

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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PUBLIC HEARING

IN RE: MOHEGAN SUN POCONO LICENSE RENEWAL HEARING

* * * * *

BEFORE: DAVID M. BARASCH, CHAIRMAN
Richard G. Jewell, Obra S. Kernodle, IV,
Sean Logan, Kathy M. Manderino, Merritt C.
Reitzel, Dante Santoni, Jr., Members
Jorge Augusto, representing Russell C.
Redding, Secretary of Agriculture; Jennifer
Langan, representing Joseph M. Torsella,
State Treasurer; Robert P. Coyne,
representing C. Daniel Hassell, Secretary
of Revenue

HEARING: Wednesday, January 10, 2018
10:33 a.m.

LOCATION: Pennsylvania Gaming Control Board
Strawberry Square Complex
Harrisburg, PA 17101

Reporter: Rhonda K. Thorpe

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E X H I B I T S

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P R O C E E D I N G S

CHAIRMAN: Before we begin, I'd ask that anyone who is going to be speaking today, please state and spell your name for the court reporter prior to your presentation.

Additionally, I would ask that any non-attorney witnesses, please stand at this time to be sworn.

WITNESSES SWORN EN MASSE

CHAIRMAN: All right, then.

Mohegan, you can proceed.

ATTORNEY SORIANO: Good morning, Mr. Chairman, Members of the Board. My name is Christopher Soriano, S-O-R-I-A-N-O, from Duane Morris, LLP. I'm honored to represent Downs Racing, LLP as we - Downs Racing, LP, as we respectfully request that the Board renew the License of Mohegan Sun Pocono.

As the Board is aware, Mohegan Sun Pocono was the first casino to open in Pennsylvania, and its history has been one of success; a driver of economic growth and jobs, top-notch gaming and racing facility, and a great community partner.

1 I'll turn the presentation over to
2 President and General Manager Anthony Carlucci, who
3 will introduce his team.

4 And if we could have - I see the
5 PowerPoint is ready. We'll proceed.

6 MR. CARLUCCI: Thank you, Chris.

7 Mr. Chairman, Members of the Board,
8 I'm Anthony Carlucci, General Manager of Mohegan Sun
9 Pocono. C-A-R - I was going to get to that -
10 C-A-R-L-U-C-C-I.

11 I have with us today Tom Burke, our
12 Chief Operating Officer; Michael Epps, our Vice
13 President of Legal and Compliance; Bradford Cobb, our
14 CFO; Katie Borkowski, our Director of Human Resources;
15 Dale Rapson, our Vice President of Racing Operations;
16 and Erica Tessier, our Vice President of Marketing.

17 The topics that we'll be discussing
18 today - I won't list every one of them, but you know,
19 the main topics as we go through the presentation
20 today will be the tax revenue we generated, capital
21 investment, job creation, just to name a few.

22 CHAIRMAN: Okay.

23 MR. CARLUCCI: Moving on to our
24 present state of operation, we currently have over
25 2,300 slot machines, 91 table games, 81 - 18 of which

1 are poker.

2 We have a 238 room hotel, 13 dining
3 establishments, 4 retail operations, a spa, a
4 convention center and approximately 1,500 employees.

5 I'll now turn it over to Bradford
6 Cobb, our CFO.

7 MR. COBB: Thanks, Tony.

8 And good morning, and thank you for
9 the opportunity to be here today.

10 My name is Bradford Cobb, C-O-B-B.
11 Much easier than Carlucci. I'm the Chief Financial
12 Officer.

13 Since Mohegan Sun Pocono began
14 operations in 2006, we have generated \$1.48 billion in
15 tax revenue. \$1.38 billion is attributable to gaming
16 taxes, while the remaining \$95 million was generated
17 from payroll taxes, property taxes, sales and use and
18 other miscellaneous taxes.

19 From 2014 to 2016, our vendor spend
20 was \$154 million, of which \$100 million, or 65
21 percent, was with Pennsylvania vendors.

22 Mohegan Sun Pocono is committed to
23 being a good corporate partner. MSP entered into a
24 Memorandum of Understanding with Plains Township to
25 continue to pay the annual local share payment.

1 We have an appreciation that local
2 share-funding serves an important role, providing
3 public safety and emergency services, promoting
4 economic development and other initiatives.

5 MSP also serves as a major employer in
6 the Township. We're working with the Township to
7 address community needs and supporting many local
8 organizations and charities, which Katie and Mike will
9 touch on later in the presentation.

10 Capital investment. Mohegan Sun
11 Pocono has demonstrated a commitment to expand and
12 improve the facilities and amenities we provide to our
13 guests in the community.

14 In 2008, we invested \$196 million for
15 our casino expansion. In 2010, another \$15 million
16 for the addition of Table Games. In 2013, \$46 million
17 for construction of the hotel and convention center.
18 And currently we have construction underway on the
19 Irish pub-themed restaurant named Molly O'Shea's, to
20 be completed in winter of 2018.

21 On top of the large projects, MSP has
22 routinely reinvested an average of \$6 million per year
23 to refresh and maintain our property and product. And
24 for 2018, we have planned capital of \$9.7 million.

25 And now I'll turn it over to Katie

1 Borkowski, who will talk about our employment
2 achievements.

3 MS. BORKOWSKI: Good morning.

4 My name is Katie Borkowski,
5 B-O-R-K-O-W-S-K-I. I'm the Director of Human
6 Resources for Mohegan Sun Pocono.

7 And I'd like to take a couple minutes,
8 just to talk to you a little bit about our employment
9 achievements.

10 Mohegan Sun has continued to create
11 jobs for the local community over the last 11 years
12 that we've been in business. Since the property
13 opened in 2006, we started off with an employee base
14 of 200. Two months later, we opened the doors with -
15 moving that number to 500.

16 In July of 2008, we grew that number
17 to 1,000 employees. And to this day, in year over
18 year, we continue to create those jobs for the local
19 community. And we have approximately 1,500 team
20 members on property. But that doesn't include our 400
21 team members that our tenants employ, so that's very
22 important to note.

23 So, over 99 percent of all of these
24 team members are Pennsylvania residents. And more
25 than 90 percent of them have advanced through the

1 company and been provided growth opportunity.

2 And so, that has positively impacted
3 over 600 team members in the last several years.

4 We also have built some great
5 relationships with a lot of the businesses and
6 agencies in our local area, where we have received
7 awards for our outstanding support of employees with
8 disabilities, helping them get back into the
9 workforce.

10 And a great point out of - a great
11 fact to point out is that more than 60 percent of all
12 of our team members that helped open up our property
13 in 2006 have still - still employed with us today.

14 Mohegan Sun has continued to hire
15 aggressively from the local community, so much so that
16 60 percent of all of our team members on property only
17 live within a ten-mile radius.

18 We have a lot of great local colleges
19 and universities that we've been able to leverage
20 relationships with. And a fun fact is that 23
21 individuals on our Senior Leadership Team, out of 12
22 of those individuals, myself included, have - went to
23 one of those colleges or universities.

24 So with those relationships that we
25 have built with the local schools and colleges, we

1 have provided internships, created co-op opportunities
2 from the vocational schools. We allowed for career
3 shadowing, attending career fairs on a regular basis,
4 providing interview practice and feedback right at the
5 colleges, and conducting on-campus interviews.

6 So with that, I'm going to turn it
7 over to Michael Epps.

8 MR. EPPS: Good morning.

9 My name is Michael Epps, E-P-P-S, my
10 last name. And I'm here to speak on our success in
11 diversity initiatives.

12 Mohegan Sun Pocono is a minority-owned
13 property, owned and operated, as it is owned and
14 operated by the Mohegan Tribe of Connecticut, and all
15 members of the governing body, including the Chairman
16 of the tribe, are Native-American.

17 With respect to our diversity in
18 employment, minority and female employment
19 opportunities have been greatly fulfilled at our
20 property. Minorities make up 14.2 percent of our
21 total workforce and 9.2 percent of our management and
22 professionals group. Females make up 46.2 percent of
23 our total workforce and 38.5 percent of our management
24 and professionals group. The local minority
25 population, where Mohegan Sun is situated, ranges from

1 3.8 to 4.1 percent. So our minority employment
2 population exceeds the percentage of minorities
3 available to us to employ in our local area. So we've
4 exceeded that number.

5 Another highlight is that, with
6 respect to procurement and things of that nature, 6.1
7 percent of our total expenditures are with MBEs and
8 WBEs.

9 Also some other highlights in
10 diversity, we hold a lifetime Gold Membership with the
11 Wilkes-Barre Chapter of the NAACP. We constantly
12 participate with the Northeastern Pennsylvania
13 Diversity Educational Consortium, and we're actively
14 pursuing resuming a presence on their Board.

15 We also, in our property, hold
16 quarterly Diversity Committee meetings. And our
17 committee consists of members of our senior
18 management.

19 Later this month, we have planned a -
20 and we've planned and announced a supplier diversity
21 outreach event, which will be a meet and greet with
22 qualified minority and WBE/MBE vendors, to allow the
23 exchange of information on procurement and an
24 opportunity to have in-person meetings. So we're
25 constantly working to engage the community,

1 particularly with respect to diverse vendors, to get
2 them involved in the process, help them understand the
3 process and see to what extent we can facilitate their
4 participation.

5 Next to speak will be Tom, Tom Burke,
6 who will address you with enhanced compliance and
7 controls.

8 MR. BURKE: Good morning, Mr.
9 Chairman, Commissioners.

10 My name is Tom Burke. I'm the Chief
11 Operating Officer out of the corporate entity Mohegan
12 Gaming and Entertainment in the Connecticut office,
13 and I have the privilege to have worked closely with
14 Tony and his team, here at the Pocono property.

15 In reference to our appearance last
16 month, if we'll all recall, I thought it was important
17 and we believed it was very important to touch on and
18 reaffirm Mohegan's commitment, both the corporate and
19 the property levels, to regulatory and oversight
20 compliance.

21 Just quickly, I know we had spoken to
22 it last month and Mr. Pitre explained it in detail,
23 but I just wanted to touch on the compliance and
24 controls have been substantially enhanced and
25 overhauled at both the corporate level and at the

1 property levels, not just in Pennsylvania but
2 throughout the organization.

3 We've created a corporate-wide
4 Compliance Committee with an independent member whom
5 many of you may know, a very seasoned regulatory
6 operations expert, Tom Auriemma. We have retained a
7 very experienced Chief Compliance Officer, who is here
8 with us today, Marc Comella. We've implemented
9 numerous new procedures. We've overhauled existing
10 controls. We have issued and are in the process of
11 issuing a new Code of Ethics across the enterprise.

12 We've established and are advertising
13 internally a hotline, so that the team members have
14 the opportunity to speak directly with the corporate
15 group and with the Audit Committee. And numerous
16 other oversights in compliance and controls.

17 In addition, we've hired appropriate
18 personnel at both the corporate and property levels to
19 continue the regulatory and compliance procedures.

20 And with that, I give it back to Mike.

21 MR. EPPS: Here at Mohegan Sun, we
22 also have been aggressive in addressing compulsive and
23 problem gambling, and I will give you a brief
24 highlight of some of the things that we've touched on
25 in that area.

1 We work with the Council on Compulsive
2 Gambling in Pennsylvania, and we have established
3 comprehensive training for all of our team members.
4 We participate in Compulsive and Problem Gambling
5 Awareness Week each year, and we contribute annually
6 to the Council on Compulsive Gambling of Pennsylvania.
7 Our total contributions since opening are in excess of
8 \$225,000 to the Compulsive Gambling Organization.

9 In addition, we also are actively
10 involved in our community. We've donated to several
11 organizations. And I'm not going to read through each
12 page of donations and sponsorships, but it's important
13 to note that we've donated to approximately 734
14 different local organizations, just since our last
15 relicensing in 2013.

16 Our donations and sponsorships since
17 opening total in excess of \$5.3 million.

18 Our commitment to the community is not
19 simply monetary, however. We participate in community
20 events, attending dinners, golf outings and all sorts
21 of other engagements. And several members of senior
22 management team serve on local community boards.

23 Our team members also donate their
24 time and energy within the community. We've
25 participated in the United Way's Day of Caring - I'm

1 sorry, United Way - yeah, the United Way Day of
2 Caring; the National Public Service Day. We
3 participated annually in Valley Santa, which is a
4 situation where we go to a local department store and
5 wrap gifts for the less-fortunate families. We even
6 do a Toys for Tots drive, and we also participate in
7 Leadership Wilkes-Barre.

8 The next slide shows you some
9 photographs of some of our community involvement
10 opportunities.

11 And next we'll turn it over to Dale
12 Rapson, who will update you on our horse racing.

13 MR. RAPSON: Good morning.

14 CHAIRMAN: Good morning.

15 MR. RAPSON: My name is Dale Rapson,
16 R-A-P-S-O-N, Vice President of Racing at Pocono Downs.

17 I'm here today to speak on the
18 commitment Mohegan Sun has made to harness racing.
19 I've been with Pocono Downs 39 years, and I can tell
20 you that the commitment that Mohegan Sun makes
21 originally and still does, goes way beyond what is
22 called for.

23 As you can see in our slide up there,
24 on the right is the paddock that was built in 2006.
25 It's an indoor paddock, state of the art, and it's one

1 of the finest in the country. And on our left is our
2 infield, where the racing takes place. It's very
3 scenic and probably one of the nicest ones in the
4 country.

5 Pocono Downs races live racing March
6 through November. We simulcast daily, 364 days a
7 year. We have three off-track wagering facilities.
8 We have the Lehigh Valley, Stroudsburg and Carbondale.

9 Pocono Downs and Mohegan Sun have been
10 awarded the 2018 Breeders Crown. We've had an honor
11 twice before to hold this event, and we're very proud
12 of this accomplishment.

13 Pocono Downs racetrack is considered
14 one of the, if not - probably the best racetrack
15 surface in the country. We have set many records and
16 we have the top drivers and trainers that just come to
17 race at our racetrack.

18 Pocono Downs is more than a racing
19 venue; it's a fan-friendly event. It's for family.
20 We have parties for the Triple Crown, like Kentucky
21 Derby, Preakness and Belmont.

22 We had celebrity superstars come in to
23 meet the fans. We had Joe Montana, Joe Greene, Mike
24 Schmidt in the last couple years, and many more.

25 We had great giveaways and we had

1 world-class racing sponsored by the Pennsylvania
2 Racing Commission, including the Pennsylvania Sire
3 Stakes.

4 Racing highlights. As I've said
5 before, we have the greatest racetrack surface in the
6 country. We have 55 world records that were matched
7 or broken at Mohegan Sun. We had the fastest trot
8 ever in the world at Pocono Downs, a Sebastian K did
9 that. And we also had three of the top horses in one
10 race last year, here at Mohegan Sun.

11 To conclude, we had our 50th
12 anniversary in 2015. The racetrack is going into its
13 53rd year. We had great events, we had great events
14 for the family, the fans, giveaways, and it was
15 highlighted by the Budweiser Clydesdales.

16 That's my report today.

17 MS. TESSIER: Good morning, Board
18 Members and guests.

19 My name is Erica Tessier. I am the
20 Vice President of Marketing at Mohegan Sun Pocono.
21 T-E-S-S-I-E-R.

22 Mohegan Sun is full of life. Life is
23 about thrills, about having fun, and about making
24 amazing memories.

25 Since 2013, the Keystone Grand

1 Ballroom has hosted a variety of events, from Jay Leno
2 to Jenny McCarthy, to Trace Adkins, to most recently
3 Tony Orlando.

4 We have sold over 26,000 tickets,
5 generating a revenue of approximately \$1 million from
6 ticket sales. Total attendance of over 53,000 guests
7 into our Keystone Grand Ballroom from all over the
8 northeast.

9 We also host charity events in the
10 Keystone Grand Ballroom. So Ryan's Run, Clash for
11 Cash, that was a crossfit competition we recently
12 hosted. We also hosted Spirit of Hope, which is the
13 Northeast Regional Cancer Institute. We have
14 Leadership Wilkes-Barre and the Pittston Chamber -
15 Women's Network are some of the events that we've
16 hosted this year.

17 Mohegan Sun Pocono also hosts
18 entertainment around the property. As Brad mentioned,
19 we have an Irish pub opening in two weeks and we will
20 have entertainment - live entertainment on the
21 weekends there. Breakers hosts Battle of the Bands
22 and also karaoke contests. Elixir hosts Music on the
23 Menu. Bar Louie has live bands weekly and of course
24 party on the Patio, which we host weekly during Hot
25 Summer Fun.

1 The addition of the hotel brought new
2 guests to our region. As you can see from this map,
3 we have had guests as far away as Michigan and
4 Delaware visiting the hotel, generating over - some of
5 them getting over 12,000 visits to our hotel.

6 So back to Tony for Our Promise
7 Delivered.

8 MR. CARLUCCI: Thanks, Erica.

9 So in conclusion, again, the Mohegan
10 Organization feels that we've delivered on our
11 promise. To name a few, job creation; the significant
12 tax benefits to the state; our charitable donations
13 and our involvement in the community.

14 The following pages have some
15 testimonials, and I'm available for any questions that
16 you might have.

17 Thank you.

18 CHAIRMAN: Thank you. Thank you very
19 much.

20 Are there any questions or comments
21 from Enforcement Counsel?

22 ATTORNEY CROHE: Good morning,
23 Chairman, Members of the Board.

24 John Crohe, C-R-O-H-E. Assistant
25 Enforcement Counsel for the Office of Enforcement

1 Counsel (OEC).

2 We don't have a presentation, but we
3 do have a few questions.

4 If I could please redirect your
5 attention to Slide 9 - or I'm sorry, Slide 5. It was
6 labeled Operations.

7 Is Mohegan Sun Pocono anticipating any
8 changes to the figures on this slide by way of a
9 change to the number of slots tables or employees?

10 MR. CARLUCCI: No, not at this time.

11 Not at all, actually. The only changes we are
12 planning, which I think would be a positive, is
13 relocating our poker closer to the Phase 1 - Phase 2,
14 I'm sorry, Casino Floor.

15 A lot of people still don't realize we
16 have poker because it's kind of tucked into a basement
17 type of thing. And we probably will not reduce our
18 slot machine; however, get them more in the newer -
19 the newer phase, Phase 2, which will offer a much
20 better experience for our guests.

21 CHAIRMAN: Mr. Carlucci, as you get
22 questioned, either pull the microphone a little closer
23 to you or speak louder.

24 MR. CARLUCCI: Okay. Got it.

25 CHAIRMAN: Thank you.

1 MR. CARLUCCI: I'm battling a cough
2 here, so I apologize.

3 CHAIRMAN: Obviously you're talking to
4 Counsel, and I'm sure he can hear you, but -.

5 MR. CARLUCCI: I apologize. Were you
6 able to hear or -? I could repeat everything.

7 CHAIRMAN: You're okay.

8 MR. CARLUCCI: Okay.

9 CHAIRMAN: You're okay. But just try
10 to keep your voice up.

11 MR. CARLUCCI: All right. Okay.

12 ATTORNEY CROHE: And of the 1,500
13 employees, can you estimate how many are full time
14 versus part time?

15 MR. CARLUCCI: Yes. There's roughly
16 900 full time, and roughly 600 part time.

17 ATTORNEY CROHE: And can you tell us
18 what benefits are provided to the employees?

19 MR. CARLUCCI: I'm going to let our
20 Director of Human Resources, Katie Borkowski, answer
21 that.

22 MS. BORKOWSKI: Yes, absolutely. We
23 provide a variety of benefits. Most important, the
24 favorite for everyone is free meals that we do provide
25 to all of our team members each time that they work.

1 But we do provide a comprehensive
2 medical, dental, vision, 401(k) package for all full
3 time team members.

4 We also provide life insurance, AD&D,
5 Long-term Disability, and we do have an Employee
6 Assistance Program, flexible spending. So there are a
7 lot of benefits offered for our team members.

8 ATTORNEY CROHE: And are any of the
9 benefits offered to the part time employees?

10 MS. BORKOWSKI: The medical, dental,
11 vision are not, as well as - we do have a tuition
12 reimbursement. But we do offer supplemental insurance
13 coverage from outside companies for those part-time
14 team members.

15 ATTORNEY CROHE: Does the 1,500 number
16 include the hotel side as well as the gaming side?
17 Or is that gaming only, that number?

18 MS. BORKOWSKI: Nope. That is a
19 combination of both.

20 ATTORNEY CROHE: Okay.

21 And can you tell me approximately how
22 many are on the gaming side versus the hotel side?

23 MS. BORKOWSKI: Sure.

24 The hotel side, there's approximately
25 200 individuals, on that side. And the rest is on the

1 gaming side.

2 ATTORNEY CROHE: Thank you.

3 If I can now move your attention to
4 Slide 9, the Commitment to the Commonwealth/Township
5 information.

6 Can you please elaborate on Mohegan
7 Sun's work with the Township by way of just giving an
8 example of a few local organizations or charities that
9 you've worked with or donated to?

10 MR. CARLUCCI: Yes. We donate to the
11 Plains Township Lion's Club, the Rotary Club, several
12 one-off charities. And obviously, the Memorandum of
13 Understanding during the Fair Share was obviously a
14 very big benefit to Plains Township and comforting to
15 them.

16 ATTORNEY CROHE: Slide 11, which
17 mentions the opening of Molly O'Shea's, is that going
18 to have any impact on the Gaming Floor or access to
19 the Gaming Floor?

20 MR. CARLUCCI: Not at all. Where it's
21 located is right after our main entrance, after the
22 entry point. So it doesn't change anything.

23 ATTORNEY CROHE: Okay.

24 And then moving on to slide 14, which
25 is Employment Achievements, can you tell us what

1 percentage of your management team has been promoted
2 to their current position, as a result of internal
3 promotions versus outside hiring?

4 MS. BORKOWSKI: Sure.

5 So, we have approximately 80 percent
6 of our management team have been promoted internally.
7 There's a total of 56, and about 45 of them have been
8 promoted in-house.

9 ATTORNEY CROHE: And then moving
10 forward again to slide 16, can you just give us an
11 overview of what types of internships that you provide
12 and what responsibilities interns are typically given
13 at the facility?

14 MS. BORKOWSKI: Sure.

15 We do not have a formalized internship
16 program, and the reason for that is because we want to
17 personalize each experience for the student as well as
18 the department. We don't want to put candidates in a
19 position where they're just getting - you know, filing
20 papers.

21 We really want to provide them an
22 opportunity to have real work-life experience. And so
23 we, you know, put them into an area which we know that
24 they're going to be able to really gain that
25 knowledge.

1 ATTORNEY CROHE: And do internships
2 have any access to the Gaming Floor or do they ever
3 require licensure to take part in this program?

4 MS. BORKOWSKI: No, they do not have
5 access to the Gaming Floor, unless we do -. We do
6 provide opportunities for these students - rather have
7 a formal internship but come on board as a part-time
8 team member.

9 So therefore, if they do come on as a
10 team member, they are licensed through the State. But
11 internships do not have access to the Gaming Floor.

12 ATTORNEY CROHE: And lastly, my final
13 question - and this was brought up in slide 36, which
14 refers to the 50th Anniversary Week.

15 Are there any Gaming promotions or any
16 events on the Gaming side tied in to that Anniversary
17 Week?

18 MR. CARLUCCI: Apparently, there was
19 not. There was a few minor things, but nothing - no
20 major promotion from the casino side for the 50th
21 Anniversary.

22 ATTORNEY CROHE: Okay.

23 I have no further questions at this
24 time, and being that OEC has no further questions, I
25 would like to introduce a few additional supplement

1 exhibits.

2 I have a supplement to what was
3 previously marked OEC Exhibit 1, which is the Uniform
4 Crime Reporting System Report for Mohegan Sun, for the
5 year of 2017. I would like to supplement that with
6 the UCR for the entire year.

7 ---

8 (Whereupon, OEC Supplemental Exhibit 1, Uniform
9 Crime Reporting System Report for 2017, was marked
10 for identification.)

11 ---

12 ATTORNEY CROHE: And I also have an
13 addition to OEC Exhibit 5, which is the Citation and
14 Adjudication for PA State Police, Bureau of Liquor
15 Control Enforcement versus BL Restaurant Operations,
16 LLC, Citation Number 17-0189.

17 ---

18 (Whereupon, OEC Supplemental Exhibit 5, Citation
19 and Adjudication, was marked for identification.)

20 ---

21 ATTORNEY CROHE: And also a supplement
22 to OEC Exhibit 6, which is a Consent Agreement and
23 Board Order entered into on October 6th, 2017
24 regarding an incorrect poker deck and failure to
25 report to the Bureau of Casino Compliance, which

1 resulted in the Civil Penalty of \$25,000 and
2 investigative costs of \$2,500.

3 A Consent Agreement and Board Order
4 entered into on December 16th, 2017 regarding
5 violations of internal controls governing the issuance
6 of free slot play, record retention, auditing
7 protocols in the issuance of comps resulting in two
8 theft schemes, with a Civil Penalty of \$550,000 and
9 investigative costs of \$2,500.

10 As well as a Consent Agreement and
11 Board Order entered into on December 16th, 2017
12 regarding the employment of two unlicensed Gaming
13 Service Providers, namely ReferLocal, LLC and CB POC,
14 LLC, with a Civil Penalty of \$450,000, as well as
15 investigative costs of \$250,000 (sic).

16 ---
17 (Whereupon, OEC Supplemental Exhibit 6, Consent
18 Agreements and Board Orders Dated 10/6/2017,
19 12/16/2017 and 12/16/2017, was marked for
20 identification.)

21 ---
22 ATTORNEY CROHE: OEC would also like
23 to introduce, in addition to OEC Exhibit Number 7,
24 which are three Compliance Conference memos which had
25 been marked Confidential, pursuant to Section 1206.

1 ---

2 CHAIRMAN: You can proceed. I just
3 wanted to make sure I got that in.

4 ATTORNEY CROHE: Okay.

5 And that's all that OEC has at this
6 time.

7 CHAIRMAN: Oh. Thank you very much.

8 Are there any comments or questions
9 from Mohegan back for - to OEC at this time?

10 ATTORNEY SORIANO: I have no questions
11 or comments for the OEC, Mr. Chairman.

12 Administratively, I'd like to move the
13 presentation that was just presented into evidence.

14 CHAIRMAN: We'll accept that into
15 evidence as well.

16 ---

17 (Whereupon, Mohegan Sun Exhibit 1, Presentation,
18 was marked for identification and admitted.)

19 ---

20 CHAIRMAN: At this point, are there
21 any questions or comments from Board Members, on the
22 presentation or any other related matter?

23 Please, go ahead.

24 MR. JEWELL: Before I begin, just a
25 comment on your presentation.

1 You said \$250,000 as investigative
2 costs on the second area you discussed. I think you
3 meant \$2,500?

4 ATTORNEY CROHE: \$2,500.

5 MR. JEWELL: All right.

6 Just making sure of that.

7 Mr. Epps, what's the definition of
8 minority? How do you describe that?

9 MR. EPPS: A minority, in our - is
10 other than white or Native American. So any other
11 cultural diversity - I mean cultural distinction as
12 identified on an application would fall into the
13 minority category.

14 So Hispanic, African-American, Pacific
15 Islander. All of those other categories would fall
16 into minority.

17 MR. JEWELL: Okay. Thank you.

18 Question on the internships. Are they
19 paid internships?

20 MS. BORKOWSKI: It depends on the
21 position and whether or not they do receive credit for
22 it.

23 MR. JEWELL: And how many folks, young
24 people would you have?

25 You might have older folks too that

1 are in college, but - how many would you have a
2 semester, let's say?

3 MS. BORKOWSKI: It varies, it
4 differentiates from year to year. Sometimes we don't
5 have any, and then there's some that we have four or
6 five at a time.

7 MR. JEWELL: Okay.
8 And from local colleges and
9 universities?

10 MS. BORKOWSKI: Yes.

11 MR. JEWELL: Okay.

12 The community involvement, you have a
13 lot of asks and you've given out over \$5 million since
14 2006.

15 How do you put together - how do you
16 triage those asks? How are they handled?

17 Do you have a committee, a group, et
18 cetera?

19 MR. CARLUCCI: Yes.

20 That's exactly how we do it.

21 We have a monthly meeting and we have
22 a committee. And we have a lot of repeats, the
23 recommitments. We have a lot of new ones.

24 We try to - unfortunately, we haven't
25 been increasing, but we have not been decreasing.

1 We donate over a half a million
2 dollars a year to local charities, so we think that's
3 pretty significant.

4 MR. JEWELL: Okay.

5 Thank you, Mr. Chairman.

6 CHAIRMAN: Did you have a question?

7 MS. MANDERINO: Good morning.

8 MR. CARLUCCI: Good morning.

9 MS. MANDERINO: I have a couple of
10 lines of questioning. So I think what I'll do is just
11 - if they're for Mohegan, direct them to Mr. Carlucci.
12 And for the OEC to Mr. Pitre, and you guys could
13 decide who should answer them.

14 I was very pleased to hear that it was
15 important enough to Mohegan Sun to acknowledge, in
16 your public presentation, the hiring of people with
17 disabilities.

18 For me, diversity is a very broad
19 definition, and the hiring of people with diversity -
20 with disabilities fits into the diversity category.

21 So I am just interested if you keep
22 statistics about what percentage of your workforce are
23 people with disabilities. If you could share that?

24 MR. CARLUCCI: I'm going to defer to
25 Katie.

1 MS. MANDERINO: Sure.

2 MS. BORKOWSKI: Unfortunately, I don't
3 have those statistics for you today, but I can
4 certainly provide that for you.

5 But that's something that we are very
6 passionate and excited to be a part of on a regular
7 basis. So we do work with local agencies like
8 Keystone Community Resources and Step By Step. And we
9 really take the time to place these individuals in
10 these areas because we want them to feel a part of the
11 team and feel part of, you know, the greater picture.

12 MS. MANDERINO: Great.

13 I would be remiss if I don't at least
14 put a plug in. As a former Secretary of Labor and
15 Industry, where the Office of Vocational
16 Rehabilitation is part of - the State has a whole
17 Bureau whose role is to place people in competitive,
18 integrated employment. They work state-wide with
19 corporations and also with the local entities. So
20 there's probably an Office of Vocational
21 Rehabilitation somewhere in your backyard, and I
22 applaud you for what you are doing and also encourage
23 you to continue that and perhaps look to your local
24 Office of Vocational Rehabilitation -

25 MS. BORKOWSKI: Absolutely.

1 MS. MANDERINO: - for something more
2 formal.

3 My second line of questioning goes to
4 the financial information that I was provided to
5 review, in light of - you know, the coming up for the
6 renewal on a five-year renewal that we are
7 considering.

8 And I will ask questions generally,
9 hopefully not to get into any matters that are
10 confidential; however, I did notice - this is directed
11 to Mohegan Sun.

12 In your financials, that there is a
13 carrying of a - I think we call it a - it's
14 accumulated deficit that carries through the years,
15 and I would like you to address, as you can, what
16 effect, if any, that accumulated deficit has on your
17 operations and your ability to operate successfully in
18 Pennsylvania for the next five years.

19 MR. CARLUCCI: I'm going to need some
20 help with that. I'm not familiar with the accumulated
21 deficit.

22 We may have to get back with you. I'm
23 not familiar with that.

24 MS. MANDERINO: Okay.

25 Let me point that question to the OEC,

1 since I'm looking at -.

2 CHAIRMAN: I think I can help a little
3 bit.

4 If you have the reference to the page,
5 that would probably help them.

6 MS. MANDERINO: Yeah, I don't know. I
7 know that the materials were prepared by OEC, but if
8 you guys have it, it was my Exhibit 9. Background
9 Investigation Report of Downs Racing, LP doing
10 business as Mohegan Sun Pocono.

11 And it is in numerous ones of those,
12 but - and there are - the pages are not numbered. But
13 I do have a balance sheet.

14 CHAIRMAN: Cyrus? I think Cyrus has
15 found it.

16 MS. MANDERINO: Okay.

17 CHAIRMAN: He has located it.

18 MS. MANDERINO: I'm not going to read
19 numbers, but it is headed Mohegan Sun Pocono Selected
20 Information from the Audited, Combined Financial
21 Statements.

22 ---

23 (WHEREUPON, AN OFF RECORD DISCUSSION WAS HELD.)

24 ---

25 MR. CARLUCCI: I apologize for the

1 delay. If need be, I can have our Director of Finance
2 come up and explain this deficit. But the most
3 important question is, we don't have any kind of
4 issues as far as a going concern.

5 This has more to do with the corporate
6 office as we roll things up to them, and it rolls back
7 to us. It has nothing to do with our liquidity or
8 anything of our - you know, we're very financially
9 stable. It's not an issue with that.

10 It's more of an accounting - how we're
11 doing accounting, so -.

12 MS. MANDERINO: Okay.

13 MR. CARLUCCI: But again, I could have
14 Dave come up and explain it.

15 CHAIRMAN: Commissioner, would you
16 like to hear from the financial person?

17 MS. MANDERINO: Well, you know what,
18 let me put out all my questions and then we'll figure
19 out -.

20 Same thing along a similar line when
21 you talk about the corporate.

22 When I look at the Mohegan Tribal
23 Gaming Authority and financial interactions between
24 you and them - and this might be a continuation of
25 that question.

1 MR. CARLUCCI: Right.

2 MS. MANDERINO: Is there anything
3 about obligations to them and if and when obligations
4 can be called in, called on, called back, for lack of
5 a better way to say it, that may affect your
6 operational or financial viability within the next
7 five years, should your license be renewed?

8 MR. CARLUCCI: I mean, again I can
9 answer that there's no issue with our financial
10 status. It's really an accounting function. But
11 again, I could have Dave come up and explain it
12 better.

13 MS. MANDERINO: Okay.

14 MR. CARLUCCI: There's no issue with
15 our financial status.

16 MS. MANDERINO: Let me turn to the
17 OEC.

18 And again, based on what I - the
19 previous questioning, what I have viewed in the
20 financial reports that you have put together for us to
21 review, is there any concern by the OEC about the
22 financial or operational viability of Downs Racing for
23 the next five years, should their license be renewed?

24 ATTORNEY PITRE: No, there are no
25 concerns.

1 We've tracked the debt and we've
2 tracked the refinancing of all that debt. They've
3 been very forthcoming with information any time that
4 refinancing comes due.

5 As Mr. Carlucci said, it has no effect
6 on the liquidity of Mohegan Sun Pocono. All the debt
7 is refinanced in a timely fashion. The interest rates
8 are not outrageous. So we have no concerns moving
9 forward with them financially.

10 MS. MANDERINO: And same thing with
11 regard to the Mohegan Tribal Gaming Authority or the
12 Tribe of Connecticut and the relationship between
13 those and when loans or debts or things can be called
14 back or called upon, so to speak?

15 Any concern from the OEC about whether
16 that would have any negative effect on financial or
17 operational viability of Pocono Downs - Mohegan Sun
18 Pocono for the next five years?

19 ATTORNEY PITRE: No. We have no
20 concerns.

21 The debt has actually reduced over
22 time. And moving forward, as I said, we continuously
23 track these matters. So we have no concerns.

24 MS. MANDERINO: Okay.

25 Mr. Chairman, thank you. I have no

1 concerns, I think, that require further discussion,
2 unless other Members of the Board do.

3 CHAIRMAN: Okay. Thank you.

4 Commissioner Logan?

5 MR. LOGAN: Oh, sure. Thank you.

6 I forget what page you talked about
7 the local share, which is a statutory payment to the
8 Township.

9 Do you have any other agreements that,
10 you know, we may or may not be aware of that goes
11 above and beyond local share?

12 I'll give you an example. Rivers in
13 my neck of the woods has a tremendous agreement with
14 Pittsburgh and Allegheny County for the PPG Paints
15 Arena.

16 Anything such as that or -?

17 MR. CARLUCCI: To the best of my
18 knowledge, no. Other than, like I said, some local
19 charities that we commit to a long-term relationship,
20 that we do year after year.

21 But other than that, it's just the
22 more longstanding with Plains Township.

23 MR. LOGAN: Okay. All right.

24 Thank you.

25 CHAIRMAN: Is that it? Any other

1 questions?

2 Jen?

3 MS. LANGAN: Obviously you guys have
4 been here within the past few months regarding certain
5 compliance issues. And your Compliance Director is
6 very nice. But I was curious as to if the changes you
7 made would have caught the problems that you've had in
8 the past and what is your commitment to those
9 problems?

10 I know some of them were - I want to
11 say disclosure issues that maybe were of personal
12 finances that you may not have been privy to, and I
13 don't know if that would've happened.

14 But as far as the other more internal
15 controls-related - and even if you can talk about that
16 with Mr. Soper, would your internal control changes
17 have caught some of these problems?

18 MR. CARLUCCI: Yes -

19 MS. LANGAN: Okay.

20 MR. CARLUCCI: - in all honesty. It's
21 a very good question, in all honesty. We are. It's
22 like unfolding a book; everything, you know, we've -
23 first of all, some changes we made is Tom - or
24 actually as Bob Brannan talked to, we added corporate
25 compliance, we've - you know, we've changed out the -.

1 CHAIRMAN: Mr. Carlucci, we're having
2 a problem again.

3 MR. CARLUCCI: I'm sorry. I
4 apologize.

5 And what's happening is - I
6 understand. You're turning your head to her -

7 MR. CARLUCCI: I apologize, sir.

8 CHAIRMAN: - and we lose the
9 microphone.

10 MR. CARLUCCI: I apologize, sir.

11 CHAIRMAN: I'm sure Ms. Langan would
12 understand it if you'd talk into the microphone -

13 MS. LANGAN: Yes.

14 CHAIRMAN: - as opposed to
15 establishing eye contact. It's really okay.

16 MR. CARLUCCI: It's my upbringing.
17 My parents would hit me if I didn't
18 look at her.

19 CHAIRMAN: I got it.

20 MR. CARLUCCI: I still, to this day,
21 fear my father. You know?

22 But anyway, I do apologize.

23 The issue honestly, okay, is we're
24 discovering some things, even to this day. Which is,
25 you know, a good news/bad news type of thing. Okay?

1 But we've changed out our whole Senior
2 Management Team. And as you do that - you know, we
3 have a new CFO. His first day on the job, he comes in
4 and he finds, you know, a few things that, you know,
5 we need to fix. Nothing major, but it's a good start.

6 You know, we have people here that are
7 committed to, you know, compliance and, quite frankly,
8 okay, we're changing the culture. You know?

9 When somebody, you know, deliberately
10 breaks a reg, regulations, okay, which we just had
11 that, okay, we terminate the person. Not because we
12 want to terminate people, but we need to send that
13 message. You know, right?

14 There's a point to the regulations,
15 and we are - starting with me and my boss, corporate
16 office, we are 100 percent committed to changing the
17 culture to the importance of these regulations.

18 Trust me, I never want to go through
19 last month again.

20 MS. LANGAN: Uh-huh (yes).

21 CHAIRMAN: We don't either.

22 MR. CARLUCCI: Yes, sir.

23 CHAIRMAN: Did you have further
24 questions?

25 MS. LANGAN: No, I think that's fine.

1 CHAIRMAN: Okay.

2 Any other questions?

3 If not, I want to thank you for the
4 presentation. A vote will be taken on this matter
5 later today, under the Bureau of Licensing section of
6 the Agenda.

7 Thank you all for your presentation.

8 ATTORNEY SORIANO: Thank you, Mr.
9 Chairman.

10 MR. CARLUCCI: Thank you very much for
11 your time today.

12 * * * * *

13 MEETING CONCLUDED AT 11:16 A.M.

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CERTIFICATE

1
2 I hereby certify that the foregoing proceedings,
3 hearing held before Chairman Barasch was reported by
4 me on 01/10/2018 and that I, Rhonda K. Thorpe, read
5 this transcript, and that I attest that this
6 transcript is a true and accurate record of the
7 proceeding.

8
9 

10 **Court Reporter**

11 Rhonda K. Thorpe
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