

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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PUBLIC MEETING

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BEFORE: DAVID M. BARASCH, CHAIRMAN  
Richard G. Jewell, Kathy M. Manderino,  
Merritt C. Reitzel, Dante Santoni, Jr.,  
Sean Logan (via phone), Members, Fred  
Strathmeyer, 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  
Russell C. Redding, Secretary of Agriculture,  
HEARING: Wednesday, April 4, 2018, 10:18 a.m.  
LOCATION: Pennsylvania Gaming Control Board  
Strawberry Square Complex, 2nd Floor  
Harrisburg, PA 17101

Reporter: Rhonda K. Thorpe

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15

16  ALSO PRESENT:

17  TREVOR HASSENBEIN, Casino Enforcement Agent

18  MARK SNOBERGER, Casino Enforcement Agent

19  MARK MELUSKEY, Statistician

20  WILLIAM BOYD, Executive Chairman, Co-Founder

21  MARIANNE BOYD JOHNSON, Vice Chairman, Executive Vice

22  President, Chief Diversity Officer

23  KEITH SMITH, President, Chief Executive Officer

24  JOSH HIRSBERG, Executive Vice President, Chief

25  Financial Officer, Treasurer

A P P E A R A N C E S (cont.)

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ERIC PEARSON, Valley Forge

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CHAIRMAN DAVID M. BARASCH: Today we have a public hearing pertaining to the Boyd Gaming - Gaming Corporation and Valley Forge Convention Center Partners, LP, joint petition to seek approval to transfer interest in that property. If the Petitioners would come forward.

Before we begin, I would ask that everyone who's going to speak, please state and spell your name for the court reporter prior to your presentation. Additionally I'd ask that all nonattorney witnesses or potential witness please stand at this time to be sworn.

COURT REPORTER: Raise your right hand, please.

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(WHEREUPON, WITNESSES WERE SWORN EN MASSE.)

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CHAIRMAN: Thank you. The Petitioners may begin.

ATTORNEY DIGIACOMO: Thank you, Mr. Chairman. Members of the Board, Frank DiGiacomo, D-I-G-I-A-C-O-M-O, from the law firm of Duane Morris on behalf of joint Petitioner Boyd Gaming Corporation.

1 I have with me today, from Boyd, Mr.  
2 William Boyd, Executive Chairman and co-founder of  
3 Boyd Gaming, Marianne Boyd Johnson, the Vice Chairman  
4 and Executive Vice President and Chief Diversity  
5 Officer of Boyd Gaming.

6 Keith Smith President and Chief  
7 Executive Officer, Josh Hirsberg the Executive Vice  
8 President and Chief Financial Officer and Treasurer.  
9 Brian Larson Executive Vice President, General Counsel  
10 and Secretary.

11 In addition, I'd like to acknowledge  
12 that counsel for Valley Forge, Adrian King, is here as  
13 well as Mr. Ivan Lubert, one of the partners at Valley  
14 Forge Convention Center Partners.

15 CHAIRMAN: Thank you.

16 ---

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

18 ---

19 ATTORNEY DIGIACOMO: Oh, I'm sorry.

20 And Eric Pearson from Valley Forge.

21 CHAIRMAN: Thank you.

22 ATTORNEY DIGIACOMO: We are here today  
23 in connection with an agreement that was entered into  
24 between Boyd Gaming and Valley Forge Resort on  
25 December 20th, a Merger Agreement to effectuate the -

1 the change in control of that Licensee.

2 Total cash consideration in that  
3 transaction will be approximately \$280 million. We  
4 have filed a Joint Petition with Boyd and Valley  
5 Forge. We filed that on January 19th before this  
6 Commission. And that brings us here today.

7 A bit of an overview. We will - each  
8 of - each of the witnesses here will address as  
9 presented in the PowerPoint presentation and we'll  
10 begin with Mr. Boyd.

11 MR. BOYD: Good morning, Mr. Chairman,  
12 members of the Control Board. I am William S. Boyd,  
13 B-O-Y-D, Executive Chairman of Boyd Gaming  
14 Corporation. It's a real privilege to join you today  
15 to request your permission to join the Pennsylvania  
16 Gaming industry.

17 Before Keith, Josh and Brian get into  
18 the details of our - of our proposed acquisition of  
19 Valley Forge, I wanted to take a few minutes to tell  
20 you about the history of our company.

21 Boyd Gaming is one of the largest and  
22 most experienced casino companies in the United  
23 States. We were founded on January 1st of 1975, when  
24 my dad and I opened a California hotel and casino in  
25 downtown Las Vegas. Before then I had been a

1 practicing attorney. And I left the law to go into  
2 business full time with my dad.

3 My dad, Sam Boyd, had been in the  
4 gaming business for more than 30 years. He started as  
5 a dealer in Las Vegas in 1941, then later become  
6 general manager of several Las Vegas properties before  
7 we opened in California. We had a tough first year,  
8 but found our niche by marketing to California to  
9 Hawaii visitors.

10 My family had lived in Hawaii in the  
11 late 1930s, where my dad worked, so it was a natural -  
12 natural market for him. We opened our next property,  
13 Sam's Town Las Vegas, in 1979. It was the first  
14 casino resort designed specifically for Las Vegas  
15 residents and to help create the days Las Vegas locals  
16 market.

17 We got our first opportunity to  
18 operate on the Las Vegas strip in 1983, when we took  
19 over the gaming operation at the Stardust at the  
20 request of Nevada Gaming Control Board.

21 At the time, the Stardust was about to  
22 be shut down by the Control Board because of skimming.  
23 Nevada regulators needed someone they could trust in  
24 the Stardust, to run the Stardust gaming with  
25 integrity and transparency and ensure the state

1 received its full amount of gaming taxes.

2 I am very proud that we saved 2,000  
3 jobs by agreeing to operate the gaming at the  
4 Stardust. And we helped bring an end to organized  
5 crime - the days of organized crime, in the Nevada  
6 gaming industry.

7 Two years later we bought the Stardust  
8 outright. We also acquired the Freemont, one of  
9 downtown's Las Vegas best known property.

10 About eight years later my dad passed  
11 away and I succeeded him as Boyd Gaming CEO. A few  
12 months later we went public and were on the New York  
13 Stock Exchange.

14 Going public, though, gave us the  
15 capital we needed to participate in a national  
16 expansion of casino gaming. The early 1990s were a  
17 time of tremendous growth for our industry and Boyd  
18 Gaming was at the front of it. We began in 1994 in  
19 Tunica, Mississippi, with the opening of our second  
20 Sam's Town property.

21 This was our first operation outside  
22 of the State of Nevada, but by the end of the summer  
23 we - we had opened two more properties, a Tribal  
24 Casino in Philadelphia and Mississippi called the  
25 Silver Star and the Treasure Chest, located in Kenner,

1 Louisiana.

2 Over 25 years, Boyd Gaming grew from  
3 four properties in Nevada to 24 properties across  
4 seven states. We also had some great success as a  
5 developer, including building and developing and  
6 operating, for 13 years, the Borgata in Atlantic City,  
7 but most of our growth came through acquisitions,  
8 including 21 of our 24 properties today.

9 We are very experienced at buying  
10 properties and making them a successful part of our  
11 family. Our proposed purchase of Valley Forge Resort  
12 Casino would be the next chapter in Boyd Gaming's long  
13 story of growth and success.

14 I hope you look favorably on our  
15 application. And I look forward to working with all  
16 of you in years to come. We - we will do our very,  
17 very best to make Pennsylvania proud. And now I'd  
18 like to turn things over to Keith Smith, our President  
19 and Chief Executive Officer. Thank you very much.

20 CHAIRMAN: Thank you.

21 MR. SMITH: Thanks, Bill. Good  
22 morning, everyone. Good morning, Mr. Chairman,  
23 members of the Board.

24 As Bill said, I'm Keith Smith,  
25 S-M-I-T-H, President and CEO of Boyd Gaming

1 Corporation. As Bill noted, we've become one of the  
2 largest and most respected gaming companies in the  
3 U.S. today, with 24 properties spread across seven  
4 states.

5                   With the pending acquisition of Valley  
6 Forge and the pending acquisitions of four properties  
7 from Pinnacle, as well as our development project in  
8 Sacramento, California, we will have 30 properties  
9 spread across 11 states in the very near future. But  
10 more important than sheer size and number of  
11 properties is the quality of our company, the quality  
12 of our operations and the unique culture that we have  
13 set within the company.

14                   While we've grown from one property in  
15 downtown in downtown Las Vegas to the size we are  
16 today, we've - we've done a lot to protect and ensure  
17 that our culture stays the same as it's always been, a  
18 very family-orientated culture.

19                   You know, it's interesting to me that  
20 around the business community today you hear a lot - a  
21 lot of conversation about culture and the importance  
22 of culture for its success of businesses. And it's  
23 interesting to us, because it's always been important  
24 to us.

25                   For more than 40 years our culture's

1 been important. And we've always believed that  
2 culture dictates the success of a company, so we - we  
3 guard it very carefully. Our ability to maintain our  
4 culture, be successful as a company, is a large part  
5 in credit towards leadership team.

6           The eight individuals, as part of the  
7 leadership team, have over 30 years average experience  
8 with the company and more than 30 years of experience  
9 with the industry. I'll go through them quickly, if  
10 we'll back up maybe one slide.

11           Many of them are here today, but  
12 obviously Bill Boyd, who just spoke, our co-founder  
13 and Executive Chairman with 43 years. Myself, I've  
14 been with the company for 28 years. Mary Ann Johnson,  
15 Bill's daughter, our Vice Chairman has been with the  
16 company for 41 years. Brian Larson has been with the  
17 company for 25 years, Executive Vice President and  
18 General Counsel.

19           Brian will be speaking a little bit  
20 later. Brian is also head of all our development  
21 efforts in the company. Josh Hirsberg, one of our  
22 newer executives with the company, has been with us  
23 for ten years, but has nearly 30 years of experience  
24 in the industry.

25           Willie Boyd, one of Bill's sons, with

1 the company for 41 years. And two key Operating  
2 Executives - Steve Thompson has been with the company  
3 for 35 years. Steve heads up all of our Nevada  
4 operations. And Ted Bogich, who handles all of our  
5 outside of Nevada operations, which would include the  
6 Valley Forge. And he's been with the company for 14  
7 years, has more than 30 years' experience in the  
8 industry.

9                   The map in front of you, it reflects  
10 both of our current properties as well as our future  
11 acquisitions. And you will see in blue the 24  
12 properties we currently own. Starting from the left,  
13 you'll see 12 properties in the State of Nevada, nine  
14 properties in what we refer to as the Las Vegas locals  
15 market. Those are referred to as Las Vegas locals,  
16 because they're not on the strip.

17                   Then you'll see three properties in  
18 downtown Las Vegas. We have five properties spread  
19 across the Midwest in Kanas, Iowa, Illinois and  
20 Indiana, and seven properties in the south,  
21 specifically Louisiana and Mississippi.

22                   In green you'll see the proposed or  
23 pending Valley Forge acquisition, and then in red you  
24 will see the five properties that we're acquiring as  
25 part of the Pinnacle Penn merger. And then to the far

1 left, Sacramento, California. That's a Wilton  
2 Rancheria tribal gaming project that we have underway  
3 that we'd expect to open sometime middle or late 2020.

4           So, once all this is complete, we'll  
5 have grown quite significantly, in terms of size and  
6 scale of the company, with, once again, 30 properties,  
7 11 states. More than 1.8 million square feet of  
8 casino space, 40,000 slot machines, more than a  
9 thousand table games, 11,000 hotel rooms, more than  
10 300 bars and restaurants and 27,000 team members  
11 spread across those 30 properties.

12           Often when we acquire properties we  
13 can ask why this property, why is - you know, what was  
14 your thinking behind acquiring this property? In the  
15 case of Valley Forge, it really is an important  
16 strategic acquisition for us. First of all, it allows  
17 us to regain a foothold in the northeast gaming  
18 corridor. As many of you know, we build and operated  
19 the Borgata from 2003 to 2016, when we ultimately  
20 received an offer from MGM and sold them our half of  
21 the business. They were the other 50-percent owner.

22           And so this allows us to get back into  
23 a very strong market, a growing market. Pennsylvania  
24 is always a market we've had our eye on and haven't  
25 had the opportunity to get into before. So, this

1 affords us that opportunity. And it affords us an  
2 opportunity with a very high quality asset, the Valley  
3 Forge asset and a strong market right - right outside  
4 of Philadelphia with great upside potential. Given  
5 recent changes in the law, there's a tremendous upside  
6 here at Valley Forge.

7           The elimination of the admissions fee  
8 late last year has provided current growth to Valley  
9 Forge, as we look at the numbers. The ability to  
10 expand the slot inventory by 250 slots will provide  
11 yet additional growth for that property. And then the  
12 opportunity to bid on satellite casinos is also there.

13           In addition, the opportunity to have  
14 online gaming at Valley Forge here in Pennsylvania is  
15 important to us. We operated the most successful  
16 online gaming business at the Borgata when we launched  
17 it and operated it for three years. And we look  
18 forward to launching an online gaming business here in  
19 the State of Pennsylvania.

20           And then the potential for sports  
21 betting, should the Supreme Court rule on PASPA, rule  
22 that it is a state rights issue we will look forward  
23 to joining the sports betting business here in the  
24 State of Pennsylvania. So, a lot of opportunities, a  
25 lot of upside for this property, as we see it.

1                   What you see in front of you is a  
2 screenshot from a website that we've created for the  
3 Valley Forge team members.

4                   As Bill said, we've acquired 20  
5 properties over our history. And the one thing that  
6 we have learned, maybe the single most important thing  
7 we've learned, is communication is key. Communicating  
8 with the management and the team members of the  
9 property often, early and continue to answer their  
10 questions. Because without talking to them, they tend  
11 to make up their own answers.

12                   And so we've created a website where  
13 we post answers to questions that team members ask.  
14 We started this process several acquisitions ago. We  
15 found it very effective. This is a website that is  
16 currently up and running, where we've already posted  
17 two or three sets of answers to questions. It allows  
18 all team members access to see the same answers and  
19 see questions that the fellow team members are asking.  
20 So, we have found this to be an extremely valuable  
21 tool.

22                   As Bill said, we're excited to be  
23 here. We look forward to joining the Pennsylvania  
24 gaming community and the Pennsylvania business  
25 community. And with that I'm going to turn it over to

1 Josh Hirsberg, our CFO, to talk about the finance of  
2 the transaction.

3 MR. HIRSBERG: Good morning. My name  
4 is Josh Hirsberg, spelled, H-I-R-S-B-E-R-G, and I'm  
5 the Chief Financial Officer of Boyd Gaming. As you  
6 know, we have entered into an agreement to acquire  
7 Valley Forge Casino and Resort, pending the applicable  
8 regulatory approvals for \$280.5 million.

9 We expect to finance that transaction  
10 with available - availability under our lines of  
11 credit. We currently have approximately \$600 million  
12 of availability under those lines of credit.

13 Separately from the Valley Forge  
14 transaction we have also entered a transaction to  
15 acquire four assets from Pinnacle Entertainment, as  
16 part of the Penn National acquisition of Pinnacle  
17 Entertainment. That acquisition is for \$575 million  
18 and we would plan to finance that acquisition via  
19 remaining availability under our lines of credit as  
20 well as incremental debt financing. As Keith  
21 mentioned, Valley Forge really fits several key  
22 attributes that we are looking for when we make an  
23 acquisition.

24 Number one, their strategic rationale,  
25 in a sense that it's giving us access to a market that

1 we currently are not in. Secondly, it's an asset that  
2 generates a significant amount of free cash flow for  
3 our company. And lastly, the cost of the growth  
4 profile of the market that this - this asset serves,  
5 as well as the position of the asset within the  
6 market, it provides value for our shareholders. And  
7 as a result, this acquisition is accretive to earnings  
8 and free cash flow.

9                   It has an opportunity to improve  
10 operating margins, as being part of a larger company  
11 overtime. And lastly, from a leverage perspective,  
12 it's essentially neutral, when we - when we consider  
13 the leverage relative to where we ended in 2017. Our  
14 2017 year end leverage was 5.2 times.

15                   Throughout 2018 we will be - leverage  
16 our balance sheet to a level between four and five  
17 times. And then when we complete the acquisitions  
18 we'll be back at 5.2 times, essentially where we ended  
19 2017.

20                   So, we will be a larger, more  
21 diversified company and generate more robust free cash  
22 flow as a result of these acquisitions. With that  
23 I'll turn it over to Brian Larson.

24                   MR. LARSON: Thank you, Josh. I'm  
25 Brian Larson, L-A-R-S-O-N. I'm Executive Vice

1 President, Secretary of General Counsel at Boyd  
2 Gaming. Good morning, Mr. Chairman, members of the  
3 Board and staff. Over the next few slides I will talk  
4 to you about the importance of integrity to our  
5 company, diversity and our company culture.

6 Our mission statement states that we,  
7 as members of the Boyd Corporation, operate only with  
8 the highest degree of integrity and rely on the  
9 competence and friendliness of each person in our  
10 organization to provide entertainment and service to  
11 satisfy our customer's wants.

12 We continue to use that through  
13 teamwork. We strive to maximize your holder value to  
14 be among the leading companies in our industry and to  
15 provide opportunities for all while we support and  
16 enhance our communities.

17 As I will discuss, the first concept  
18 in our mission statement, which is integrity, is there  
19 for a reason of its importance of the company. In  
20 addition, we encourage all employees, not just  
21 management, to get involved in the communities in  
22 which we do business, which I'm sure will occur with  
23 the Valley Forge property, if we were given the  
24 opportunity to acquire it.

25 Boyd's style is the statement of our

1 company's core values. Those are integrity, working  
2 smart, valuing relationships and exceeding  
3 expectations.

4                   And once again, you'll note that  
5 integrity is the first pillar in Boyd's style. We are  
6 proud of our reputation for our unwavering integrity  
7 built over the last 43 years. As Bill noted, when  
8 Nevada regulators needed someone to manage the startup  
9 during the revocation proceedings regarding the  
10 licenses of those running the Stardust at the time  
11 which many say we're the last vestiges of the mob in  
12 the gaming industry, the Nevada Gaming Control Board  
13 chose Boyd Gaming.

14                   And for that we received very little  
15 compensation. And it was not without its dangers in  
16 that time and given the revocation proceedings. But  
17 we are very proud of that, as Bill noted.

18                   We also believe that we want to keep that  
19 reputation, that same reputation, with the regulators  
20 in all jurisdictions in which we operate. And the  
21 next task which talks about passing business  
22 opportunities, I will tell you I have witnessed in my  
23 25 years with Boyd many situations where we passed on  
24 potentially lucrative gaming opportunities before  
25 compromising our reputation.

1                   In addition, when we had to wind down  
2 the construction of our huge Echelon project in Las  
3 Vegas in August of 2008, we had over \$720 million of  
4 contracts let - at that time in connection with over -  
5 with 531 contracts. And we settled all of those  
6 contracts without having a single lawsuit filed  
7 against the company.

8                   And in today's day and age, I will  
9 tell you that is a magnificent achievement, but we  
10 made sure that we were fair with every one of our  
11 vendors.

12                   We're similarly committed to  
13 diversity. Our diversity statement -. And again, I  
14 will read it. It's short. We embrace diversity at  
15 every aspect of our business, from our team members to  
16 our purposing programs, to our philanthropic endeavors  
17 and our customers. Our commitment to diversity  
18 strengthens our company, our communities and our  
19 people.

20                   Sam Boyd, Bill's father, was an early  
21 pioneer of diversity in Nevada. He was one of the  
22 first, if not the first, casino operator in Nevada to  
23 hire women and African Americans as dealers. Today  
24 Marianne Boyd Johnson leads our efforts with respect  
25 to diversity. She is our Vice Chairwomen, Executive

1 Vice President and Chief Diversity Officer.

2           As you can see in the slide, our  
3 company is incredibly diverse. We have made excellent  
4 progress building a diverse workforce nationwide.  
5 Today we are what we call a majority minority company.  
6 Nearly 20 percent or over 20,000 team members are  
7 African American, 15 percent are Hispanic and 15  
8 percent are Asian American.

9           We're also proud of our leadership and  
10 creating opportunities for women. Women represent  
11 nearly 55 percent of our workforce today. In  
12 addition, 3 of our 11 Board members, or 27 percent,  
13 are women, including our Vice Chairwoman.

14           This leads our industry actually tied  
15 with MGM for the top. And almost 28 percent or 5 of  
16 our 18 general managers are also women.

17           Finally, as Bill and Keith both  
18 mentioned, our workforce culture truly makes us  
19 unique. Our - our management is highly visible and  
20 regularly visit our properties, everyone from Bill -  
21 Bill on down through senior management. And we  
22 interact with our team members at all levels. We're  
23 committed to promoting from within, and we create  
24 career opportunities as best as possible.

25           We are committed to integrity in the -

1 in the workplace and we have an anonymous  
2 whistleblower hotline, a universal open-door policy,  
3 mandatory anti-harassment training and a strong and  
4 enforced anti-fraternization policy.

5           As a result of all this, we have a  
6 very engaged workforce. We do third-party surveys of  
7 our - that are anonymous of our employees on an annual  
8 basis. The average tenure of our - of our property  
9 team members is more than seven-and-a-half years. And  
10 that number has gone down fairly significantly because  
11 of all the recent acquisitions. Not long ago it was  
12 over ten years. And in addition almost nine percent  
13 of our employees have been with the company for over  
14 20 years.

15           So, that's a very impressive fact.  
16 More than 70 percent of our team members are full-time  
17 employees, and therefore, eligible for benefits. And  
18 virtually every one of our team members is above the  
19 minimum wage. Our goal, wherever we are, is to be the  
20 employer of choice. We want to be the company that  
21 team members are proud of and excited to work for.  
22 That is the culture we will bring to Valley Forge and  
23 the State of Pennsylvania if you grant us the  
24 opportunity to do so.

25           ATTORNEY DIGIACOMO: Mr. Chairman, I

1 don't know if now would be a good time if you prefer  
2 to have questions now. I was going to get into some  
3 legal discussion on the change control fee.

4 CHAIRMAN: I think you should  
5 continue. We'll take questions at one time.

6 ATTORNEY DIGIACOMO: Just briefly our  
7 petition has an account with regard to the change in  
8 control fee and we also supplemented that with a - a  
9 legal memorandum that we filed on - on March 31, so I  
10 will be brief. The - the change in control fee as set  
11 forth in Section 1328 of the - of the Act it requires  
12 - it requires that a Slot Machine Licensee in  
13 connection with the change in control, which this  
14 transaction would be, is to pay a new license fee.

15 The Board, however, does have the  
16 discretion to reduce but not eliminate that fee. And  
17 I think we begin with what is a license fee. This is,  
18 as you are aware, a Category - Valley Forge is a  
19 Category 3 license fee. The prior decisions that this  
20 Board has made with respect to change and control has  
21 - has never involved a Category 3 license fee. It's  
22 involved a Category 1 or Category 2 license fee and  
23 the license fee for Category 1 and 2 is - is \$50  
24 million, per Section 1209.

25 Section 1305 of the Act sets the - the

1 licensee fee in connection with the Category 3 license  
2 at \$5 million, so one-tenth of the - of the license  
3 fee. I know this Board had - argument was presented  
4 just two weeks ago by Penn National with respect to  
5 the fee, so I - I - I will be somewhat repetitive with  
6 regard to that, but in 2007 the Board set a  
7 presumptive fee of \$2.5 million.

8                   That fee was set following the  
9 recommendation of the Bureau of Licensing, which at  
10 the time had commissioned a study from  
11 PricewaterhouseCoopers with regard to changing control  
12 fees in other jurisdictions and - and the impact of  
13 those fees.

14                   It was recommended by the Bureau of  
15 Licensing that imposing too high a fee would cause  
16 harm to the industry, provide less predictability in  
17 connection with future transactions. And as such the  
18 Board set a presumptive fee at the recommendation of  
19 the Bureau of Licensing of - of \$2.5 million.

20                   The Board has never - or had not  
21 assessed a fee in excess of \$2.5 million until just  
22 two weeks ago, where this Board said the change in  
23 control fee with respect to the Pinnacle transaction  
24 at \$3.75 million. So - so, what we're asking for  
25 today is essentially consistency with respect to that.

1 The \$2.5 million was five percent of the \$50 million  
2 license fee.

3 By raising it to 3.75 percent, that  
4 raises that percentage to 7.5 percent of the license  
5 fee. And I think something as significant, and we  
6 brought this up in our memorandum, is that the  
7 discretion the Board has or the statutory constraints  
8 with respect to the change in control fee are premised  
9 on just that, the slot machine license fee.

10 So, in our circumstance, that - that  
11 fee is \$5 million. So, applying that strategy or that  
12 - that analysis consistently, alternative one, as you  
13 can see in the slide, five percent of the \$5 million  
14 fee would have resulted in a change of control fee of  
15 \$250,000.

16 To be consistent with what the Board  
17 did with regard to Penn National, at seven-and-a-half  
18 percent of \$5 million, that fee would be at \$375,000.  
19 One thing I think that should be noted is, again, our  
20 request for consistency here.

21 And there are, I know, in the OEC's  
22 Answer with respect to our license fee are to the  
23 change of control fee they - they - they brought up an  
24 element such as inflation, which I assume the Board  
25 took into consideration in raising it - the - the fee

1 in Penn National.

2 But I think it should be noted that a  
3 Category 3 Licensee is and still even with the  
4 legislative changes different than a Category 1,  
5 Category 2 Licensee. And one important factor and  
6 that is the number of machines that it can have.

7 We are capped even with the expansion  
8 at 850 machines, which assuming a Category 3 Licensee  
9 pays that fee, whereas a Category 1 or Category 2  
10 Licensee can have up to 5,000 machines. And that's  
11 significant, not just with respect to those  
12 properties, but also with respect to a potential  
13 Category 4 license.

14 So, if, for example, Valley Forge were  
15 to be - apply for and win a Category 4 auction bid,  
16 they would - in order to put one machine in that - in  
17 that - in that property, they have to pay an  
18 additional fee, because the Category 1 and Category 2  
19 Licensees can go up to 5,000 - 5,000 machines. They  
20 can use their full allotment in their Category 4  
21 property. Category 3 property would have to buy in,  
22 so those 750 machines in a Category 4 would cost  
23 another seven-and-a-half million dollars.

24 So, again, I respectfully submit that  
25 the fee - the change of control fee in this matter

1 should be one-tenth of the fee that this Board has  
2 allocated in the past. That would be consistent with  
3 the language in the statute. And would be consistent  
4 with respect to the status of a Category 3 Licensee.

5 In terms of the timing of the fee, we  
6 would - we would submit that it be payable upon the  
7 closing of the transaction. I think it's consistent  
8 with the prior - prior actions of this Board and with  
9 that I would conclude.

10 I would just like to move the  
11 PowerPoint into the record and also take the  
12 opportunity -. I know today this Board recognized  
13 employees, longtime employees, of - of this - of this  
14 Board, staff of this Board staff Bureau of Licensing,  
15 OEC, Office of Chief Counsel (OCC) have been exemplary  
16 in moving our application forward.

17 We - we appreciate the feedback from -  
18 from - from everyone on our side with respect to the  
19 interaction with the Board has been very complementary  
20 and I'd like to compliment everyone there. Thank you.

21 CHAIRMAN: We'll move your  
22 presentation into evidence at this time.

23 Are there questions? What we're going  
24 to do is ask - have Enforcement Counsel with any  
25 questions or comments you might have at this time.

1                    ATTORNEY POKINIEWSKI: Good morning,  
2 Chairman, fellow Board members. John Pokiniewski from  
3 the OEC. P-O-K-I-N-I-E-W-S-K-I. At this time we do  
4 have some questions for the Petitioners.

5                    Can you provide the Board with  
6 information about Boyd Gaming's experiences operating  
7 fantasy sports?

8                    MR. SMITH: Sure. I'll take - take  
9 that question. We currently - well, we operate a very  
10 large sportsbook in the State of Nevada. Eleven (11)  
11 of our 12 properties in the State of Nevada have  
12 sportsbook operations.

13                   CHAIRMAN: Excuse me for one second.  
14 Would it be possible to put the names and pictures of  
15 the people that you showed us before up, so the Board  
16 knows who's answering the questions?

17                   MR. SMITH: So maybe to help for the  
18 record, Keith Smith, President and CEO. So, while we  
19 operate a large sports business in the State of  
20 Nevada -. Once again, we have - 11 of our 12  
21 properties have sportsbook operations. They're all  
22 hubbed out of a central facility at the Orleans Hotel  
23 and Casino. We do not operate a DFS or daily fantasy  
24 sports product.

25                   ATTORNEY POKINIEWSKI: Can you provide

1 the Board with any information about Boyd Gaming's  
2 experience operating airport gaming?

3 MR. SMITH: Sure. Once again I will -  
4 I will endeavor to answer that. We have not, in the  
5 past, and do not currently operate, any airport  
6 gaming. In Nevada there are slots at the airport and  
7 we do not operate those.

8 ATTORNEY POKINIEWSKI: Can you provide  
9 the Board with any information about Boyd Gaming's  
10 experience operating casino simulcasting of horse  
11 racing?

12 MR. SMITH: Sure. In conjunction with  
13 our sports operations, they are a combined race and  
14 sports operations. And therefore, we do offer race  
15 wagering at - at our sportsbook operations. Once  
16 again, they're considered racing sports operations and  
17 we've done that. I couldn't tell you how many years  
18 we've done that, but we've done that for a long time.

19 ATTORNEY POKINIEWSKI: The documents  
20 indicate an anticipated closing date of - on or before  
21 September 20th, 2018.

22 Is this anticipated closing date still  
23 accurate?

24 MR. SMITH: I'm going to stop and ask  
25 Brian Larson, our general counsel, to see if he has

1 any other additional information.

2 ATTORNEY LARSON: No. I mean, that -  
3 Brian Larson again. I would say we're still striving  
4 to get to that date of September 20th, if possible.

5 ATTORNEY POKINIEWSKI: Are there any  
6 ramifications if closing does not occur by  
7 September 20th, 2018?

8 ATTORNEY LARSON: Well, I think the  
9 parties have had great relationships so far, so I  
10 think we would be in discussions to see if we could  
11 extend that out further. And I would not anticipate  
12 any problems in doing that.

13 ATTORNEY POKINIEWSKI: Boyd Gaming  
14 entered into a Membership Interest Purchase Agreement  
15 dated December 17th, 2017, to acquire four properties  
16 from Pinnacle Entertainment, Inc., around the same  
17 time as entering into this agreement to acquire Valley  
18 Forge.

19 In what jurisdictions do you need to  
20 seek approval regarding the acquisition of the other  
21 properties?

22 ATTORNEY LARSON: Brian Larson again.  
23 The other jurisdictions where we will need approval  
24 will be Missouri, where there is a property in St.  
25 Charles and Kansas City, and in Ohio where there is a

1 property just south of Cincinnati. As well as  
2 Indiana, where we already have a license and operate.

3 That one is Belterra. There's a  
4 Belterra in Indiana and Belterra Park just across the  
5 river in - in Ohio.

6 ATTORNEY POKINIEWSKI: When do you  
7 expect to receive all jurisdictional approvals? And  
8 do you expect to have these approvals by the closing  
9 date?

10 ATTORNEY LARSON: Brian Larson, one  
11 more time. The - the timing can go as late as into  
12 the following year, into 2019. We hope to have the  
13 approvals somewhere around end of the third quarter or  
14 so of this year.

15 That's what we're striving to do.  
16 There's a lot of jurisdictions and a lot of moving  
17 parts, but that's what we're shooting for.

18 ATTORNEY POKINIEWSKI: Have there been  
19 any issues, thus far, in any other jurisdictions as it  
20 relates to this transaction?

21 ATTORNEY LARSON: No. Brian Larson  
22 again. There have not been any issues with respect to  
23 either this transaction or - or even those  
24 transactions. I would say that all the parties are  
25 cooperating very well.

1           Everything has gone smoothly with  
2 respect to - to the FTC. This project, the waiting  
3 time is over, so we have no more - no FTC issues on  
4 this transaction.

5           With respect to the other transaction,  
6 there has been a second request, but we are working  
7 very diligently with the FTC to work out a transition  
8 services agreement which is going extremely well. And  
9 - and we don't anticipate any issues there either with  
10 the FTC.

11           But - but here in this transaction, as  
12 I said, the waiting period is over, so there are no  
13 issues with the FTC.

14           ATTORNEY POKINIEWSKI: Have all  
15 affiliate entities been created and their applications  
16 been submitted?

17           ATTORNEY LARSON: Yes, all of the  
18 applications have been submitted and all the entities  
19 have been created.

20           ATTORNEY POKINIEWSKI: Have all  
21 anticipated applications been submitted with the Board  
22 in regard to Principals?

23           ATTORNEY LARSON: My belief is that  
24 all the applications are in. We are now working on  
25 supplementary materials that have been requested. I

1 think some of those have been finished and are either  
2 here or on their way and the rest will be completed  
3 shortly.

4 ATTORNEY POKINIEWSKI: Approximately  
5 how long after the merger do you anticipate the  
6 conversion of Valley Forge Convention Center Partners  
7 from Pennsylvania limited partnership to a  
8 Pennsylvania limited liability company will occur?

9 ATTORNEY LARSON: Well, once we have  
10 approval, I think we would close -. And I - I have to  
11 go back and look at the agreement, but I think it's  
12 within either one day and no more than three days, but  
13 I think it's within one day. Once we get the approval  
14 we will close as soon as possible.

15 ATTORNEY POKINIEWSKI: Do you need  
16 shareholder approval for the purchase of Valley Forge  
17 or for the purchase of the four Pinnacle properties?

18 ATTORNEY LARSON: We do not need  
19 shareholder approval for either this transaction or  
20 for the larger transaction taking the divestiture  
21 properties, four properties, from the Pinnacle Penn  
22 National transaction.

23 ATTORNEY POKINIEWSKI: After the  
24 closing date, how long do you anticipate it'll take  
25 Boyd Gaming to transition into full control of the

1 Valley Forge property?

2 ATTORNEY LARSON: Again, I think  
3 transition will be extremely -. It'll be very rapid  
4 after the - once we close the transaction we believe  
5 that things will go seamlessly. We've had a lot of  
6 discussions.

7 We believe that, you know, the - the  
8 property will run as is as it - as it currently exists  
9 right now. So, the transition will be within just  
10 very short period of time.

11 ATTORNEY POKINIEWSKI: Do you  
12 anticipate Boyd Gaming making any changes to Valley  
13 Forge's existing internal controls or its existing  
14 compulsive and problem gambling plan?

15 ATTORNEY LARSON: I think we will - we  
16 will adopt everything that is in place at the current  
17 time. As time goes on and we have a chance to look at  
18 it, if we think there are some improvements that can  
19 be made.

20 We would look at those, but at the  
21 current time we have no plans to change any of the  
22 internal controls or - or any of those policies or  
23 procedures.

24 ATTORNEY POKINIEWSKI: Do you  
25 anticipate Boyd Gaming making any changes to Valley

1 Forge's existing diversity plan?

2 ATTORNEY LARSON: I think the answer  
3 is the same with respect to that. We will work -  
4 adopt the plan as it is and then look at it going  
5 forward and - and see if there are any improvements or  
6 anything that would help integrate it to make it the  
7 same as our plan, but in the beginning we will adopt  
8 the plan as is and run the property, again, as - as  
9 they operate it now.

10 ATTORNEY POKINIEWSKI: Will the change  
11 in control affect the number of employees employed at  
12 the facility?

13 ATTORNEY LARSON: It - it will not. I  
14 think the number of employees will stay the same.

15 ATTORNEY POKINIEWSKI: Do you  
16 anticipate any changes in management at the facility?

17 MR. SMITH: Yeah, at this point, as  
18 Brian said, we don't expect any changes in the number  
19 of employees. We don't expect any change in the  
20 structure of management or any change in management at  
21 all.

22 ATTORNEY POKINIEWSKI: In what ways,  
23 if any, do you expect the change in control to impact  
24 the living wage jobs that Valley Forge currently  
25 offers?

1                    ATTORNEY LARSON: I think the answer  
2 is the same there. It is business as usual at Valley  
3 Forge, so we don't see any changes.

4                    ATTORNEY POKINIEWSKI: In what ways,  
5 if any, do you anticipate the change in control to  
6 affect employee benefits such as healthcare, paid time  
7 off and retirement benefits?

8                    MR. SMITH: Right now I think there's  
9 a study going on that compare the existing Valley  
10 Forge wage and benefit programs to the Boyd Gaming  
11 wage and benefit programs. We do have a consolidated  
12 benefits program across the country and we'll, you  
13 know, ensure that, if anything, that there's an  
14 upgrade to the overall benefit package and it will not  
15 go down.

16                   ATTORNEY POKINIEWSKI: In the event of  
17 licensure, do you anticipate having a Shared Service  
18 Agreement between Boyd Gaming and Valley Forge?

19                   MR. SMITH: No, there'll be no need  
20 for a Shared Services Agreement between Boyd Gaming  
21 and Valley Forge. We will wholly own the property,  
22 and therefore, we'll be able to - to operate it.

23                   ATTORNEY POKINIEWSKI: With the new  
24 gaming expansion enacted for the passage of House Bill  
25 271, Valley Forge submitted a one time million dollar

1 payment pursuant to 4 Pa. consolidated statute Section  
2 1305(a)1.2, in order to lift the access restriction  
3 for its Category 3 facility. In your presentation you  
4 mentioned expanding Valley Forge's slot inventory by  
5 250 machines.

6 In the event of licensure, when does  
7 Boyd Gaming anticipate filing the petition with the  
8 Board and paying the associated fee in order to  
9 acquire these additional slot machines at the Valley  
10 Forge facility?

11 MR. SMITH: So we are currently under  
12 - I should say the current management of Valley Forge,  
13 the current ownership of Valley Forge is currently  
14 looking at that. And it's our expectation that that  
15 will be completed before we take ownership of the  
16 property.

17 ATTORNEY POKINIEWSKI: Through the new  
18 gaming expansion, pursuant to 4 Pa. Consolidated  
19 statute Section 13A11(b)(2.1), in the event of  
20 licensure does Boyd Gaming anticipate filing a  
21 petition with the Board to add additional gaming  
22 tables at Valley Forge?

23 MR. SMITH: Once again, the existing  
24 management team is looking at that and - and to the  
25 extent additional tables are warranted at the property

1 they would take that action prior to our ownership or  
2 licensure.

3 ATTORNEY POKINIEWSKI: Are there any  
4 plans to expand or otherwise make changes to the  
5 gaming floor at Valley Forge?

6 MR. SMITH: We, as Boyd Gaming, have  
7 no immediate plans to do that. The way we approach  
8 acquisitions is to first get in and understand what  
9 makes the property successful, what makes it tick, you  
10 know, what makes the customers come to the property.

11 And once we're able to fully  
12 understand that, then we can develop a - a more  
13 comprehensive plan as to how to expand the property.  
14 So, we have no immediate plans, other than knowing  
15 that the current management team is looking at the  
16 expansion of slot machines.

17 ATTORNEY POKINIEWSKI: In the event of  
18 licensure, does Boyd Gaming intend to participate in  
19 any other gaming expansions authorized under HB 271?

20 ATTORNEY LARSON: Internet gaming I  
21 think is the one thing that a decision will be coming  
22 up shortly. And again, management - existing  
23 management will - will make a decision, but we would  
24 anticipate participating under - under that portion of  
25 the Act.

1                   ATTORNEY POKINIEWSKI: Do you believe  
2 that the market is viable enough to participate in the  
3 gaming expansion authorized by House Bill 271?

4                   ATTORNEY LARSON: I would say  
5 absolutely we believe it is.

6                   ATTORNEY POKINIEWSKI: And do you  
7 believe that the market is viable enough to expand an  
8 existing facility by adding slot machines, table games  
9 or expanding the gaming floor?

10                  MR. SMITH: Absolutely, absolutely.

11                  ATTORNEY POKINIEWSKI: OEC has no more  
12 questions for the Petitioners.

13                  CHAIRMAN: Thank you. Are there any  
14 questions or comments from the Board?

15                  MR. JEWELL: I have a couple. Mr.  
16 Smith, you testified here about grant management to  
17 seller looking at additional slots, gaming tables, and  
18 you know, what the future will be in the internet  
19 gaming opportunities.

20                               Specifically what representations have  
21 the sellers - seller or sellers' representatives made  
22 to you about that?

23                  MR. SMITH: Well, in conversation with  
24 them they're - they're looking at expanding the slot  
25 floor to add the additional 250 slots. They believe,

1 as we believe, that there is great opportunity to  
2 continue to grow revenues and grow profits at this  
3 property through the addition of those slot machines.  
4 So, their indication to us is they - they fully intend  
5 to add those slots here in the near future.

6 I understand, from conversations with  
7 them recently, that, you know, drawings are being made  
8 or drawings are being completed. You know, prices of  
9 slot machines are being - you know, have gotten  
10 together so they understand the full impact of the  
11 project, but that they are doing that.

12 With respect to table, I have not had  
13 a specific conversation with them about additional  
14 tables. And once again, with respect to internet,  
15 there is the desire, based on conversation with  
16 existing management, that they want to go forward with  
17 internet gaming, as would we.

18 ATTORNEY LARSON: And - and I would  
19 add, sir, that the - the costs for the additional  
20 games coming in, those fees, those will all be  
21 reimbursed by the purchase price by Boyd Gaming. So,  
22 those and the \$1 million fee that was paid to remove  
23 the entrance fee, so -.

24 MR. JEWELL: One question on the  
25 change of control argument. There's a certain sense

1 that things have been static. We'll take it back to  
2 2007. And the creation - and of course, Act 42 has  
3 changed the dimensions much more of the slots I  
4 recognize, but change the dimensions of opportunity  
5 even obviously for a Category 3.

6 I'm interested in your reaction to my  
7 - my sense of that and what kind of value that - that  
8 should be - should have been taken into account?

9 ATTORNEY LARSON: Well, I think the -  
10 for example, the table game expansion the \$2.5 million  
11 presumptive fee was - was the fee post table game  
12 expansion I think two times. And again, I would - I  
13 would submit that if the legislature wanted this Board  
14 to consider factors beyond the license fee when the  
15 recent enactment - the recent amendments to the Gaming  
16 Act would have done that.

17 They - they kept 1328 - they kept the  
18 language the same, so I would argue that legally this  
19 Board is - you know, the cap, if you will, is - is the  
20 license fee that any change - that any licensee that  
21 is proposed to have a change of control, so - so we  
22 start there.

23 I think the other enhancements to the  
24 extent that there are say, for example, an expansion  
25 of slot machines the - the million dollar paid - the

1 million dollars paid to limit the access restrictions.  
2 Those are fees that were paid separate and apart from  
3 the 1328.

4 MR. JEWELL: Okay.

5 Thank you.

6 CHAIRMAN: I - I believe that  
7 Commissioner Logan has a question. Sean, you there?

8 MR. LOGAN: I am, Mr. Chairman.

9 Thanks. So, aside or above and beyond the legislative  
10 mandated taxes that you need to pay, the whole host of  
11 organizations and taxing authorities -? If you have  
12 any or if Valley Forge has any current agreements  
13 aside from those taxes, whether it's a fire  
14 department, a local economic development agency, a  
15 community group, will you honor those agreements that  
16 are made?

17 MR. SMITH: Sure. Commissioner, this  
18 is Keith Smith. We will absolutely honor all of the  
19 agreements that currently exist with Valley Forge, you  
20 know, whether they be, you know, taxing authorities or  
21 community agreements or whatever the other agreements  
22 that are currently in existence. We fully intend to  
23 honor all those.

24 ATTORNEY LARSON: Including the one  
25 with - with Upper Merion Township that's out there,

1 so -.

2 MR. LOGAN: Correct.

3 Okay.

4 I appreciate that. Thank you very  
5 much. That's it, Mr. Chairman. Thank you.

6 CHAIRMAN: Thank you. Commissioner  
7 Manderino.

8 MS. MANDERINO: Thank you. Mr.  
9 Hirsberg, during your presentation of the financials  
10 you numerous time referred to this transaction  
11 generating free cash flow for the company and the  
12 significance of that.

13 MR. HIRSBERG: Uh-huh (yes).

14 MS. MANDERINO: Since the financial  
15 end of things is my learning curve, please help me  
16 understand a little bit more deeply what that means  
17 and why it is significant to you in the big picture of  
18 your portfolios of - of -

19 MR. HIRSBERG: Sure.

20 MS. MANDERINO: - casinos -

21 MR. HIRSBERG: Sure.

22 MS. MANDERINO: - business interest.

23 MR. HIRSBERG: So this is Josh  
24 Hirsberg. So, when we look at the opportunities that  
25 the company had, whether strategically to expand, to

1 pay down debt, return capital to shareholders, the  
2 capital that we have available to us is - is available  
3 to us through the amount of free cash flow that the  
4 business generates.

5                   So think of that as the amount of cash  
6 that's available to the company after it's paid all of  
7 its mandatory expenses, including debt, service  
8 charges, any required principal payments, anything of  
9 that nature. So, it's what's available to the company  
10 to use to grow and prosper going forward.

11                   So, that's why we intently focus on  
12 how much free cash flow our business generates on an  
13 annual basis and what the acquisitions will be  
14 contributing to that. And so that's why we focus on  
15 that in our comments, so -.

16                   MS. MANDERINO: So, how does buying a  
17 new company increase free cash flow? That's really a  
18 very basic question -

19                   MR. HIRSBERG: All right.

20                   MS. MANDERINO: - I'm sure I'm asking,  
21 but I'm not getting - getting a response back.

22                   MR. HIRSBERG: So, basically by adding  
23 an asset that can - that can cover its own expenses  
24 plus the cost of capital that we are incurring to buy  
25 that asset generates that incremental free cash flow.

1 And we measure that based on the investment we're  
2 having to make.

3 And so to the extent that generates a  
4 return relative to the investment that we're making,  
5 then that - that's an overall positive thing for our -  
6 our company.

7 MS. MANDERINO: So, putting that in  
8 layman's terms, would it be fair for me to  
9 characterize it by saying that you view the value of  
10 the asset that you're -

11 MR. HIRSBERG: Acquiring.

12 MS. MANDERINO: - undertaking to  
13 purchase adding net positive as compared to a drain or  
14 - or a - a negative to your investment portfolio?

15 MR. HIRSBERG: Exactly.

16 MS. MANDERINO: Okay.

17 Thank you.

18 MR. HIRSBERG: Sure.

19 CHAIRMAN: I have a couple of  
20 questions. I'm trying to understand something.

21 You're intending to close this  
22 transaction hopefully in the third quarter. I think I  
23 heard that. What bar or confidence or understandings  
24 between you and Valley Forge -?

25 Let me back up. I'm not advocating

1 anything here. I'm just trying to understand  
2 something.

3                   We are in the midst of Category 4  
4 licensing proceedings, putting out new auctions for  
5 new facilities. We're in the process of getting ready  
6 to introduce internet gaming and a lot of other things  
7 that are going to happen. Some of these things are  
8 going to - are going to require somebody to make a  
9 decision, whether it's Valley Forge as the current  
10 owner or you as the future owner.

11                   What confidence or understandings  
12 exist between you and the seller about decisions and  
13 investments to be made in these new opportunities?

14                   I'm not asking what your intentions  
15 are at all. I just want to know, what is the  
16 understanding? Who has control and what inputs are  
17 you going to have or you're in control, whatever?

18                   I want to understand who's in the  
19 driver's seat in here in terms of making decisions  
20 about whether to bid additional license, how deeply to  
21 get internet gaming, all that kind of stuff. Because  
22 a lot of this - these ships may have sailed by the  
23 time you actually acquire the company.

24                   ATTORNEY LARSON: So, under the  
25 agreement there are certain things that are covered in

1 the agreement. For instance, the - the entry fee,  
2 that was one that - you know, that was agreed to in  
3 the agreement. It was going to get paid. We - we  
4 ended up paying for it through the purchase price.

5 Same thing goes for the 250 slots.  
6 Some of those are covered.

7 Some of the things particularly the  
8 new satellite locations and what are done with those  
9 are not covered. Now - and we always take into  
10 account that, you know, they are running the property.  
11 The current Valley Forge management is running the  
12 property.

13 They own the property. We don't own  
14 the property at this point in time, so we do not  
15 believe it's our - our right to make the decision on  
16 some of the things like the satellite casinos and  
17 things like that. But we - we do have discussions.

18 We talk and - and - and talk about  
19 those things, so they're - you know, I won't call it a  
20 joint decision, because ultimately it is their  
21 responsibility. We would have to do an amendment with  
22 respect to a satellite facility to the agreement and  
23 run it through the Board to be able to accomplish that  
24 as far as who pays for it and things like that.

25 So, again, some of it's covered in the

1 agreement. There are provisions in the agreement with  
2 respect to internet gaming. There are third parties  
3 involved.

4 CHAIRMAN: Please, can you be more  
5 specific about that?

6 ATTORNEY LARSON: Well, some of the -  
7 with respect to the internet, I don't think those  
8 agreements are public, Frank. I would have to -

9 ATTORNEY DIGIACOMO: They are not.

10 ATTORNEY LARSON: - they are not  
11 and -.

12 ATTORNEY DIGIACOMO: The Merger  
13 Agreement contemplates, for example, the fees with -.  
14 The Merger Agreement contemplates add-ons to the  
15 purchase price with respect to things such as internet  
16 gaming.

17 CHAIRMAN: No, I understand the  
18 add-ons. I'm trying to understand the decision-making  
19 process. For example, just to use a hypothetical,  
20 Valley Forge suddenly decide to go out and bid on six  
21 new satellite casinos.

22 You'd have nothing to say about that,  
23 legally?

24 ATTORNEY LARSON: I think as Brian  
25 described it, there - there are discussion along those

1 lines, but ultimately that decisions rests with Valley  
2 Forge as the Licensee.

3           CHAIRMAN: And there are conditions in  
4 the agreement, you know, conditions that say they have  
5 to operate the business as usual. And they can't do  
6 anything extraordinary, like you'd see in any kind of  
7 a Purchase Agreement, where, you know, I think if they  
8 went out and tried to get six satellite locations,  
9 that would be outside the scope of the ordinary - the  
10 course of business. So, some of those are in there.

11           The - the satellites, I mean, if they  
12 were going to go out and spend the money, they would  
13 have to spend the money through that company. If they  
14 incurred more debt, that would reduce the amount of  
15 money they're going to get at the end of the day.

16           So, I mean, there are things that - a  
17 just purchase price, where if more debt is incurred,  
18 which they would have to do to get satellite positions  
19 and things like that that - you know, that really  
20 keeps things status quo pretty much. And then we talk  
21 about any major decisions.

22           CHAIRMAN: I guess one thing that's on  
23 my mind is the new legislation was signed in October.  
24 You didn't reach an agreement until December. Yet the  
25 question of what should be done about who can make

1 decisions about whether to expand into other Cat 4  
2 locations or do internet gaming was not part of the  
3 agreement reached a couple months later?

4 ATTORNEY LARSON: Well, internet  
5 gaming we do reimburse. And as well, there are other  
6 entities that are involved. But it's the satellites  
7 that are the one thing that are not really -. And -  
8 and back then we weren't sure exactly when the  
9 satellites were to come out.

10 And we had really negotiated our  
11 agreement probably - you know, we got it to a point I  
12 think it - you know, where there was a letter of  
13 intent much earlier than that. And then it took 45  
14 days to - to get the agreement done. So, it - it was  
15 all real time going through.

16 CHAIRMAN: Okay.

17 All right.

18 Thank you very much. I realized I  
19 didn't ask you.

20 Does Enforcement Counsel have any  
21 presentation at this time?

22 ATTORNEY GABRIELLE: We do have a  
23 statement, Mr. Barasch. Good morning members of the  
24 Board.

25 My name is Ashley Gabrielle,

1 G-A-B-R-I-E-L-L-E, with the OEC. The OEC has reviewed  
2 the joint petition filed by joint Petitioners and  
3 filed an Answer in the matter in response.

4 The Financial Investigations Unit has  
5 conducted an investigation into the transaction and  
6 drafted a report that analyzes the details of the  
7 transaction, including the corporate structure -  
8 structure, excuse me, other entities like gaming  
9 wholly-owned subsidiaries, financial information  
10 merger and ratings.

11 A change of control of any Slot  
12 Machine Licensee require that the Slot Machine  
13 Licensee independently qualify for a license and pay a  
14 new license fee, pursuant to Section 1328 of the  
15 Pennsylvania Race Horse Development and Gaming Act.

16 Valley Forge Convention Center  
17 Partners, LP is the holder of a Category 3 Slot  
18 Machine License in good standing with the Board and  
19 currently owns and operates the Valley Forge Casino  
20 Resort in King of Prussia, Pennsylvania.

21 Boyd Gaming is the largest successful  
22 casino entertainment company operating since 1975 and  
23 was incorporated in Nevada in 1988. Headquartered in  
24 the Las Vegas, Boyd Gaming, through various  
25 subsidiaries, operates more than 20 gaming properties

1 in Nevada, Indiana, Iowa, Kansas, Louisiana and  
2 Mississippi.

3                   From 2003 to 2016 Boyd Gaming was the  
4 operator and 50-percent indirect owner of the Borgata  
5 Hotel Casino and Spa in Atlantic City, New Jersey.  
6 Certain subsidiaries, Directors, officers and Key  
7 Employees of Boyd Gaming were licensed in New Jersey.

8                   Boyd Gaming also operated an online  
9 gaming site in New Jersey for three years. Boyd  
10 Gaming has expressed its interest and intent to  
11 participate in gaming expansion here in Pennsylvania.

12                   Boyd Gaming is not currently licensed  
13 by the Board, and does not conduct any gaming-related  
14 activities, operate any gaming-related establishments  
15 or have an ownership percentage in any gaming-related  
16 establishments in the Commonwealth.

17                   As such, analysis under Section  
18 1102(5) of the Act and Section 421a.5 of the  
19 regulations regarding monopolization is not necessary.

20                   Our initial assessment of this matter,  
21 based on the concept outlined by joint Petitioners and  
22 their joint petition, supporting documentation and  
23 presentation today indicates that there are no  
24 significant issues. And OEC does not object to the  
25 Board conditionally granting approval of the relief

1 requested by joint Petitioners.

2                   As it relates to Section 1102 of the  
3 Act, the legislative intent will not be compromised by  
4 approving this transaction. The transaction proffered  
5 by joint Petitioners will not have a negative impact  
6 on the gaming industry in Pennsylvania, the public  
7 interest or employment.

8                   Regarding the fee associated with the  
9 change of control, the Act provides that this  
10 determination is left to the Board's discretion.  
11 Should the Board approve the instant change of  
12 control, OEC respectfully requests that the Board make  
13 any such approval subject to the conditions set forth  
14 in OEC's Answer, so that we may continue to monitor  
15 the transaction and ensure full compliance with the  
16 Act and regulations.

17                   We are available to answer any  
18 questions you may have regarding this matter.

19                   CHAIRMAN: Thank you very much. Does  
20 the Petitioner have any questions for OEC at this  
21 time?

22                   ATTORNEY DIGIACOMO: We do not.

23                   CHAIRMAN: Thank you.

24                   Are there any further questions from  
25 the Board or Ex-Officios?

1                   MR. LOGAN:   No.

2                   CHAIRMAN:   Thanks, Sean.   We're going  
3 to take this up and vote on this later this morning.  
4 At the moment we're going to take a short recess and  
5 go into executive session.   Thank you.

6                                   \* \* \* \* \*

7                                   MEETING CONCLUDED AT 11:20 A.M.

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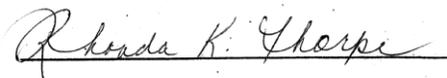
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## CERTIFICATE

1  
2 I hereby certify that the foregoing proceedings,  
3 hearing held before Chairman Barasch was reported by  
4 me on 04/04/2018 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 Dated the 27th day of April 2018

9  
10   
11 Court Reporter  
Rhonda K. Thorpe

