

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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PUBLIC HEARING

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

HEARING: Wednesday, March 21, 2018
10:03 a.m.

LOCATION: Pennsylvania Gaming Control Board
Strawberry Square Complex
2nd Floor
Harrisburg, PA 17101

Reporter: Haley J. Neumeister

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A P P E A R A N C E S

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15 ALSO PRESENT:

16 KEVIN O'TOOLE, Executive Director

17 CLAIRE YANTIS, Administrative Director

18 LAURA BURD

19 SUSAN HENSEL, Director

20 ASHLEY GABRIELLE

21 BENJAMIN FERRELL

22 CHRIS ROGERS, ESQUIRE

23 JOHN FINAMORE

24 FRANK DONAGHUE

25 DAN IHM

P R O C E E D I N G S

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CHAIRMAN: Good morning. I'm David Barasch, the Chairman of the Pennsylvania Gaming Control Board. I'd ask, as always, that people turn off their electronic devices, which I failed to do myself. With us today - no Fred.

Okay.

Jen Langan, representing Joe Torsella State Treasurer; Bob Coyne, representing Revenue Secretary Dan Hassel. I'd also note for a variety of reasons everybody can imagine, this is going to be a slightly different thing. We have three of our Commissioners on the telephone. So, we have a full complement.

Three will be participating by phone. Commissioner Logan, Commissioner Kernodle and Commissioner Santoni are on the phone, and they'll be - you'll be able to hear them in the background.

Before I call things to order, just for the record, we had had a - the first bid of the second round of the process for the new casinos. It was supposed to happen at ten o'clock this morning.

For logistical reasons, and in view of the difficult weather conditions and everything, to

1 avoid disadvantaging anybody, we have canceled that.
2 The auction that was scheduled for today will be held
3 right before -. Our next public session, I guess, is
4 April 4th.

5 So, there will be no auction today,
6 but we are going to proceed with a slightly more
7 limited agenda this morning. And with that I call us
8 to order.

9 First order of business, the Pledge of
10 Allegiance.

11 WHEREUPON, PLEDGE OF ALLEGIANCE RECITED

12 CHAIRMAN: I'm also going to put
13 everybody on notice that if we have to have a break
14 today to have any consultations here, unfortunately
15 I'm going to ask everybody to leave the room, so we
16 don't have to reconnect all of our communications with
17 the three people that are distant.

18 It'll be an executive session, but
19 it'll be happening in this room, if we have to take a
20 break of any sort. So, I hope everybody will bear
21 with us in that inconvenience.

22 Okay.

23 The first order of business, we have
24 one public hearing scheduled today, a Joint Petition
25 for approval of changes to control the Washington

1 Trotting Association, operator of the Meadows
2 Racetrack and Casino. I see the Petitioners are here.

3 Before we begin, I ask that anyone
4 who's going to speak please stand, spell their name
5 for the court reporter, prior to your presentation.
6 And I would also ask that all non-attorney witnesses
7 be standing and be sworn in at this time.

8 ---

9 WITNESSES SWORN EN MASSE:

10 ---

11 CHAIRMAN: Who among you are not
12 attorneys that might possibly be speaking today?

13 ATTORNEY ROGERS: Mr. Rogers,
14 Finamore. Will you be speaking as counsel or -?

15 AUDIENCE MEMBER: Just in - in
16 response to the questions, compliance.

17 CHAIRMAN: Well, let's have them all
18 stand and -.

19 MS. MANDERINO: We just did that.

20 CHAIRMAN: Oh. Are we okay then?

21 MS. MANDERINO: Uh-huh (yes).

22 CHAIRMAN: Okay.

23 Fine. I just wanted to identify who
24 they -. Okay.

25 We got them. Thank you.

1 AUDIENCE MEMBER: Thank you.

2 CHAIRMAN: Petitioners may begin.

3 ATTORNEY KING: Thank you, Mr.

4 Chairman. Good morning, Mr. Chairman, members of the
5 Board. My name is Adrian King. It's, A-D-R-I-A-N,
6 K-I-N-G.

7 I'm Counsel at Penn National. With me
8 today is Chris Rogers. Chris is Deputy General
9 Counsel for the company. John Finamore is a Senior
10 Vice President for regional operations. Frank
11 Donaghue, who is the Vice President for Regulatory
12 Affairs and the Chief Compliance Officer for the
13 company. And also Dan Ihm, who's the Vice President
14 and General Manager of the Hollywood Casino at Penn
15 National Race Course, up the road.

16 Before - well, let me make one point.
17 We're also to be joined by Elizabeth Tranchina,
18 that's, T-R-A-N-C-H-I-N-A, who's a Vice President and
19 legal counsel for Pinnacle, which is the parent of
20 Washington Trotting Association, the Meadows. She was
21 not able to make it in because of the weather.

22 She has been in communication with Mr.
23 Pitre. And he can speak to that at the appropriate
24 time, but I wanted to let you know that she tried to
25 get here, but - but was not - unable to do so.

1 Before we get into the meat of our
2 presentation, we just want to express appreciation to
3 the Board and to the staff for the effort of holding
4 the hearing today and - and making it in here under
5 difficult circumstances. As you know we tried to do
6 this two weeks ago and now we're in this storm, I
7 guess storm four, because I think there was even one
8 in - in between.

9 So, it's been difficult, but given the
10 size of the overall transaction that we're working on,
11 it's very helpful to us to be able to move forward
12 here. And as Pennsylvania is our home state, this is
13 almost kind of the keystone to get started, as we move
14 into some of the other jurisdictions in which we need
15 approvals.

16 So, thank you. Let me just make a
17 couple brief initial comments. We see the
18 transaction, the change of control that we're asking
19 you to approve and - and the broader transaction
20 behind it as a great day not only for Penn National
21 Gaming, but also for the Commonwealth of Pennsylvania.

22 And why do I say that? I say that
23 because I want you to think back literally 40 - almost
24 46 years ago. It'll be 46 years in August of - of
25 this year that Penn National began. And it began as a

1 single racetrack, Penn National Race Course in
2 Grantville. And now here we are 46 years later on the
3 cusp, as you will hear, of becoming the largest
4 regional gaming operator in the United States.

5 When I say regional, there are some
6 other operators who are - who are more focused
7 strictly on the Las Vegas strip. And - and we're
8 there, too, but we are also about to be in I think 19
9 jurisdictions in North America with 41 casino
10 facilities. And not only is that great for our
11 company, but let me point out, we are headquartered in
12 Pennsylvania, we are domiciled, we are incorporated in
13 Pennsylvania.

14 This is our home. And I think it's -
15 I think it's a great story to tell for the gaming
16 industry overall that we have our - our home gaming
17 company, so to speak, right here about to do a major
18 transaction in the gaming industry.

19 So, we'll talk specifically about the
20 change of control. We're going to talk about the
21 broader transaction. Let me just briefly tell you the
22 topics that we're going to cover.

23 John Finamore will start off with the
24 transaction overview. He'll then get into the
25 strategic rationale of why we're doing this

1 transaction. He'll give you a - a - snapshot of the
2 new combined company.

3 And then we'll turn it over to Chris,
4 who's going to talk about the overall - get into some
5 of the more detailed nuances of the transaction.
6 We'll get into the financing issues.

7 We'll turn it back over to John, who's
8 going to talk about the limited impact on Pennsylvania
9 as it relates to the entire broader transaction. And
10 now I'm going to address two discrete legal points
11 under the Gaming Act. And that has to do with the
12 economic concentration issue, as well as the change of
13 control fee.

14 We are happy to answer questions as we
15 go along from section to section, but if you want to
16 hold your questions to the end, however you want to do
17 it, that's fine. We're also here to serve you and
18 answer those questions that you need.

19 So, with that I'm going to turn it
20 over to Mr. Finamore.

21 MR. FINAMORE: Thanks, Adrian. Mr.
22 Chairman, Commissioners and staff, good morning. I'm
23 John Finamore, J-O-H-N, F-I-N-A-M-O-R-E, Senior Vice
24 President Regional Operations for Penn National. A
25 little bit about myself. I have about 25 years of

1 gaming experience, holding major positions with
2 Station Casinos, Ameristar Casinos and Penn National.
3 I've been with Penn National about 15 years and over
4 that time it's been my pleasure to oversee our
5 property down the road in Grantville, first when it
6 was a standalone racetrack.

7 And then I was involved in the
8 development and opening of that property to be the
9 successful casino it is today. I think it's
10 noteworthy to mention that we just celebrated our
11 tenth anniversary a month ago and we're very proud of
12 our operation.

13 I oversee the northeast region for the
14 company. So, that includes our properties in Maine,
15 Massachusetts, Ohio, West Virginia, and of course,
16 Pennsylvania. Also Canada and horseracing operations
17 for the company reports up to me as well.

18 I think it's helpful to talk a little
19 bit about the transaction. And the information I'm
20 going to go through very briefly is available in the
21 proxy statement that - that was published. It's an
22 interesting read. It's a long read, but just to talk
23 about a few of the - the highlights from it.

24 This transaction actually began over a
25 year ago. And you may know that it started out with

1 actually the Pinnacle CEO writing a letter to Tim
2 Wilmott, our CEO, proposing that Pinnacle acquire
3 Penn.

4 Obviously things played out a little
5 differently over the past years as to why we're
6 sitting before you today. At that time Penn engaged
7 legal and financial counsel or - or consultants to
8 analyze the offer from Pinnacle. And following a lot
9 of analysis and - back and forth, Penn concluded, not
10 surprisingly, that it made more sense for Penn to
11 acquire Pinnacle, as opposed to the other way around.

12 Penn realized that that transaction
13 could create significant strategic value for the
14 company. And as a result of that, Penn actually wrote
15 a letter back to Pinnacle in March of 2017 proposing
16 that Penn acquire Pinnacle instead.

17 At that time, as the process started
18 to play out, Penn approached Boyd Gaming, and
19 obviously, GLPI, our landlord, to also talk about the
20 transaction. Boyd, to involve them in - in some of
21 the detail we'll talk about later, spinoff parts of
22 the transaction.

23 And GLPI, of course, is the landlord.
24 GLPI, as you know, is also the landlord for Pinnacle.

25 As you can imagine, over the summer

1 months there were a lot of stops and starts in
2 negotiations, discussions and back and forth, but
3 really the discussions and the transaction accelerated
4 after a journal article appeared in October of 2017,
5 somewhat letting the cat out of the bag.

6 That led us to December 17th of 2018
7 when - sorry, '17, excuse me - when the company
8 finalized a definitive agreement with Pinnacle for the
9 Pinnacle Boyd and GLPI for the acquisition.

10 This truly was, as we look back at
11 that little bit of - of history of the transaction,
12 this truly was a rare deal, in that all four of the
13 companies involved, Pinnacle, Penn, GLPI and Boyd saw
14 their stock prices depreciate and increase pretty
15 significantly in some cases once this deal was
16 announced. And I think it really points out the fact
17 that it's a win-win for all involved.

18 So, it's, again, our pleasure today to
19 share more details of the transaction with you. I
20 thought that would be helpful to give you a little bit
21 of that background as we flip to page four.

22 So, the transaction overview, again,
23 Penn obviously is proposing to acquire Pinnacle
24 Entertainment, pursuant to the Merger Agreement that I
25 mentioned on December 17th of 2017. Total transaction

1 value, inclusive of debt, is approximately \$2.8
2 billion, before the divestures I mentioned earlier and
3 we'll get into more detail in a moment. And \$1.9
4 billion net of these divestures and real estate sales
5 to GLPI, which again, we'll - we'll explain.

6 Penn's shareholders will receive \$20
7 per share - I'm sorry. Pinnacle shareholders will
8 receive \$20 per share in cash and .42 shares of Penn
9 for each Pinnacle share held at closing.

10 The strategic rationale, as you heard
11 Adrian say, Penn National is the largest - currently
12 the largest regional operator of - of casinos in the
13 country. And Pinnacle was really our main competitor
14 in - in some jurisdictions; operated in a very similar
15 way to Penn, very high quality assets in general. It
16 - but this transaction really further enhances our
17 position as the dominant regional player in the
18 markets.

19 It takes our current - our current
20 casino count from 26 to 41. It increases our annual
21 revenue numbers from approximately \$3 billion to
22 approximately \$5 billion.

23 It increases geographic
24 diversification with highly-complementary properties.
25 As I mentioned, the assets, both companies have very

1 high quality assets in most of the markets, the
2 dominant assets in those markets.

3 Geographic diversification, obviously,
4 is important for a company. It exposes us to or
5 introduces us to new markets in which Penn currently
6 does not have a presence, which would include
7 Louisiana and Colorado. And it further increases our
8 footprint in - in Nevada.

9 I touched on the best in class
10 regional properties, but again, just to - to reinforce
11 that message, Pinnacle operates very high quality
12 assets. And we believe our operating philosophies are
13 very compatible.

14 And finally, it accelerates Penn's
15 innovative growth strategy and enhances our customer
16 experience.

17 Pinnacle currently has no properties
18 in the Las Vegas market, whereas Penn operates two
19 currently. And we look at that as a real advantage
20 for us to send Pinnacle properties to our - as part of
21 the Reward Program to our Las Vegas properties.

22 Just another item to talk about is the
23 size of our database. Our customer database, as a
24 combined company, will be about \$5 million - I'm
25 sorry, five million players.

1 The map on page six just really again
2 highlights the geographic diversity and also some of
3 the statistics of the combined company. The size, as
4 I mentioned, 41 properties, will operate in 20
5 jurisdictions. 53,500 slots will be the largest slot
6 operator in the - in the country. 1,300 tables, 8,300
7 hotel rooms. And I think most impressive 30,000
8 employees.

9 As we talk about the company that
10 opened 46 years ago in Grantville with a handful of
11 employees, today is on the cusp of being a very large
12 company with 30,000 employees.

13 With that I'll turn it over to Chris
14 Rogers.

15 ATTORNEY ROGERS: Thank you. My name
16 is Chris Rogers, R-O-G-E-R-S. And I am Vice President
17 and Deputy General Counsel at Penn. And I get the
18 pleasure of talking about the real exciting stuff,
19 which is the structure of the transaction and some of
20 the details.

21 So, when you look at the current
22 structure of Pinnacle and Penn, as it relates to
23 Pennsylvania, both companies have very similar
24 structures.

25 You have the publicly-traded company

1 as the - as the ultimate holding company, with an
2 intermediate holding company, which acts as the lessee
3 under the respected leases with GLPI. With the
4 operating subsidiary underneath that, in the case of
5 Pinnacle, Washington Trotting Association. In the
6 case of Penn, it's Mountain View.

7 So, under the merger - the merger
8 itself is actually a very simple transaction. Penn
9 has created a new wholly-owned subsidiary called
10 Franchise Merger Sub.

11 It's called Franchise because that is
12 the code name that our bankers came up with for this
13 transaction. And as part of the transaction, we'll
14 have - Pinnacle will merge with and into Franchise
15 Merger Sub. It will survive the merger and really
16 it's - it's - it ends up being a very simple
17 transaction, from the standpoint of Pinnacle just
18 becomes a subsidiary of Penn. All of the operating
19 subsidiaries of Pinnacle just come over, along with -
20 with Pinnacle.

21 So, you can see on the next page what
22 the structure will look like post transaction. You
23 see Penn is the parent company. Now Pinnacle has
24 become a subsidiary of Penn. And Washington Trotting
25 Association is - is now an - would be an indirect

1 subsidiary of Penn.

2 So, circling back to some of the - the
3 details of the transaction, on - as to the
4 divestitures. So, early on we wanted to identify a
5 divestiture partner who was very credible, reliable
6 and would be - would be interested in taking all the
7 properties in one transaction.

8 So, we did consider the possibility of
9 divesting of properties on a case-by-case basis.
10 These are the properties, by the way, that we
11 identified as having potential regulatory issues,
12 which is why we - we're looking at doing a
13 divestiture. We liked Boyd from the beginning,
14 because they had the - the financial capacity to do
15 this transaction. They had reputation. They were
16 already licensed in a number of jurisdictions.

17 So, from that perspective they were
18 really good partners for us. And - and we settled on
19 divestitures of the two Ameristar properties in
20 Missouri, which - the Kansas City and St. Charles,
21 which is the St. Louis market. As well as Belterra
22 Resorts in Indiana and Belterra Park in Ohio.

23 Now, when we started negotiations with
24 Boyd, the Meadows was on this list of potential
25 divestitures. And that was because of the license

1 limitation, one in a third license limitation. When
2 the expanded Gaming Act was passed, we quickly
3 reversed course, went back to Boyd and said, hey, it
4 would be great if we could keep - keep Meadows and -
5 and they agreed.

6 So, we - we revised our - our term
7 sheet with them. And now we're settling on only the
8 four entities and we are very happy to be taking the
9 Meadows.

10 The total purchase price for the
11 divestitures is around \$575 million. That
12 consideration will be used to help fund the purchase
13 price of the Pinnacle shareholders. And the other
14 component that will help fund some of the purchase
15 price to Pinnacle shareholders is the sale of some
16 real estate to GLPI.

17 So, you might wonder why these two
18 properties were not already in - in the read or the
19 real estate was not sold already and sold to GLPI, and
20 the answer is because Plainridge Park, which is a
21 casino in - in Massachusetts -. It's a slots-only
22 facility there. We won the license to that after the
23 spend.

24 And at that time we did not think it
25 made sense to - to put into the read. So, we own the

1 real estate of - of Plainridge Park.

2 Likewise when - when Pinnacle did
3 their transaction with GLPI, Belterra Park had just
4 opened. So, that's a racino in Ohio. It had just
5 opened. It was in the process of ramping from a
6 revenue perspective. They didn't think it made sense
7 to put it into the read at that time because the -
8 they were still in the process of ramping from a
9 revenue perspective.

10 So, they own the real estate.
11 Pinnacle owns the real estate for Belterra Park.

12 As part of this transaction, we
13 decided it made sense to put the - the real estate for
14 those two entities into the read and so both of those
15 properties are being sold, just the real estate, to
16 GLPI for a combined purchase price of around \$315
17 million. Which will, again, be used to help fund some
18 of the consideration to the Pinnacle shareholders.

19 So, following the closing, Penn will
20 be a party to three different leases with GLPI, as our
21 landlord. Only one is being amended, and that is the
22 Pinnacle master lease.

23 Now, the most important reasons why we
24 needed to amend Pinnacle master lease was to remove
25 the divested properties that are being sold to Boyd.

1 Boyd will be entering into their own lease with GLPI
2 to cover those properties.

3 We also added Plainridge Park or will
4 be adding Plainridge Park to the Pinnacle master
5 lease, and will be adjusting the rent in that lease to
6 account for the fact that we'll now include Plainridge
7 Park, as well as to adjust for current market
8 conditions.

9 The Penn master lease will not be -
10 will not be amended at all in connection with this
11 transaction. And that is the lease that - that - that
12 governs the real estate associated with Hollywood
13 Casino here in - in - in Grantville.

14 We also will not be amending the - the
15 Meadows' master lease. So, at - at the time that GLPI
16 did their - their large transaction with Pinnacle,
17 they had not yet put Meadows in that and Pinnacle had
18 not acquired Meadows yet.

19 When Pinnacle did acquire the Meadows,
20 they decided to keep that lease separate. They didn't
21 put it in their master lease. So, that's a standalone
22 lease for Meadows. We will just be assuming that
23 lease without any changes.

24 So, from a financing perspective, it
25 was really important to us to structure this in a way

1 that we were not overly levered. And that's something
2 that we - that we really thought about from the very
3 beginning.

4 And the way we - we were able to
5 accomplish that is by using a combination of - of
6 financing to pay for the deal. One is traditional
7 debt financing. We'll be taking on some new debt
8 financing.

9 But the most important component here
10 is really the use of our shares in doing a part stock
11 transaction. This was important for a couple of
12 reasons. One, it allowed us to reduce the amount of
13 debt that we otherwise would have to take on to do the
14 transaction.

15 The other - the other thing was that
16 it - it was really important to Pinnacle to - as far
17 as negotiating the transaction for them to get some
18 value from the potential synergies and the combination
19 of the company.

20 And by introducing a stock component,
21 we could show, then, that, hey, your shareholders will
22 participate in the upside of this - of the combined
23 company through the - by the - by getting stock in -
24 in the combined company at the closing.

25 We also have the proceeds from the

1 divested operations that are going to Boyd, as well as
2 the proceeds from sale of the real estate to GLPI.

3 And then the last component that will
4 be part of the financing is the cash on the balance
5 sheet of Penn and Pinnacle at closing. These two
6 companies both generate significant amount of free
7 cash flow.

8 In the period between now and closing,
9 they'll continue to do so. That cash will be
10 available to help pay some of the - the purchase price
11 consideration.

12 So, we had a lot of support, as John
13 mentioned, on this transaction from our investment
14 community. I think we've heard pretty much uniformly
15 from all of our investors that they think this is a
16 great deal.

17 We also had a lot of support from our
18 banks. And we went to the banks to say, hey, we would
19 like to do an amendment to our credit facility,
20 because as a larger company, we thought it made sense
21 to have a little bit more senior secure debt. And we
22 were constrained in our capacity by our existing
23 Credit Agreement.

24 So, we went to our banks, you know, a
25 few - few months ago with a proposed amendment that

1 would allow us to increase the amount of secured debt
2 capacity.

3 In our Credit Agreement we had
4 overwhelming support for that amendment. And the
5 details on the financing have been provided to staff.
6 But the - the gist is that we were able to come up
7 with the structure which allows us to rely mostly on
8 senior secured debt, which is obviously the lowest
9 interest rate and the best from that capital
10 structure.

11 On the next slide you can see our
12 proposed sources and uses. We will be borrowing about
13 \$1.25 billion in new debt.

14 You see here the equity to seller.
15 This - this number changes every day based on the
16 stock price of the company, but currently it's \$756
17 million, roughly. We had the proceeds from the sale
18 of the divested assets and the real estate of
19 approximately \$851 million as well as cash flow from
20 operations that I spoke about from both Pinnacle and
21 Penn of roughly \$180 million that will be used upon
22 this - the purchase price.

23 As for uses, we will be obviously
24 paying around \$2 billion to the Pinnacle shareholders.
25 We will also be repaying all of their outstanding debt

1 and paying the not insignificant transactional costs
2 associated with this.

3 So, we've provided some information to
4 staff about our proposed leverage ratios. But one
5 thing that we're really excited about this transaction
6 is that we were able to accomplish this in a way that
7 our - our leverage ratios and our interest coverage
8 ratios are very consistent with where we are today.

9 The difference being we are a much
10 larger company now, more geographically diversified,
11 stronger from that perspective. We'll also be
12 generating a lot more free cash flow as a combined
13 company, which will allow us the opportunity to be
14 levered very quickly.

15 So, not only are we in the same place
16 now, but we think in the next couple of years we'll
17 really be able to delever and be - you know, have a
18 very, very healthy balance sheet.

19 MR. JEWELL: I have one question about
20 the stock exchange or the stock acquisition by the
21 Pinnacle secure holders. Any of that locked up or is
22 it fully transferable to the closing?

23 ATTORNEY ROGERS: So, there's no
24 lockups. Freely tradeable.

25 CHAIRMAN: Okay.

1 Gentlemen, we'll go back to you -

2 ATTORNEY ROGERS: Thank you.

3 CHAIRMAN: - on the limited impact.

4 MR. FINAMORE: Turning to page 16, the
5 limited impact that this transaction has on
6 Pennsylvania. The Licensees for Hollywood Casino at
7 Penn National Race Course will - will remain Mountain
8 View Thoroughbred Racing Association. No change
9 there.

10 Similarly at the Meadows, there will
11 be no change with the Washington Trotting Association,
12 LLC. And Penn will become the ultimate parent of - of
13 that group.

14 Penn will continue to lease, as we've
15 talked about, the real estate associated with
16 Hollywood Casino in Grantville from GLPI, pursuant to
17 the existing Penn master lease with GLPI. And we will
18 also lease the real estate associated with the
19 Meadows, as we've described.

20 Continuing on page 17, I touched on a
21 little bit earlier that the two properties in
22 Pennsylvania will receive the benefits of a combined
23 database of over 5,000,000 post transaction, 5,000,000
24 customers.

25 And I think, again, access to

1 rewarding our players with trips to Las Vegas is - is
2 certainly an important part of this transaction. But
3 similarly Pinnacle operates some very high end,
4 full-service resorts, destination resorts in Colorado,
5 a beautiful property also in Lake Charles, Louisiana.
6 And we think those properties will be very attractive
7 to our customers in Pennsylvania as well.

8 We also think there's a benefit for
9 both properties through the cross promotion of Penn
10 interactive business, including any - one day any
11 online real money gaming offerings. As well as Penn's
12 PTT operations, including possibly truck stops in - in
13 the Commonwealth.

14 As you - as you note now, Penn is
15 currently the largest operator parimutuel facilities
16 in North America. And we think will help bring our
17 expertise in this area to - to the Meadows racing
18 operation. We look at that as a benefit as well.

19 And then as far as capital
20 reinvestment goes, we're prepared to continue to make
21 necessary investments not only at our property down
22 the road in Grantville, but also at the Meadows.
23 We're in the process of spending several millions of
24 dollars. We're about to announce that at the
25 Grantville property, redoing some of our food and

1 beverage outlets.

2 And it's premature for us to talk
3 about the Meadows, but we would look at - at
4 opportunities there to invest capital prudently.

5 ATTORNEY KING: Thank you, John. Mr.
6 Chairman, we're now going to get into these two
7 discrete legal issues. If you wish, we could - we
8 could entertain any questions on the transaction and
9 the topics that Mr. Rogers and Mr. Finamore addressed
10 or we could hold to the end.

11 CHAIRMAN: I think that's a good idea.
12 Anybody here have any questions about what we've heard
13 so far? My comrades on the telephone, anybody have
14 any questions?

15 MR. SANTONI: I'm fine. Thank you.

16 CHAIRMAN:

17 Okay.

18 Hearing - you're okay, Dante?

19 MR. SANTONI: I'm fine. Thank you.

20 CHAIRMAN: Okay.

21 Adrian, why don't you proceed, then?

22 ATTORNEY KING: Yes, sir. So, the
23 first legal issue we're going to address is economic
24 concentration. And what we would argue to you is a
25 lack of economic concentration. As you know, as we've

1 discussed, we originally had a limitation here in the
2 state under the original Gaming Act on ownership of
3 more than one Gaming License. It was limited to one
4 of the third.

5 That has now been lifted. And so the
6 analysis is done under the Board regs. And
7 specifically it's in Section 421.

8 I wanted to - thank you, John. I'm
9 sorry. I wanted to first just say, well, what - let's
10 level set.

11 What are the exact issues here? And
12 under the regs - this is 421a.5(b). Undue economic
13 concentration means that a person would have - either
14 one, is - would have actual or potential domination of
15 the gaming market in this Commonwealth, contrary to
16 the legislative intent.

17 Two, could substantially impede or
18 suppress competition among Licensees. And three,
19 could adversely impact the economic stability of the
20 gaming industry in this Commonwealth.

21 I would submit to you the answer to
22 all those points is this transaction will not result
23 in any of that.

24 Now, why do I say that? Let's get
25 into the details and work from the first slide. So,

1 as you know, the Gaming Board classifies the casinos
2 into three different regions, east, central and the
3 west.

4 First of all, these two properties are
5 in two separate regions. We would argue that they, to
6 some degree, mirror markets, submarkets within the
7 Commonwealth as a whole.

8 So, in the western region we have
9 Rivers, we have Meadows, Presque Isle and Nemacolin.
10 And in the central we have another four properties of
11 Sands, Mohegan, Hollywood and Mount Airy.

12 We note that the shortest driving
13 distance between Meadows and Hollywood is 233 miles,
14 between the two properties. Now, if you're a crow,
15 you can do that at 188 miles. But I submit for our
16 purposes it's more important about how I can drive
17 there.

18 MR. JEWELL: Very few crows have been
19 noted in our properties, so -.

20 ATTORNEY KING: Yes, sir.

21 MR. JEWELL: You've done a good job of
22 keeping them out of the property.

23 MEMBER: Underage crows?

24 MR. JEWELL: Yes.

25 MEMBER: Especially underage crows.

1 MR. JEWELL: You just lost a point.
2 That was my next sentence. We don't have any crows
3 over the age of 21 in the Commonwealth, I don't
4 believe.

5 MEMBER: That's right.

6 ATTORNEY KING: Neither Meadows nor
7 Hollywood is the most dominant operator in their
8 respective market. So, in the west, Meadows is number
9 two, in terms of gross terminal and table game
10 revenue. Rivers is number one, by the way.

11 And Central Hollywood is third,
12 although just barely third - and Mohegan - but third
13 it is, in terms of gross terminal and table game
14 revenue, Sands is number one, Mohegan is number two.

15 Going to the next page. Now, we also
16 have to look at if we take these two properties and we
17 combine them, how do they look in terms of the overall
18 market? And taken together, they only represent what
19 we would say is a modest share of the total market
20 when looking at the Commonwealth as a whole.

21 And combined they would rank third in
22 gross revenue and third in net revenue behind Parx.
23 Parx has 17.6 percent in the state. They're in the
24 east. Sands has 16.9 percent. They're in the
25 central.

1 And again, our two combined
2 locations, once put together, would be 15.4. The
3 other ten facilities combined then, when you look at
4 our 15.4, represent 85 percent of the gaming market in
5 Pennsylvania. We're at 15.

6 Now, we note - and let me note here
7 that these affiliations or combinations were created
8 under the one in a third rule, but they still are
9 combined operations.

10 And just by way of examples Rush
11 Street Gaming has interest in Rivers in the west,
12 SugarHouse in the east. Greenwood Racing and then -
13 has interest in Parx, obviously. It also has its
14 interest in Live, in the joint venture stadium casino
15 down about 19 miles away down in Philadelphia.

16 And we know that both of those -
17 although perhaps not exactly on point for this
18 analysis, we know that both of those properties now
19 also have satellite facilities that they're going to
20 be putting elsewhere in the state. El Dorado has two
21 properties in the west. They own Presque Isle.

22 I recognize now that that property is
23 in play. And they also have the Management Agreement
24 on Nemacolin. They don't own the property. They're
25 not the license holder, but they do manage it.

1 And then Mount Airy has their
2 facility, their primary facility, in the central
3 region. And they will now also have a Cat 4 out in
4 the west.

5 We also wanted to make the point
6 overall, with respect to economic concentration, that
7 with the gaming expansion amendments from 2017, the
8 market overall is now becoming much more diverse
9 across the Commonwealth as a whole.

10 As obviously I mentioned, we now have
11 the potential of up to ten additional Category 4
12 Licenses. We have interactive gaming coming online.
13 We have video gaming at truck stops, fantasy sports.
14 We have airport gaming.

15 And the point is, land-based casino
16 gaming is now not a single game in town. We now have
17 a much more diverse overall market across the entire
18 Commonwealth, which further leads to a conclusion of a
19 lack of economic concentration.

20 FIU, your Financial Investigations
21 Unit, did a very detailed look at - at these issues.
22 I'm sure you've been briefed. I would just note that
23 if you now put back into the FIU report -. Because
24 when they did the report the Cat 4s hadn't started to
25 roll out. But when you look at the Cat 4s coming into

1 the market, the submarkets across the state, west,
2 central, east, you're now looking at fairly, again,
3 diverse group of competitors.

4 So, in the west we would argue we've
5 now got six independent operators. You have the four
6 that were there, Presque Isle, Rivers, Meadows and
7 Nemacolin. And now we've got Mount Airy coming in
8 with a Cat 4, and we have Stadium coming in with a Cat
9 4.

10 And in the central we would argue now
11 that we have five operators, rather than four. You
12 got your four originals. So, you've got Sands, you've
13 got Mount Airy, you've got Penn and Sands.

14 And we're now adding another location
15 satellite of Parx down - we don't know where exactly
16 they're going to go, but somewhere south of Cumberland
17 County and - and we now have five participants.

18 One final point. In no way am I
19 suggesting that this Board's duties with respect to
20 determining economic concentration should rely on
21 this. But I simply make the point that as you can
22 imagine, our overall transaction is being very closely
23 looked at by the Federal Trade Commission.

24 And also, as Chris mentioned, that is
25 why we structure the deal with the certain

1 divestitures. And they have expressed absolutely no
2 concern whatsoever - Chris, confirm if I'm wrong -
3 with respect to this transaction as it relates to
4 Pennsylvania, and as it relates to Penn National as
5 the parent ending up with having both the property in
6 Grantville and the Meadows.

7 So, I just ask you to take note of
8 that, for what it's worth.

9 CHAIRMAN: Can I ask a question of
10 that point?

11 ATTORNEY KING: Yes, sir.

12 CHAIRMAN: Are you expecting some sort
13 of determination from the Federal Trade Commission?

14 ATTORNEY ROGERS: We are so -.

15 CHAIRMAN: A matter that's in process?

16 ATTORNEY ROGERS: So it is in process.
17 We did file an aka a few days ago announcing that we
18 had received a second request from the FTC, which is
19 not unexpected.

20 So, we took what we thought were the
21 proactive measures doing the dispositions in St. Louis
22 and Kansas City. So, those are the Ameristar
23 properties that we are selling to Boyd. Those - those
24 divestitures were - were done with an eye toward
25 potential FTC issues. The other two divestitures we

1 did in Indiana and Ohio.

2 They were because of - of statutory
3 limitations on the license, but St. Louis and - and
4 Kansas - Kansas City were specifically done with an
5 eye towards FTC scrutiny.

6 We think ultimately that the FTC is
7 going to agree with us. And we do not think that the
8 second request is going to hinder our timeline. We
9 expect to have approval from the FTC in short order.

10 CHAIRMAN: When you say in short order
11 what kind of timeline are we on?

12 ATTORNEY ROGERS: Probably early
13 summer.

14 CHAIRMAN: Early summer. And - and
15 what if you encounter a problem with the FTC? How's
16 that going to affect our side of the transaction here?

17 ATTORNEY ROGERS: So it - it wouldn't
18 unless - unless the FTC had a specific problem with
19 Pennsylvania. But the - probably what would happen is
20 that there would be a trust set up to hold whatever
21 property was - was at issue.

22 It's kind of hypothetical, because it
23 - you know, we don't know exactly what that would be,
24 but I can tell you that they're focused on - on other
25 parts of the country.

1 CHAIRMAN: You don't see this
2 transaction, the desirability or whatever - I don't
3 know what contingents or covenants you may have, being
4 affected by what the FTC may decide to do to you in
5 regard to your divestiture?

6 ATTORNEY ROGERS: I don't. And - and
7 even if we were in a situation we had to divest in
8 another property, then it - I don't think that would
9 hold up the entire transaction. But again, I want to
10 emphasize, we do not anticipate that to be the case.

11 MR. JEWELL: So your divestitures were
12 voluntary, not in any -

13 ATTORNEY ROGERS: Right.

14 MR. JEWELL: - Order by the FTC or a
15 condition subsequent?

16 ATTORNEY ROGERS: That - that is
17 correct.

18 MR. JEWELL: Was it a nuance
19 discussion that moved you to divest?

20 ATTORNEY ROGERS: So, - so,
21 specifically for St. Louis and Kansas City, we did a
22 detailed analysis. We did this for all the markets,
23 but we - we, early on, identified those as being the
24 two markets that had the most potential concern from
25 an FTC perspective. There was also a history of FTC

1 review in St. Louis, which is why the Lumière was
2 ultimately sold by - by Pinnacle.

3 So, with that as being sort of our
4 guideline, we knew that it made sense to look for
5 potential divestitures there, to make sure that we got
6 FTC approval.

7 So, we took the proactive approach on
8 that and - and decided to do divestitures upfront.
9 Plan rather than having to fight with the FTC and -
10 you know, and seeing what happened.

11 MR. JEWELL: Thank you, sir.

12 CHAIRMAN: Any other questions up here
13 before I let you go on further? Those on the phone,
14 anything that was just asked you want to prompt a
15 question now or should I let Mr. King continue?

16 MR. SANTONI: No, thank you.

17 CHAIRMAN: Okay.

18 MR. SANTONI: No, thanks.

19 CHAIRMAN: Okay.

20 Please proceed.

21 ATTORNEY KING: Thank you, sir.

22 So, I've effectively done the argument
23 on economic concentration. I will not belabor the
24 issue and go back with the three points from the regs
25 that I made at the beginning, but I respectfully

1 request that you find if there is a lack of economic
2 concentration, such that our acquisition, the change
3 of control, the Meadows should be affirmed and
4 approved.

5 Okay.

6 So, now we will go to the final legal
7 point. And that has to do with change of control fee.
8 And as we know, under the Act, the Board is authorized
9 to charge or impose a change of control fee when a
10 license changes hands.

11 That situation, obviously, is - is
12 here at hand. This obviously has a very long history
13 in front of this Board. And it traces back all the
14 way back to 2007, which I think the first change of
15 control was probably the Harrah's transaction.

16 And at that time, because it was an
17 issue that was faced by the Board -. Remember the -
18 the Act was passed in '04, and casinos didn't really
19 start coming online until '06 and '07 and '08. And it
20 was the first time.

21 And so the Board looked at it
22 carefully. It asked for expert testimony. It brought
23 in PricewaterhouseCoopers to look at the issue
24 specifically. It also asked the Bureau of Licensing
25 at the time to look at the change of control fee issue

1 carefully.

2 Just wanted to point out a couple of
3 things that were said at the time. It said that -
4 from PricewaterhouseCoopers, they stated a significant
5 change in ownership fee may be expected to alter the
6 investment environment in ways it could jeopardize
7 major capital expenditures that have the opportunity
8 to generate far greater tax revenues for the
9 Commonwealth over the long term.

10 I think what they're pointing out
11 there is the more that an operator would have to pay
12 out in terms of a fee perhaps results in less capital
13 to invest back into properties.

14 The Bureau of Licensing similarly
15 recommended that the long term financial condition of
16 the gaming industry outweighs any short-term gain to
17 the Commonwealth.

18 Also from the reports back then, the
19 taxpayers of the Commonwealth will benefit more in the
20 long term by fostering competition for our Gaming
21 Licensees, in enticing new operators who are willing
22 to invest the necessary capital to ensure that our
23 gaming facilities remain engines of economic growth
24 and sources of vital revenue to the Commonwealth well
25 into the future.

1 So, those were some of the issues that
2 were at least addressed when we started to get into
3 change of control fees.

4 I would just add one other -. As an
5 aside, I was on Governor Rendell's staff at the time
6 that the Gaming Act was being drafted and negotiated.
7 And I will tell you - and I've confirmed this with
8 others from that era. The primary point of the change
9 of control fee, as I understood it at the time, was to
10 prevent flipping of the licenses after the initial
11 issuance. That was one of the key agenda items of why
12 that fee was put in there.

13 The next slide just shows the history.
14 As I stated, the first change of control was in
15 December of '07 with Harrah's. A \$2.5 million fee was
16 charged.

17 Hollywood Casino, although I don't
18 think we ultimately paid the fee, because the deal did
19 not go through, because of the economic crisis. At
20 one point Penn National was going to be sold to a - a
21 fund in New York City, Fortress. The fee was set at
22 \$2.5 million, but just to be perfectly clear, it was
23 not paid, because the transaction did not close.

24 Rivers Casino changed hands, \$2.5
25 million fee. Mount Airy Casino was - the ownership

1 was restructured within the existing ownership
2 structure. And that was an exception.

3 A dollar fee was charged. Presque
4 Isle Downs changed hands in '14. Again, a \$2.5
5 million fee. Meadows changed hands to Pinnacle in
6 September of '16, \$2.5 million fee. And Harrah's had
7 a fee imposed in 2017 of \$100,000. That was an
8 exception to the rule.

9 And that - those of you - I know some
10 of you were on the Board. Obviously, that - that had
11 to do with their bankruptcy restructuring at the time.

12 Why do we - why do we keep taking the
13 position, obviously, that \$2.5 million is the
14 appropriate amount? There are a lot of change
15 circumstances here in the market Pennsylvania. And a
16 lot of it has to do with the expansion. Legislation
17 passed in 2017.

18 But I would note just for the record,
19 it is harder to operate here now. We are no longer
20 within that ten-year protection period, which was
21 granted to the operators, given their substantial
22 investments with the license fee and the construction
23 of facilities. Expansion is now allowed and it has
24 surely come.

25 As I noted before, with the amendments

1 from October of 2017, we now have the potential for
2 new Category 4 Licenses. We know that they've been
3 described in some circles as mini casinos. There are
4 not very many with up to 750 slot machines, which
5 quite frankly is more than -. I can identify several
6 properties on the Las Vegas 2strip that have less than
7 750 machines.

8 We have relaxed the restrictions on
9 the Category 3 casinos, so that they can become larger
10 themselves. We have expanded lottery offerings that
11 are coming online, including online and internet -
12 internet-based games.

13 We've had our tax rates increased.
14 Table games was, I think, 16. We've just had gross
15 terminal revenue increased. It has gotten harder, not
16 easier.

17 And in addition we have, quite
18 frankly, greater expansion along the northeast
19 corridor, Massachusetts, Ohio. We have New York.
20 There are a lot of things going on that make things
21 very difficult.

22 The final issue, why we say Penn is
23 already licensed, in good standing and well-known to
24 the Board, there are times it's been the notion that
25 the change of control fee is appropriate because of

1 investigatory costs. We pay those anyway. Those are
2 charged separately to us.

3 So, this is not meant to cover that.
4 And I just want to make that point. I would like to
5 think this is a difficult transaction in terms of it
6 has a lot of parts. And - and I don't - I don't want
7 to suggest that Mr. Pitre's team and FIU doesn't have
8 its work cut out for it, but overall Penn National is
9 extremely well-known to this Board and to the staff.

10 So, in conclusion, our position is
11 that it's most appropriate to maintain the status quo
12 with the fee. \$2.5 million is - is what we have known
13 for now well over ten years. There's some market
14 certainty of that.

15 And we believe that that continues to
16 be the appropriate change of control fee. And we'd be
17 happy to answer any questions on this point as well.

18 CHAIRMAN: Are there any questions
19 about the last two issues that Mr. King has discussed
20 from the Board?

21 Hearing none -.

22 MR. LOGAN: Mr. Chairman, I have a - a
23 question in general. It's Sean.

24 CHAIRMAN: Hi.

25 MR. LOGAN: So, I didn't hear you

1 address any local agreements that you guys may have
2 had or have with counties, local governments, fire
3 departments, community organizations, economic-
4 development agencies in and around your locations.

5 Are they still intact with the change
6 and control? There's nothing - if you have those,
7 nothing that's nullifying those?

8 ATTORNEY KING: Member Logan -
9 Commissioner Logan, that's a good question. We don't
10 have any separate agreements. A lot of times this
11 happens more in the urban - urban context with a
12 Special-Benefits Agreement or something along those
13 lines. However, I think - I think you're - you know
14 that under the tax structure, we pay significant
15 amounts of money to Dauphin County.

16 I know that - I have to confess. I'm
17 caught a little flatfooted on what Meadows pays in
18 terms of what its structure is. It is all a little
19 bit different, in terms of local share, for each
20 property.

21 But I can tell you I've been very
22 involved with respect to Dauphin County in the last
23 couple of years. We pay millions to Dauphin County
24 every year. And I would point out that Penn National,
25 during the time of uncertainty in which the local

1 share tax structure was struck down by the Supreme
2 Court -.

3 We were the first to immediately stand
4 up and tell Dauphin County, hey, don't worry about it,
5 we are going to continue to pay everything that we owe
6 under the status quo, under the current tax, the local
7 share taxes. Nothing was ever missed.

8 If you talk to the Commissioners in
9 Dauphin County, they will tell you that we have been a
10 great partner in that regard. And those monies had
11 been used every year for very important projects. I
12 know that the emphases in Dauphin County is primarily
13 with respect to public safety, but not that it doesn't
14 go to other worthy things.

15 But fire departments, ambulance
16 companies, I believe there's some police grants or
17 maybe - maybe that is separate, but we have continued
18 and always continued to - to act as good partners and
19 will continue to do so.

20 MR. JEWELL: And just to confirm that
21 - the initial question. All local agreements that
22 Pinnacle has will be honored by Penn, with the
23 exception of the - any local agreements that are
24 related to the divested assets, which are - which are
25 going to Boyd.

1 CHAIRMAN: Commissioner Logan, do you
2 have any further questions?

3 MR. LOGAN: No, that's fine. Thanks,
4 Mr. Chairman.

5 CHAIRMAN: Any others over the phone
6 with questions?

7 Okay.

8 Then hearing none, Enforcement
9 Counsel, proceed.

10 ATTORNEY PITRE: Thank you, Mr.
11 Chairman. Cyrus Pitre, P-I-T-R-E, Chief Enforcement
12 Counsel.

13 Before I turn it over to Ms. Kolesar
14 and Ms. Haken, I'd like to add that I did speak or was
15 in contact with Ms. Tranchina from Pinnacle. She does
16 not object - Pinnacle does not object to the move -
17 the Board moving forward in considering this matter
18 today and ruling on it. In fact, they're looking
19 forward to it.

20 So, with that said, I'd like to turn
21 the matter over to Assistant Enforcement Counsel,
22 Tamara Haken and Sarah Kolesar.

23 ATTORNEY HAKEN: Good morning,
24 Chairman, -

25 CHAIRMAN: Good morning.

1 ATTORNEY HAKEN: - members of the
2 Board. Tamara Haken, H-A-K-E-N, with the Office of
3 Enforcement Counsel (OEC).

4 ATTORNEY KOLESAR: Good morning,
5 Chairman Barasch, members of the Board. Sarah
6 Kolesar, K-O-L-E-S-A-R, Assistant Enforcement Counsel
7 with the OEC. At this time we do have some questions
8 for the Petitioners.

9 The documents communicate an
10 anticipated close date of no later than October 31st,
11 2018.

12 Do you anticipate a closing date
13 sooner than that?

14 MR. JEWELL: We are hopeful of a
15 closing date earlier than that. Obviously, we - our -
16 our timeline is dependent, to some extent, on - on,
17 obviously, the various jurisdictions of regulatory
18 approvals.

19 But it is currently our expectation
20 that we will close, you know, a little bit earlier
21 than that.

22 ATTORNEY KOLESAR: Okay.

23 And when do you expect to receive all
24 jurisdictional approvals?

25 MR. JEWELL: So our public statement

1 is really second half of - of the year. I think it's
2 probably likely to be early - early fall.

3 ATTORNEY KOLESAR: So you do expect -
4 expect to have them by October 31st?

5 MR. JEWELL: Yes.

6 ATTORNEY KOLESAR: Okay.

7 And do you anticipate any issues
8 getting those approvals?

9 MR. JEWELL: No.

10 ATTORNEY KOLESAR: Okay.

11 Have you received approval from the
12 Racing Commission?

13 And if not, will you do so before
14 closing?

15 ATTORNEY KING: We will get - before
16 closing? We actually have a similar petition to the
17 one that's currently before the Board in front of the
18 Racing Commission.

19 And I believe we're on their agenda
20 for later in April. And I can certainly provide you
21 with that date. But we - we'll be doing a similar
22 request to the Racing Commission, to make sure that
23 they are also comfortable with the transaction.

24 ATTORNEY KOLESAR: We would appreciate
25 if you keep us -

1 ATTORNEY KING: Yep.

2 ATTORNEY KOLESAR: - updated on that.
3 Other than the applications that have been filed thus
4 far, do you anticipate any changes to the transaction
5 that would require the filing of additional
6 applications?

7 ATTORNEY KING: No, we do not.

8 ATTORNEY KOLESAR: And is it still
9 anticipated that you will receive all necessary
10 shareholder approvals on March 29, 2018?

11 ATTORNEY KING: Yes.

12 ATTORNEY KOLESAR: Okay.

13 Now, do you anticipate Penn National
14 making any changes to Meadows' existing internal
15 controls or its existing compulsive and problem
16 gambling plan?

17 ATTORNEY ROGERS: I'd say it's too
18 early for us to comment on that, until we have a
19 chance to do our due diligence there.

20 ATTORNEY KOLESAR: Okay.

21 And do you anticipate Penn National
22 making any changes to the Meadows' existing diversity
23 plan?

24 ATTORNEY ROGERS: Again, same - same
25 answer. I think it's just premature for us to

1 comment.

2 ATTORNEY KOLESAR: Now, based on the
3 documentation you submitted, we are aware that an
4 unsecured bridge facility loan is available for use in
5 this transaction.

6 Do you anticipate using the bridge
7 alone? And if you do not, under what circumstances do
8 you foresee you would have to utilize it?

9 ATTORNEY KING: So the answer's no.
10 We don't anticipate using it. The bridge was to
11 provide us the ability to close the overall
12 transaction, in the event that Boyd was unable to
13 close on the divestitures. So, we view that as being
14 an unlikely scenario, but that is the purpose of the
15 bridge.

16 ATTORNEY KOLESAR: Now, do you
17 anticipate filing a petition to enter into a shared
18 services agreement between Penn National and Pinnacle?

19 ATTORNEY KING: Yes, we do.

20 ATTORNEY KOLESAR: Do you have an
21 approximate time frame on when that would be filed?

22 MR. JEWELL: One thing, though, as a
23 general matter, is one of the great things about this
24 transaction is we really have been going through and
25 looking at - at our policies and procedures

1 corporate-wide in comparison to what Pinnacle does.
2 And really have been studying what are the best of -
3 when it comes to our corporate policies and
4 procedures.

5 So, that's something that we are in
6 the process of evaluating as a general matter. And it
7 - it might - it might introduce some - some changes,
8 based on the learnings from that.

9 ATTORNEY KING: Two - two items, just
10 for the record. Mr. Donaghue reminds me that we are
11 on the agenda with the State Horse Racing Commission
12 for April 25th. So I want to put that down for the
13 record.

14 We'll get you a copy of what we file.
15 It's largely identical to - to what we submitted to
16 the Board.

17 And number two, on shared services,
18 that's - that's certainly common with - with an entity
19 like ours. We are working on it now and I'd like to
20 get back to you on giving you an exact sense of when
21 it'll be ready to be filed, but it's certainly coming.

22 ATTORNEY KOLESAR: Okay.

23 Following the closing date, how long
24 do you anticipate it will take to transition into full
25 control of the property?

1 ATTORNEY ROGERS: It's - it's hard to
2 answer that, defining full control. I will say Penn
3 has a long history of acquiring companies and
4 properties.

5 So, we have a lot of experience in
6 assimilating these acquisitions into our portfolio.
7 We know how to do it. And I think we know how to do
8 it as smoothly and quickly -.

9 So, you know, we'll do as much as due
10 diligence in advance of the closing as we can. And
11 then afterwards we'll be appropriately cautious in -
12 in learning the business and understanding the
13 business before we move forward.

14 But again, we - we do have a track
15 record, as you all know, of acquiring and assimilating
16 these properties over the years.

17 MR. JEWELL: And we also have a
18 Transition Committee that is focused on those issues
19 now, and identifying exactly what needs to be done,
20 day one, from closing.

21 ATTORNEY KOLESAR: Do you anticipate
22 that the change of control will affect the number of
23 employees employed by the facilities?

24 ATTORNEY ROGERS: Can't answer that at
25 this time until we, again, go through that process,

1 that due diligence process before, but more
2 importantly after closing.

3 So, really can't comment on that right
4 now.

5 MR. DONAGHUE: As a general matter,
6 though, we will say that most of the employment that
7 synergies - you might read the press release that
8 there's synergies from the transaction. Most of those
9 synergies are really focused on the corporate offices,
10 as opposed to the property level structure.

11 ATTORNEY KOLESAR: So are you able to
12 anticipate whether the change in control will affect
13 living wage jobs, such as creating or reducing the
14 living-wage jobs?

15 ATTORNEY ROGERS: Well, our hope is
16 that we can - through some of the initiatives we've
17 touched on earlier, we can improve the business and
18 the performance of the property.

19 So, hopefully there's improvements in
20 those areas, but again, you know, that's part of our -
21 that's certainly our philosophy as we look to operate
22 the property.

23 ATTORNEY KOLESAR: In what ways do you
24 anticipate the change of control affecting employee's
25 benefits such as healthcare, paid - paid time off

1 benefits, retirement benefits?

2 ATTORNEY ROGERS: At this time we
3 don't expect any changes there. That's a heavily-
4 unionized property, so we would assume that - that
5 contract.

6 ATTORNEY KOLESAR: Okay.

7 And you mentioned that you will
8 continue to make capital improvements to both of the
9 properties.

10 Do you have any plans or can you tell
11 us any more about that?

12 ATTORNEY ROGERS: For Meadows, we
13 can't. Again, at this time I think same answer I gave
14 you a few minutes ago. It's - it's, you know, part of
15 the due diligence process we have to go through.

16 We have to learn the market, we have
17 to understand the market, the property, how it
18 competes, how we can best deploy capital to make it a
19 - a stronger competitor in the market.

20 ATTORNEY KOLESAR: And at this time
21 are there any associated plans to make changes to the
22 gaming floor?

23 ATTORNEY ROGERS: Same - again, same
24 answer. I'd like to think that we can bring some
25 enhancements to the floor, but I think - again, I just

1 - I don't think we know the answer to that at this
2 time.

3 ATTORNEY KOLESAR: OEC has no further
4 questions at this time, but Assistant Enforcement
5 Counsel, Tammy Haken, would like to make a brief
6 statement.

7 ATTORNEY HAKEN: The OEC does not have
8 a formal presentation. However, it should be noted
9 that we filed an Answer to the present Change of
10 Control Petition. And the Answer included a Financial
11 Investigations Unit Summary Report attached as an
12 exhibit, which outlines and provides an analysis of
13 the factors the Board should take into consideration
14 regarding the resulting impact on market share should
15 this change of control be approved.

16 Each factor analysis illustrates the
17 current market share of the individual facilities and
18 the approximate market share subsequent to the
19 requested change of control. Our initial assessment
20 of this matter indicates that there are no substantial
21 issues.

22 Under Section 1328 of the Act, the new
23 owner must independently qualify as a Slot Machine
24 Licensee. Mountain View Thoroughbred Racing
25 Association is currently a Category 1 Licensee in good

1 standing with the Board.

2 And the Racing Commission, as a
3 result, we have no concerns in this regard. As it
4 relates to - to Section 1102 of the Act, the
5 legislative intent will not be compromised by this
6 transaction.

7 In OEC's opinion, the transaction does
8 not pose a negative impact upon the public interest,
9 the horse racing industry or employment.

10 There will be no -. There will be a
11 continued support of property tax relief. There will
12 not be a monopolization in this instance, especially
13 given the different regional markets of the
14 Commonwealth in which each licensed facility operates.

15 We do not anticipate any negative
16 impact on tourism. The purchaser in this instance
17 operates both table games and slot machines in a
18 number of jurisdictions, including the Commonwealth,
19 and has given us their complete cooperation in this
20 matter, and all other matters in which they are a
21 party.

22 Should the change of control be
23 approved by the Board, OEC requests that the Board
24 make that approval subject to the conditions set forth
25 in OEC's Answer, in order that we may continue to

1 monitor the transaction as it moves forward in other
2 jurisdictions, and to ensure full compliance with the
3 Act.

4 We're available to take any questions
5 at this time.

6 CHAIRMAN: Are there any questions
7 from the Board for - for Counsel? That is for Gaming
8 Control Board Counsel.

9 Hearing none, do you have any
10 questions or comments?

11 ATTORNEY KING: I don't think we have
12 any questions, but could I just address two
13 housekeeping issues?

14 CHAIRMAN: Sure.

15 ATTORNEY KING: Quickly going back to
16 change of control -. And this is an issue that I
17 spoken to Mr. Pitre about. And I don't believe he has
18 any objection, but on the - on the timing of the
19 payment of whatever change of control fee is imposed,
20 we've kind of gone two ways, historically.

21 If a fee is imposed with the
22 acquisition of a single Pennsylvania license, as we
23 have had in some cases -.

24 So, for example, when Pinnacle bought
25 the Meadows in '16, the fee has often been required to

1 be paid very quickly after the Board would grant
2 approval, even if it was conditional I think in - in
3 the past, maybe as quickly as three days.

4 I would argue that that's
5 inappropriate here. And we would - we would like it
6 to be set to within three days of our close of the
7 transaction.

8 And the reason why I state that is -
9 this is, again, consistent with precedent. But when
10 you have a transaction such as this, where we are
11 looking at multiple - multiple jurisdictions and there
12 always is some risk of - of a - of the deal not
13 closing, it is more fair to us.

14 We would take the position that it
15 should be tied to getting to our close and -. And
16 obviously, we would promptly pay around that time
17 frame.

18 But I - I think OEC is okay with that,
19 but I - I just wanted to put that on the record.

20 ATTORNEY HAKEN: OEC has no objection
21 to the timing of payment being connected to the
22 transaction closing, given the number of gaming
23 jurisdictions that they must receive approval from.

24 MR. KERNODLE: I might add that is
25 left to the discretion of the Board, so -.

1 CHAIRMAN: Okay.

2 Thank you very much.

3 ATTORNEY KING: And why I raised it,
4 of course, because I know it's - it's your decision.

5 And then finally just as a matter of
6 housekeeping, I'd just like to move into the record
7 our PowerPoint, provide a memo on change of control
8 fee.

9 I don't know that it's necessary or
10 appropriate to discuss any of the other documentary
11 evidence that OEC has. I don't think it is, but with
12 that, I think we've closed our presentation.

13 CHAIRMAN: So moved. We're going to
14 take up a vote on this later today under the Office of
15 Chief Counsel (OCC) section of the agenda.

16 But at the moment we need to take a
17 break for Executive Session, before we start with the
18 rest of the agenda.

19 Sadly, I have to ask you all to leave
20 the room, because of our communications problems.
21 Thank you.

22 * * * * *

23 HEARING CONCLUDED

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CERTIFICATE

I hereby certify that the foregoing proceedings, hearing held before Chair Barasch was reported by me on 03/21/2018 and that I, Haley J. Neumeister, read this transcript, and that I attest that this transcript is a true and accurate record of the proceeding.



Haley J. Neumeister,

Court Reporter