Chairman, Board members. Thank you very
22 much for the opportunity to present. The first slide
23 here shows our intentions for our slot floor relative
24 to table games. As you know, we plan on putting 52
25 table games on our property in the current footprint.

1 With that right now we have approximately 2,400 slot
2 machines. We will actually be increasing that number
3 with table games to just under 2,500 slot machines.
4 We are very close. As a matter of fact I believe
5 within the next couple days of submitting that floor
6 plan to the Gaming Board for approval.

7 As far as table games experience is concerned we
8 have hired a gentleman named Anthony Chiallella. He
9 is in the audience today. He has 32 years of table
10 games experience. He is our new director of table
11 games. We've also hired our --- what we call our
12 shift managers. We have approximately five shift
13 managers right now. Three of those folks are from
14 Atlantic City and two of the other shift managers from
15 other parts of the country. Together they have over
16 100 years in table games experience.

17 The staff currently on board, myself, I have 29
18 years of experience. I started in table games
19 actually in Atlantic City as a dealer and went through
20 all the disciplines of table games. Laura Palazzo,
21 our CFO, has 29 years of experience involved in table
22 games. John Newman has 30 years of experience in
23 gaming. Luann Fetcho on our marketing team has 21
24 years of experience. Joann Rogers, our casino
25 controller, 30 years of experience, all of her

1 experience at Penn National and Grantville has had
2 table games. And Javan White, 26 years in security
3 experience at the Taj Mahal in Atlantic City.

4 As you can see we are putting on 40 traditional
5 table games. It would be 4 craps, 20 Blackjack, 4
6 roulette, 2 mini Bacc, and 10 what we call carnival
7 games with the Poker derivatives and such. And we
8 will have 12 Poker games, non-bank games.

9 The employment opportunities, we estimate hiring
10 331 full-time employees and 108 part-time employees
11 for a total of 439 employees. All new positions will
12 be eligible for benefits under the company plan such
13 as 401(k), paid time off and health insurance.
14 Positions include 84 managerial support staff in the
15 table games area along with 270 dealers. And also an
16 additional 85 positions in the ancillary discipline
17 such as finance, security, surveillance, marketing and
18 housekeeping.

19 Projected economic impact, obviously the \$16.5
20 million in license fee, we're looking at about an
21 eight and a half percent capital investment.
22 Estimated construction-related wages are \$2 million.
23 Annual table games estimated revenues will be \$4.3
24 million in taxes. Annual local share assessment, \$.6
25 million. And we estimate an incremental \$8.4 million

1 in wages and benefits to our employee base.

2 Our workforce summary right now, we have
3 approximately --- this is before table games, 1,037
4 employees. 1,028 of those folks are Pennsylvania
5 residents, 12.1 are representative of various minority
6 groups. The population base within an hour drive of
7 our property, in other words, our labor pool is nine
8 percent, and we are basically 50/50 female and male.

9 This was a slide to talk about one of the requests
10 from the Board particularly on number. Sojka had
11 asked for these numbers the last time in our public
12 hearing. And it's a breakdown of our management staff
13 within our overall employee base. And you can see
14 those numbers when you go down through it there.
15 They're pretty close to being representative of our
16 entire employee base from a management perspective.
17 I'll let you take a look at those when you need to.

18 We have a strong commitment to diversity with
19 regard to all aspects of that hiring and our
20 construction as well as our operational duties
21 throughout the course of doing business.
22 Approximately \$20.2 million of our construction
23 expenditures were awarded in the original construction
24 project to MOB's and women, you know, based businesses.
25 Over 21 percent of our construction expenditures in

1 2008 were minority and women businesses. Out pacing
2 has stayed average of 19 percent. Over \$2 million, 11
3 percent of the total in, you know, M and WBs,
4 non-construction disbursements in 2008, more than \$2.8
5 million in operation disbursements during 2009 were
6 made to minority and women business enterprises. And
7 we are a member of the Minority Supplier Diversity
8 Council, PA, New Jersey and Delaware.

9 We have a strong commitment to responsible gaming.
10 We work with the representatives of the Council of
11 Compulsive Gaming in Pennsylvania to establish a
12 comprehensive compulsive and problem gaming training.
13 We've incorporated that training into our employee
14 orientation to ensure that all members are trained and
15 aware. We contribute to CCGP, and we recently had our
16 amended or our updated responsible gaming plan
17 approved in 2009. All of our employees go through an
18 extensive responsible gaming training program
19 inclusive of compulsive gaming, underage gaming, and
20 alcohol awareness. And we make certain that every
21 employee goes through that with great emphasis on
22 employees such as dealers who have face-to-face
23 communication with our customer base.

24 ATTORNEY QUAGLIA:

25 Thank you, Mr. Quigley. The Petitioner's

1 next witness is Christopher McErlean, the
2 vice-president of racing for Penn National Gaming.
3 And Mr. McErlean is here today to review and reaffirm
4 Penn National's and Mountainview's longstanding
5 commitment to horse racing in this Commonwealth, and
6 how the advent of table games will further that
7 commitment. Mr. McErlean.

8 -----

9 CHRISTOPHER MCERLEAN, HAVING BEEN PREVIOUSLY SWORN,
10 TESTIFIED AS FOLLOWS:

11 -----

12 A. Thank you, Ray. Good morning, Chairman, members
13 of the Board. My name is Christopher McErlean,
14 M-C, capital E, R-L-E-A-N. Just get this in the right
15 --- I think by now everybody knows the history of Penn
16 National starting as a tiny racecourse in Grantville,
17 Pennsylvania in 1972. I'm happy to report that as of
18 today Penn National Gaming is now the largest
19 pari-mutuel operator in North America. We've added
20 our seventh racetrack, Beulah Park in Ohio, which
21 would have closed in the second quarter of this year.
22 We also have an eighth racetrack which is a joint
23 venture in the State of New Jersey.

24 Gaming, the integration of gaming and racing is
25 really a sweet spot for the company. As you can see

1 here four of our eight racetracks have gaming at the
2 facilities. That's the second highest among U.S.
3 operators. We have over 9,000 slot machines in
4 operation at those facilities. Two of the operations,
5 Charlestown and Penn National with your approval will
6 add table games. Those will be the first two
7 pari-mutuel facilities to have table games at those
8 operations.

9 We generated last year over \$100 million for the
10 benefit of the horse racing industry through purses
11 and breeding benefits last year and close to \$400
12 million was generated through our gaming and racing
13 facilities for tax revenues in the respective states.

14 At Penn National Racecourse, as part of Act 71,
15 we've made an agreement with our local horsemen's
16 organization, the HBPA, for backside improvements. We
17 went over and above the mandated Act 71 by over 60
18 percent with a focus on new barn improvements and site
19 improvements to the back stretch area. In the first
20 two years of our operation we've spent over \$5 million
21 and completed the five new barns as of the end of last
22 year.

23 This year we'll be adding another \$2 million in
24 capital improvements. So by the end of 2010, close to
25 70 percent of that original ten-year commitment has

1 already been expended on back stretch improvements at
2 the Penn National Racecourse.

3 Over and above the \$10 million commitment made via
4 the Act 71 mandate, Penn National Gaming has invested
5 over \$3 million since 2008 in additional capital
6 improvements for the racetrack for vehicles, for
7 equipment, for racetrack surfaces. So our commitment
8 to the racing product at Penn National has been over
9 and above what the mandates of the original Act 71
10 called for.

11 You can see here, the impact of the gaming at Penn
12 National Racecourse in just two short years, our purse
13 distribution has skyrocketed, and you can see the
14 differential here between what's earned on our
15 racing-only revenue and the slots here on this slide.
16 And for 2010, we expect the purse distribution to be
17 about the same as what it was in 2009.

18 The impact on the racing product, our field size
19 number of horses in each race is over nine horses a
20 race. That's the highest of any racetrack in the
21 mid-Atlantic region and one of the highest nationally.
22 Wagering on our races at the track and across the
23 country is up over 17 percent. We had a record purse
24 for our signature event, the Governor's Cup, last
25 year. And as I said here, our purses paid was about

1 \$180,000 last year, up over 200 percent from the
2 pre-gaming levels.

3 I know a major component of the Table Games Act is
4 the focus on how racetracks are marketing the product.
5 These next two slides will give you a good
6 capsulization of Penn National's approaching it. Big
7 events are really what the focus is on horse racing
8 nowadays, and our Governor's Cup is our signature
9 event. We've created it into a weekend festival. You
10 can see here we've created stake races around the
11 event, on-track promotions. It was a live broadcast
12 on the local ABC affiliate in this region. The
13 results were record handle, and we're expecting future
14 growth for the event this year with new events tied
15 into it.

16 We also have an ongoing commitment to reinvestment
17 in our customers. You can see here, over \$2 million
18 has been invested in incentives and complimentaries
19 for racing customers through our various platforms
20 including the racetrack at our far-off track wagering
21 locations in Pennsylvania, and our account wagering
22 system which is mostly a regional operation in the
23 State of Pennsylvania.

24 Other marketing initiatives planned for this year
25 include participation in the Racing Commission's track

1 pack marketing program. We've started an advertising
2 commitment in the Patriot News, which is the regional
3 newspaper twice a week, and you can see a sample ad
4 there. Twice a week in the sports section we have a
5 racing dedicated advertisement which we can promote
6 any of the upcoming events or feature races. We're
7 currently in the process of including racing on a
8 number of our billboard advertisements in the region.
9 We're creating essentially a promotion a month
10 dedicated towards the racing side including this
11 coming weekend. We've increased the coverage of our
12 racing signal in our popular skybox sports bar and
13 also on the casino floor. Our racing promotions and
14 information is being included in direct mail and
15 e-mail mailers to our casino customers.

16 And something which is of great importance to our
17 breeders and I know to the Racing Commission
18 additional incentives for Pennsylvania-bred horses.
19 We've included one race per day and starting in the
20 month of April it will be two races per day will be
21 offered for Pennsylvania-bred horses. In the first
22 quarter our number of races dedicated exclusively for
23 Pennsylvania-bred horses was up threefold from the
24 first quarter last year. So I think that's been a
25 marked improvement and we've gotten very positive

1 feedback from the Racing Commission and the breeders
2 and we will continue to work on that aspect as well.
3 Thank you.

4 ATTORNEY QUAGLIA:

5 Thank you, Mr. McErlean, and to finish
6 out our testimony here is Mr. Finamore again.

7 -----
8 JOHN FINAMORE, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED
9 AS FOLLOWS:

10 -----
11 A. Thanks, Ray. Just to summarize our presentation
12 from this morning, I believe Penn National Gaming has
13 demonstrated a plan today, a well thought-out plan for
14 the implementation of table games demonstrating our
15 significant experience as a company and indeed with
16 the individuals at the property with table games
17 experience and that we have the resources needed to
18 get up and running quickly. Hopefully with your
19 approval we can do that shortly, and we are very
20 anxious to get started dealing cards at the property.
21 Thank you.

22 ATTORNEY QUAGLIA:

23 Thank you. And Mr. Chairman, just one
24 final housekeeping matter to be completely clear, I
25 had discussed this with Staff and I believe we're all

1 on the same page, but the Petitioner had filed in
2 addition to its Petition for Table Game Authorization
3 a Petition to Preserve the Confidentiality of Certain
4 Information. That is not on the agenda, but I
5 understand from Mr. Cook that that is going to be
6 considered by the Board. I just wanted to make sure
7 nothing fell through the cracks.

8 CHAIRMAN:

9 That is the case. Thanks for bringing
10 that up. Does Enforcement Counsel have any questions
11 for Mountainview?

12 ATTORNEY DAVENPORT:

13 Yes, Mr. Chairman. I believe Penn
14 National testified that there will be 84 managerial
15 and support staff in the table games operations. How
16 did Mountainview arrive at that figure?

17 MR. QUIGLEY:

18 We basically took the models that over
19 experience that we'd had over the years and through
20 our other businesses and taken those
21 supervisors-to-games ratios and applied that to the
22 assumptions that we have of times that we'll be open.
23 And we come up with the estimated number of managerial
24 staff that we will need.

25 ATTORNEY DAVENPORT:

1 Does Mountainview expect the table game
2 operations to increase attendance on the racetrack
3 side of the operations?

4 MR. QUIGLEY:

5 Yes, we do. We believe that the table
6 games will definitely be an enhancement to our racing
7 product as it will attract a demographic that is more
8 conducive to betting horses. Our plan is if we can
9 get the approval and then get it executed would be to
10 have a simulcast option in our poker room that would
11 absolutely help horseracing.

12 ATTORNEY DAVENPORT:

13 And we'd like to caution you that you
14 know that no one under 21 could be on the gaming floor
15 or to play either slots or table games. So as a
16 follow-up, how does Mountainview intend to prevent
17 underage individuals, especially from the racetrack
18 side from trying to enter the gaming floor and playing
19 slots or table games?

20 MR. QUIGLEY:

21 Yes, and we agree. It's a constant --- a
22 constant initiative that we have on our property. We
23 recently have doubled up on our security staff at peak
24 moments, particularly horseracing times, to double up
25 the areas of the entries. And we also have created

1 over the last several months funnels if you will that
2 will funnel our folks past our security to make sure
3 that we card. And we do card anyone under 30 years of
4 age. We are going to actually go another step further
5 and enhance those funnels with what now we have is
6 basically soft stanchions where we create a hard
7 surface to make sure that we can do that and double up
8 our security on peak periods of time.

9 ATTORNEY DAVENPORT:

10 With respect to the employees that are
11 currently in training, how many of those are local
12 Pennsylvania residents?

13 MR. QUIGLEY:

14 I would estimate --- I don't know
15 specifically, but in the high 90 percent are
16 Pennsylvania residents. Our goal was was to offer all
17 of those jobs to our current employee base first and
18 then go to the local labor pool. I would tell you
19 that probably 99 percent of those folks are
20 Pennsylvania residents.

21 Now, with supervision in the initial
22 opening stage we will have to import supervisors,
23 because it is a specialized discipline of our business
24 and we do need to import supervision from other areas
25 where we can get that experience. However, that will

1 only be for the opening part of our business. Once we
2 get open we will be able to --- we'll be able to
3 promote from within and train supervision from within
4 the property.

5 ATTORNEY DAVENPORT:

6 In the past the Commissioners that have
7 visited the licensed casino had mentioned about the
8 air quality. I just want to know what Mountainview
9 plans to do with respect to hopefully the increased
10 attendance with the table games operation to improve
11 the air quality of the licensed facility.

12 MR. QUIGLEY:

13 Well, we continue to work on our HVAC
14 system. And actually the air quality relatively
15 speaking in our industry in our property is pretty
16 good. We have high ceilings. We will always have
17 customers who do not like the smoking environment.
18 Quite honestly, I don't like the smoking environment.
19 Truthfully, I'm a throat cancer survivor so I'm the
20 last person in the world that wants to have smoking on
21 our property. However, it is a definite economic
22 impact to remove smoking from our businesses, and
23 that's been shown multiple times throughout the
24 country.

25 And we will do everything we can with

1 regard to creating no-smoking areas. We'll be
2 creating no smoking --- no smoking sections obviously
3 in our table game environment. And when we get a
4 request and it makes sense from a business standpoint
5 we will provide as much no smoking as we can.

6 ATTORNEY DAVENPORT:

7 I have no further questions.

8 CHAIRMAN:

9 Thank you. Does the Enforcement Counsel
10 now have their presentation?

11 ATTORNEY DAVENPORT:

12 We do. The OEC has reviewed
13 Mountainview's Petition for Approval of Authorization
14 to Conduct Table Games and Issuance of a Table Game
15 Operation Certificate with the Board's Bureaus of
16 Investigation Enforcement, Licensing, Gaming
17 Operations, Gaming Laboratory Operations and Casino
18 Compliances, and the Offices of Racetrack Gaming,
19 Compulsive and Problem Gambling and Diversity in order
20 to determine whether Mountainview has complied with
21 the statutory requirements and whether there were any
22 objections to the issuance of a table game operation
23 certificate.

24 The financial investigations unit has
25 completed its review of Mountainview's Table Game

1 Petition and the attachments and its findings are
2 contained in the confidential FIU report which is
3 attached as Exhibit One to the Answer. The OEC has no
4 objections to the Board approving Mountainview
5 Thoroughbred Racing Association for a table game
6 operation certificate and recommends that the Board
7 impose the 22 conditions that are set forth in our
8 Answer. Thank you.

9 CHAIRMAN:

10 Does Mountainview have any questions for
11 Enforcement Counsel?

12 ATTORNEY QUAGLIA:

13 No.

14 CHAIRMAN:

15 Questions from the Board? Mr. Sojka?

16 MR. SOJKA:

17 Just a couple. I may have missed
18 something in the presentation about who is actually
19 providing the education for the table game people in
20 training.

21 MR. QUIGLEY:

22 We are. We have actually built our own
23 training school. We hired Mr. Ciallella from Atlantic
24 City and we've also hired the folks that I was telling
25 you about that are going to be our shift managers.

1 Those folks are our trainers right now, and we have
2 created a gaming school that is on the third level
3 right outside of our simulcast area. We have just
4 south of 200 employees in that probably their third
5 week of training right now.

6 MR. SOJKA:

7 Will you continue to use that for ongoing
8 or in-service training then of people who are in the
9 system?

10 MR. QUIGLEY:

11 No, our plan is to train the amount of
12 dealers we need to ensure that we can get open. We
13 don't want to be in the table game training business.
14 And then we are working with Harrisburg Community
15 College. Once we get up and running we will work with
16 Harrisburg Community College to hand off the ball to
17 them so to speak to take on training for future
18 expansions and future ---.

19 MR. SOJKA:

20 You'll work with them on the kind of
21 curriculum you want to develop?

22 MR. QUIGLEY:

23 We are working with them. We've actually
24 worked very closely with them. We had early
25 considered to use them. However, we were --- we

1 wanted to make sure and ensure that we've got the
2 folks trained. And quite honestly, we simply didn't
3 have the manpower to do both.

4 MR. SOJKA:

5 Okay. A comment about your
6 responsiveness, at the open access hearing possibly
7 you may have thought some of my questioning was a
8 little sharp or a little harsh, and I noticed that
9 there has been response that we've seen slides on the
10 minority issue and also specifically on horserace
11 marketing and direct answers to questions I raised. I
12 wanted you to be aware that we're not always just
13 leaning on you. And I brought as an example the fact
14 that we've noticed that you are putting these
15 advertisements in the local regional paper and I'm
16 delighted that you put it on the slide.

17 But that puts us in an interesting
18 situation. We, the PGCB, along with the Department of
19 Agriculture are very interested in the issue of the
20 impact of horseracing on farmland preservation and
21 open space preservation in the Commonwealth. We try
22 very hard to collect data. We have anecdotal evidence
23 that suggests that this has positive impact. Are you
24 in any position to be able to in the future offer us
25 any solid numerical information about farms that might

1 come into existence, farms that are staying in
2 business, farms that might be expanding as a result of
3 what you're doing because we would love to have those
4 data if they're available.

5 MR. QUIGLEY:

6 Well, the first thing I'd like to say is
7 I did not take that as a negative question. Quite
8 honestly, there are questions that we encourage and
9 obviously you should ask those questions. As far as
10 the horseracing relative to agriculture is concerned,
11 I'm going to punt to my horseracing experts here and
12 see if they can answer that question.

13 MR. MCERLEAN:

14 Yeah, if I could just go first,
15 Commissioner. I'm aware of a very comprehensive study
16 that was done by the Charlestown HBPA that looked
17 directly at that issue. What is the economic impact
18 of horseracing in the Jefferson County eastern
19 panhandle area of West Virginia? It looked at
20 everything from jobs to farm preservation. And that
21 study I think was done two years ago. And it showed a
22 tremendous impact. I think you'd be very pleased to
23 see the impact that the horseracing industry had on
24 that county and that region of West Virginia.

25 I'm not familiar with one that has been

1 done, a similar one that has been done in
2 Pennsylvania, but it's probably maybe a good thing for
3 the Pennsylvania HBPA to commission a similar study.
4 It was very revealing and very interesting.

5 MR. SOJKA:

6 Good. Thank you.

7 CHAIRMAN:

8 Other questions?

9 MR. MCCABE:

10 I have my standard one just to be fair to
11 everybody. Can you give us an idea of how much money
12 you've spent in the local community and any type of
13 economic impact you've had on the local businesses and
14 local community?

15 MR. QUIGLEY:

16 I can't tell you off the top of my head.
17 I can definitely get those numbers to you. But I will
18 tell you though from a charitable giving up to the
19 beginning of the year it was over \$300,000. I can
20 tell you my budget for charitable giving this year is
21 \$120,000, and in all likelihood I'll exceed that.

22 MR. MCCABE:

23 Thank you.

24 CHAIRMAN:

25 And we do appreciate it if you could give

1 us that local impact information similar to what I had
2 mentioned to Mount Airy.

3 MR. QUIGLEY:

4 Absolutely.

5 CHAIRMAN:

6 Go ahead, Ken.

7 MR. TRUJILLO:

8 I was just going to say I think that's
9 important information in that it's good news that we
10 want to get out there. I know when I go around giving
11 speeches and presentation as the Chairman does also,
12 people are amazed when they see the numbers, the
13 actual numbers of the economic impact, how much local
14 business the local casinos are doing. Those numbers
15 aren't getting out there. And that's a good story
16 that we want to tell.

17 MR. QUIGLEY:

18 I agree with you, and I want you to know
19 that we are very aggressive with making sure that we
20 reach out to the local community first. Anecdotally I
21 can tell you right now I just recently this year hired
22 a landscaper to landscape our property and he's a
23 local guy from right down the street. And he is going
24 to do well over six figures on our property once he is
25 approved.

1 CHAIRMAN:

2 I have one quick question. First of all,
3 it's great to see the commitment and the discussion to
4 horseracing. And as I said to other Category I
5 facilities in Pennsylvania, that's what brought you to
6 the dance. And Frank, you and I have talked about
7 that personally before. You know, it's easy to lose
8 sight of the horseracing when we're talking about
9 slots and we're talking about table games. Those are
10 the more sexy aspects of the business. But
11 horseracing is important to this Commonwealth. It's
12 important to this Board.

13 One quick question, as I recall there
14 were issues with your track and I think the
15 composition of the dirt on the track. Can you address
16 that to this Board and let us know what the update is
17 on that?

18 MR. QUIGLEY:

19 Sure. I'd be happy to answer that,
20 Chairman. Going back to 2008, we had various issues
21 brought up either by the horsemen or even ourselves in
22 terms of how the track was --- it was being affected
23 by weather and other conditions. Worked very closely
24 with the Racing Commission. We appreciate their
25 input. We had outside consultants come in nationally

1 known individuals. We made changes to the racing
2 surface.

3 I think --- and I would pose a question
4 to our horsemen and the Racing Commission, but I
5 believe that our issues with the racetrack are way
6 behind us at this point. We've had very few issues
7 from its reaction to the weather. We had our
8 incidents of horses being injured on the track is much
9 lower than it has been. So, I believe that those
10 issues are behind us. We've instituted new programs
11 maintenance wise. We've instituted new materials into
12 the track. So, it's a daily evolving process. But I
13 think that we are in a much better state than we were
14 a couple years ago from a racetrack maintenance point
15 of view.

16 CHAIRMAN:

17 Thank you. Any other questions?
18 Commissioner Ginty?

19 MR. GINTY:

20 My usual question. Since you're adding
21 slot machines, I take it you expect your slot revenues
22 to increase as a result of adding table games?

23 MR. QUIGLEY:

24 Yes, we do. Right now we think we'll
25 have the ability now to not export business on the

1 weekends to, quite honestly, Atlantic City. If there
2 is a couple sitting in Harrisburg and one wants to
3 play tables and one wants to play slots, they can't do
4 that in Harrisburg now. Now, they will be able to.
5 So, we definitely see --- we'll be adding more slots
6 every opportunity we get. We will see an increase in
7 slots we believe.

8 Now, however, we will have to lose that
9 business from the electronic table games. That will
10 move over to traditional table games. But with that
11 said we still believe we'll have an increase in slots.

12 MR. GINTY:

13 Is there any modeling that you do to see
14 what the effect is or experience in other casinos that
15 you run?

16 ATTORNEY QUAGLIA:

17 Commissioner, we have done a lot of that
18 not only for Penn National Racecourse but also for our
19 Charlestown facility. I've looked at a lot of
20 research that's been done. There is a Wall Street
21 bank that issued a study last year that predicted slot
22 revenues will increase by as much as ten percent when
23 tables are introduced. I know the data for that study
24 looked at the racetracks in Iowa that started with
25 slots only and then introduced table games several

1 years ago. So there is some data out there. It's
2 very limited, but there is some.

3 I will tell you we're not quite as
4 bullish as ten percent, but we're very --- we're very
5 certain that our business will go up for the reasons
6 Frank just mentioned. We're confident.

7 MR. GINTY:

8 I raise that because some of your
9 colleagues are actually reducing the number of slot
10 machines that they have and I was just curious what
11 the different thinking was.

12 ATTORNEY QUAGLIA:

13 Yeah, I can't speak for them. Again, to
14 Frank's point on the weekends, we are capacity
15 constrained. On Saturday nights we are --- we don't
16 have enough product. So it's a factor that we need to
17 increase the product just because the property is
18 maturing. But we also need to increase the product
19 because we're introducing table games.

20 MR. GINTY:

21 Thank you.

22 MR. COY:

23 Mr. Chairman?

24 CHAIRMAN:

25 Yes, Commissioner Coy.

1 MR. COY:

2 Thank you. I really wasn't going to talk
3 about smoking, but since you brought it up earlier I
4 will tell you that I would imagine that you'd really
5 have to work on it and you are working on it. But
6 I'll also tell you as probably the Commissioner that
7 lives closest to you, it's not working. I mean, it's
8 the only complaint that people talk to me about when
9 they talk about Penn National. A beautiful facility.
10 Great situation. But I mean, I've had people just say
11 we won't be back because of the smoking.

12 I just am curious, do you get complaints
13 from employees about this?

14 MR. QUIGLEY:

15 No. I have never fielded any complaints
16 from employees. I mean, they are very aware of it
17 when we do our orientations, when we do our
18 interviewing. We make it very clear that it is
19 smoking environment when they come in to work there.
20 It's a reality of our business unfortunately. As I
21 said, I don't like it but it is a reality of our
22 business. Relatively speaking in the industry our
23 property is good and it's a relative thing. If you do
24 any customer service survey in any gaming area that
25 has smoking it will be the number one complaint in

1 that customer service survey.

2 MR. COY:

3 Do you have any history at all or facts
4 to say that table game players are heavier smokers or
5 less than machine people? I mean, what's ---?

6 MR. QUIGLEY:

7 No. No, I'm not aware of any that
8 actually break that out.

9 MR. COY:

10 As I said, it's just a constant thing and
11 I hate to have anything negatively impact your
12 business, but you've obviously made some decisions
13 about this but I think you need to continue to work on
14 that aspect.

15 MR. QUIGLEY:

16 I couldn't agree with you more.

17 MR. COY:

18 Good.

19 CHAIRMAN:

20 Thank you. Any other questions? Thank
21 you very much. That will conclude our second hearing.

22

23 * * * * *

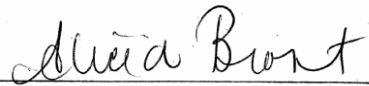
24 HEARING CONCLUDED AT 11:11 A.M.

25 * * * * *

CERTIFICATE

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I hereby certify that the foregoing proceedings, hearing held before the Pennsylvania Gaming Control Board, was reported by me on 04/07/2010 and that I Alicia R. Brant read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.



Court Reporter