

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: CATEGORY 2 SLOT MACHINE OPERATOR APPLICATION
FOR PA GAMING VENURES, LLC

* * * * *

PUBLIC HEARING

* * * * *

BEFORE: WILLIAM H. RYAN, JR., CHAIRMAN
Gregory C. Fajt; Annmarie Kaiser; Keith R.
McCall; John J. McNally, III; Anthony C.
Moscato; David W. Woods; Members
Jennifer Langan, representing Robert
McCord, State Treasurer

HEARING: Tuesday, January 28, 2014
10:31 a.m.

LOCATION: Pennsylvania Convention Center, Ballroom A
1101 Arch Street
Philadelphia, PA 19107

WITNESSES: Tim Wilmott; Jay Snowden; Cori Whitacre;
Chy Stewart; Karen Bailey; Joe Domenico;
Jim Baum; Carl Sottosanti; James Hartling;
Steve Gallaway; Francis Hanney

Reporter: Sami Zeka

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25	* Exhibit Not Attached			

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CHAIRMAN:

Good morning, ladies and gentlemen. I will now call to order this meeting of the Pennsylvania Gaming Control Board. All seven members of the Board are present and accounted for. I would also welcome Jen Langan to the meeting. Jen is here as an ex-officio or representing an ex-officio member of the Board, Treasurer Rob McCord.

Before we begin, I would ask everyone to rise for the Pledge of Allegiance.

PLEDGE OF ALLEGIANCE RECITED

CHAIRMAN:

Thank you, ladies and gentlemen. The Board convenes today to hold public licensing hearings on the Category 2 Slot Machine Operator Applications for the one available license designated for the City of Philadelphia. The application for each applicant has undergone an extensive review by Staff of the Pennsylvania Gaming Control Board.

In our proceedings today we are providing a final opportunity for each applicant to demonstrate to the Board's satisfaction that it is suitable for the license and that it should be

1 selected by the Board to receive the one available
2 license. And of course, the suitable hearing ---
3 suitability hearings are not limited to today, they
4 will continue tomorrow and the next day.

5 Before calling the meeting to order, I
6 will briefly explain the procedure which we intend to
7 follow during this hearing. First, Executive Director
8 Kevin O'Toole will provide an overview of the
9 licensing and investigatory process, which Staff has
10 engaged in, in which has brought us to this hearing
11 today.

12 The second portion of this hearing will
13 be the Applicant's presentation, including response to
14 questions or issues which may arise during the
15 hearing. This will be followed by input from the
16 Bureau of Licensing and the Bureau of Investigations
17 and Enforcement (BIE), through the Office of
18 Enforcement Counsel (OEC) concerning the
19 determinations of those Bureaus which review the
20 application.

21 Also before we begin, I would like to
22 address how the Board will deal with issues of
23 confidentiality should they arise. While today's
24 hearing is being conducted in public, and it is our
25 desire to have the entire hearing conducted in that

1 manner, a situation may arise which requires the Board
2 to hear some testimony in closed session. Much as a
3 court might conduct a partial in closed hearing for
4 taking information which either involves matters of a
5 highly private nature or which involves security or
6 highly sensitive proprietary business model
7 information, which the law recognizes as private or
8 privileged.

9 The statute which authorizes gaming in
10 Pennsylvania, mandates that certain information like
11 that which I mentioned above, be kept confidential in
12 order for the Board to ensure that it hears all
13 relevant information. If a situation calls for the
14 presentation of such confidential information, the
15 Board may convene a closed session limited solely to
16 taking that confidential testimony and then we'll
17 reconvene in public.

18 Let me iterate that the Board has a duty
19 to hear and consider all relevant evidence, including
20 that which may be privileged from public disclosure.
21 And we fully intend to hear the evidence to assure
22 that the Board makes a fully informed decision.

23 As a housekeeping matter, I also want to
24 mention that on January 8th, 2014, the Board granted
25 in part, two separate petitions to intervene in

1 certain aspects of these proceedings. First three
2 community-based groups were granted intervention in
3 the Tower Entertainment application hearing related to
4 the presentation of traffic and parking issues. Those
5 groups will be heard by the Board at the conclusion of
6 the Tower presentation later today.

7 Second, HSP SugarHouse was granted
8 intervention with respect to all applicants, but
9 intervention is limited to the issue of market
10 saturation and the affect on its business. HSP
11 SugarHouse will be heard in a hearing to occur on
12 Thursday, January 30th following the last of the
13 applicant hearings.

14 I will now ask the Executive Director,
15 Kevin O'Toole to address the review of the
16 applications by Staff. Kevin.

17 MR. O'TOOLE:

18 Good morning, Chairman Ryan and members
19 of the Board. Over the course of the next three days
20 the Board will be holding licensing hearings for five
21 applicants for the Category 2 Slot Machine Operator
22 License, to be located in the City of Philadelphia.

23 Since the filing of the applications in
24 November of 2012, a number of significant events have
25 occurred to promote the review of each applicant, for

1 both its eligibility and suitability for licensure
2 under the Pennsylvania Race Horse Development and
3 Gaming Act.

4 First, on February 12th, 2013 a public
5 hearing was held in Philadelphia for the purpose of
6 having each of the five applicants introduce its
7 proposed project to the public. Thereafter, public
8 input hearings were held in Philadelphia on April the
9 11th and 12th, and again on May 8th and 9th, 2013.
10 During which, speakers presented either their support
11 or opposition for the proposed project. These
12 hearings were recorded and transcribed.

13 Second, the Pennsylvania Gaming Control
14 Board placed a significant amount of material
15 submitted by each applicant on the Board's website for
16 the public to have access to the information
17 concerning the proposals, the projections and the
18 studies which had been presented to the Board. These
19 documents included; the public portions of individual
20 applications for each entity associated with the
21 various applicants, local impact reports, traffic
22 impact studies, diversity plans, PowerPoint
23 presentations for each proposal, with presentation
24 videos, and the video recordings and transcripts of
25 the public input hearings mentioned earlier, which are

1 all located on the Board's website.

2 Third, the dissemination of the
3 previously cited information permitted the Board's
4 receipt of written submissions, both in support of and
5 in opposition to the projects. A date of December
6 31st, 2013 was established for the Board to receive
7 written public comment. A summary of the number of
8 written submissions for the applicants received by the
9 cutoff date will be noted prior to each applicant's
10 presentation.

11 In addition, the Bureau of Licensing and
12 the BIE have undertaken the review and investigation
13 of each application consistent with the mandates of
14 the Act. The result of this licensing and
15 investigative phase of the application process is the
16 creation of the suitability report, which summarizes
17 the findings of the Bureaus as to the applicants'
18 compliance with the Act's licensing, eligibility and
19 suitability requirements.

20 Last, the parties have entered into a
21 stipulation regarding the procedure employed by the
22 Bureau of Licensing and the BIE. These stipulations
23 will be entered into the record for each application
24 received. Thank you, Chairman.

25 CHAIRMAN:

1 Thank you, Kevin. We will now begin the
2 licensing hearing in the matter of the Category 2
3 hearing for Pennsylvania Gaming Ventures, LLC. I see
4 the members of the presentation group for PA Gaming
5 Ventures, LLC are seated. I would ask all of you who
6 will present testimony, to rise and be sworn.

7 -----

8 WITNESSES SWORN EN MASSE

9 -----

10 CHAIRMAN:

11 You may all sit down for just a moment.
12 Thank you. I count one, two, three, four, five, six.
13 Would that be an accurate statement?

14 MR. O'TOOLE:

15 Yes.

16 CHAIRMAN:

17 Okay.

18 MR. O'TOOLE:

19 Mr. Chairman, the application for
20 Pennsylvania Gaming Ventures, LLC was filed with the
21 Pennsylvania Gaming Control Board on November 15th,
22 2012. Since that time, the evidentiary record for
23 this Applicant has been developed to include the full
24 application, local impact statements, traffic studies,
25 the transcript of the public input hearings, the

1 written comments presented and received by the Board,
2 the licensing suitability report and the stipulations
3 I just referenced.

4 The parties have agreed that each of
5 these items, which are offered as Exhibits One through
6 Nine, are to be admitted into the record as the
7 stipulated evidentiary record for the Board's
8 consideration.

9 (Board Exhibits One through Nine marked
10 for identification.)

11 MR. O'TOOLE:

12 In addition, the transcript of these
13 proceedings and any other evidence submitted and
14 admitted as exhibits in connection with this
15 Applicant's licensing hearing today would likewise, be
16 part of the record for the Board's review and
17 consideration.

18 Finally, the written public comments'
19 submissions, including submissions received via the
20 Board's website for this Applicant, received by the
21 cutoff date encompassed 143 submissions, including 122
22 supporting the application, 1 opposing the application
23 and 20 being neutral. Thank you.

24 CHAIRMAN:

25 In light of the stipulation regarding

1 Exhibits One through Nine having been admitted to the
2 evidentiary record in this matter, may I have a motion
3 to accept the exhibits?

4 MR. FAJT:

5 So moved.

6 MR. MCCALL:

7 Second.

8 CHAIRMAN:

9 Greg?

10 MR. FAJT:

11 Yes.

12 CHAIRMAN:

13 Second?

14 MR. MCCALL:

15 Second.

16 CHAIRMAN:

17 All in favor?

18 ALL SAY AYE

19 CHAIRMAN:

20 Opposed? The motion carries. Exhibits
21 One through Nine are included in the record. We will
22 now hear from the Applicant --- our first Applicant in
23 the process. Sir.

24 ATTORNEY BIZAR:

25 Good morning, Mr. Chairman, members of

1 the Board. My name is Steve Bizar. I'm with the law
2 firm Buchanan, Ingersoll & Rooney. We're counsel of
3 record for the Applicant, PA Gaming Ventures, LLC and
4 Penn National Gaming. Our first witness is Tim
5 Wilmott, President and Chief Executive Officer of Penn
6 National Gaming.

7 CHAIRMAN:

8 And sir, before you leave the microphone
9 there, could you just spell your last name for
10 the ---?

11 ATTORNEY BIZAR:

12 B as in boy, I-Z as in zebra, A-R.

13 CHAIRMAN:

14 And I would repeat that, obviously for
15 every witness today who comes. It just makes the
16 court reporter's life a little bit easier and if the
17 court reporter knows the spelling and knows the
18 position of the individual who's speaking.

19 ATTORNEY BIZAR:

20 Understood.

21 CHAIRMAN:

22 Thank you very much.

23 MR. WILMOTT:

24 Good morning, Chairman Ryan, Board
25 members. Tim Wilmott, W-I-L-M-O-T-T, President and

1 Chief Executive Officer, Penn National Gaming. I want
2 to thank the Pennsylvania Gaming Control Board and
3 Staff for giving us this opportunity and all the work
4 that has been done up to this point, to get us to a
5 presentation in front of you today to talk about our
6 proposed Hollywood Casino, Philadelphia.

7 I'd like to introduce the speakers who
8 will be talking after me today. First to my right is
9 our Chief Operating Officer Jay Snowden. Next to Jay
10 is our Vice President of Talent Management, Cori
11 Whitacre. Next to Cori is Chy Stewart, our Diversity
12 Officer, Hollywood Casino/Penn National. Next to Chy
13 is Karen Bailey, our Vice President of Public Affairs.
14 And finally, at the end is Joe Domenico, who is
15 presenting the Philadelphia Casino Benefit
16 Corporation. Also with us today are the other members
17 from the Penn National team listed on this --- on this
18 sheet.

19 Also I'd like to let you know --- and
20 I'm not going to name all of these individuals, but
21 with us today are outside consultants who will be
22 available to answer any questions you may have
23 regarding our proposal.

24 About a year ago you heard from the
25 Applicants about their commitment to Philadelphia and

1 Pennsylvania, and I did want to highlight again, who
2 Penn National is and where we came from. We got
3 started as a horse racing company founded in Central
4 Pennsylvania by the Carlino family in the early 1970s.
5 We went public as a horse racing company in the
6 mid-'90s and we are today the only publicly traded
7 gaming company headquartered in the Commonwealth of
8 Pennsylvania, in Wyomissing. We have over 1,400
9 Pennsylvania-based employees generating a payroll in
10 excess of \$80 million. We have at our Penn National
11 facility in Grantville, Pennsylvania, generated one-
12 and-a-half billion dollars of gaming revenue since
13 2008 and over \$700 million of gaming taxes for the
14 Commonwealth as well.

15 And through our corporate giving and
16 also our Penn National Foundation we've contributed
17 over \$2 million to Pennsylvania-based organizations
18 since our inception. So, clearly our roots are here
19 in the Commonwealth.

20 We happen to be the largest regional
21 gaming operator in the United States, operating 26
22 properties in 17 different jurisdictions. In fact, no
23 other gaming company has opened up as many new
24 properties, six in the last five years, than we have.
25 We actually have three properties currently under

1 development. Later this year we're opening up casino
2 facilities that include racing, in Dayton, Ohio and
3 outside Youngstown, Ohio. And we've also begun
4 development of a Hollywood Casino east of downtown San
5 Diego, in partnership with Jamul Indian tribe that
6 should open up in late 2015 early 2016.

7 We clearly have a very broad geographic
8 footprint, have a lot of experience in developing and
9 operating in communities that are very diverse across
10 North America. And we also have a database of
11 customers. Right now over four million strong active
12 that we believe can bring to our operation here in
13 Philadelphia. And Jay will speak more about that
14 after me.

15 With that being said, here's a rendering
16 of our \$480 million proposed Hollywood Casino,
17 Philadelphia. Our architect is Marnell Corrao
18 Associates based in Las Vegas. Probably the most
19 experienced architect in casino development today.
20 Located at 700 Packer Avenue in south Philly near the
21 stadium district.

22 Before I turn over the presentation to
23 Jay, I did want to conclude with the advantages of
24 this proposal and also highlight the fact that we did
25 not elect to bring an outside consultant in to do a

1 comparison study of our proposal against the other
2 four. We believe you as a Board and your staff have
3 the expertise and understanding of how to assess these
4 applications, and didn't need to, from a standpoint of
5 bringing in a third party, just provide what I would
6 characterize as a self-serving comparison study of our
7 application-base versus the other four.

8 And in short, you know the importance of
9 certainty of financing, and we believe given the fact
10 that the previous developer who had this license,
11 couldn't get it started because of financing. We have
12 our operating cash flows and our balance sheet that
13 can deliver this \$480 million proposal as it stands
14 today.

15 We also are the largest and most
16 experienced operator and developer of casinos in the
17 United States. And clearly we have a track record of
18 operating these facilities with the highest degree of
19 regulatory compliance. And this is a very competitive
20 market, and experience does matter. We have operated
21 very successfully in some of the most intensively
22 competitive markets in the United States.

23 The third and fourth items of advantage
24 are really intertwined. We believe we have the best
25 location right off of Interstate 76 and 95 at 700

1 Packer Avenue, that can reach into the south Jersey
2 market very conveniently, that has the best ingress
3 and egress for customers to visit our facility and
4 leave our facility and not be burdened by getting in
5 and out of a very difficult, for example, downtown
6 location. We also, as I mentioned before, have a
7 large database of existing gamers here in the
8 northeast that we think we can bring to bear at this
9 operation.

10 And finally, you're going to hear about
11 this through Mr. Domenico. Our proposal includes the
12 fact that we're going to take two-thirds of our
13 operating cash flows and give that money back to the
14 education and pension funds here in the City of
15 Philadelphia. It's certainly not going to solve all
16 the fiscal problems of pension and education, but
17 certainly is a solution that's creative. And it
18 provides some private sources to help alleviate some
19 of the underfunding problems that these --- that these
20 entities currently have.

21 So, with that, I'd like to now turn it
22 over to Jay Snowden, our Chief Operating Officer to
23 give you more details specifically about the proposal.

24 MR. SNOWDEN:

25 Thank, you, Tim. Good morning Chairman

1 Ryan, members of the Board.

2 CHAIRMAN:

3 Good morning.

4 MR. SNOWDEN:

5 My name is Jay Snowden, Chief Operating
6 Officer. Last name is spelled as it is on the screen,
7 S-N-O-W-D-E-N. Tim provided a high level overview of
8 the projects and the key strengths that we believe our
9 proposal has. I'm now going to walk you through in
10 some more detail with regards to some of those
11 strengths of our projects.

12 Starting with a bird's-eye view of our
13 site, we believe our site to be absolutely optimal for
14 a couple of reasons. One, you can see here
15 highlighted in red, and again a bird's-eye view will
16 drill down in a moment, access and how approximate
17 this is to the busiest interstates in eastern
18 Pennsylvania, Interstate 76 as well as Interstate 95.
19 And you're a mile to two miles away from the Walt
20 Whitman Bridge and direct access to southern New
21 Jersey.

22 And so as we talk about the concept of
23 cannibalization and our ability to grow revenues in
24 the State of Pennsylvania as opposed to just
25 cannibalizing existing Pennsylvania gaming revenue.

1 This is very important factor. Direct
2 access to south Jersey for those who are in town for a
3 ballgame or simply want to get to the nearest casino,
4 certainly across the Walt Whitman Bridge right off of
5 76, and I'll speak to the access points in a moment,
6 it is more proximate than the folks living in southern
7 New Jersey that would take 45 minutes or longer to get
8 to Atlantic City or some of their other options. This
9 would be their closest option.

10 This next slide drilled down a little
11 bit further to show you the ingress and egress that
12 Tim mentioned earlier. We believe that based on the
13 location, we're surrounded by the streets of Darien
14 and 7th Street along Packer. And the on-ramps to 76
15 --- or excuse me, the off-ramps from I-76 eastbound
16 would take you right to Darien Street. And if you're
17 coming in front New Jersey, I-76 westbound you would
18 be exiting at our doorstep along 7th Street.

19 With regards to exiting the facility,
20 it's a very easy exit back onto Interstate 76 if
21 you're headed east toward the Walt Whitman Bridge and
22 New Jersey. And for those of us who have been to
23 ballgames where it gets a little messy, is when you're
24 attempting to travel northeast on I-76 heading back to
25 the north and to the east.

1 One of the features of our proposal,
2 which you'll see highlighted here in red, is an
3 unconditional investment in the infrastructure to help
4 to alleviate the existing congestion that exists after
5 ballgames, for folks who are attempting to get onto
6 I-76 and today have to travel close --- down to Broad
7 Street.

8 The next slide is a drill down of this
9 \$3 million commitment. We envision this on-ramp to 76
10 east --- sorry, we're having a few issues with our
11 slides here. This on-ramp to I-76 east being built
12 concurrent with the casino facility, so that at the
13 time of the casino opening, this ramp would be live
14 and able to be accessed as well. And again, this is
15 an unconditional commitment to creating and building
16 this on-ramp.

17 Now, getting into some of the components
18 of the project itself, it's a \$480 million budget, as
19 Tim alluded to earlier. It includes a 100,000-square-
20 foot casino which will be inclusive of over 2,000 slot
21 machines, 66 table games, 15 poker tables. I
22 mentioned the I-76 westbound ramp, that is part of the
23 \$480 million budget. We also have several dining
24 options, our award winning Final Cut Steakhouse that
25 we operate at several of our Hollywood theme

1 facilities across the country, a sports bar, casual
2 grill, noodle bar and a four venue food court. We
3 also will have a casino floor entertainment lounge
4 with 180 seats for weekend entertainment and evening
5 entertainment.

6 And last, but certainly worth noting is
7 the 3,500-spaced parking garage. It's significantly
8 more structured parking than any of the other
9 applicants. And that, ultimately for us was keeping
10 in mind the traffic and parking issues that exist
11 today in the sports area on game day. Eagles games,
12 Philadelphia Phillies and the like, there's challenges
13 for parking. We believe that based on our location
14 being as proximate as it is to those locations, we
15 would have significant capacity not only for the
16 casino patrons but for patrons who are visiting some
17 of these sports games on game day as well. That's why
18 we anticipate building a 3,500 spaced parking garage.

19 With regards to the economic impacts for
20 our Phase 1 plans, we anticipate generating \$155
21 million in gaming taxes combined for the City and
22 State, \$30 million in annual income, sales, business,
23 corporate and real estate taxes for the Commonwealth
24 of Pennsylvania, \$132 million in annual wages and
25 salaries for the citizens of Pennsylvania and total

1 economic impact to local and state economies of almost
2 \$450 million, initial economic impact of nearly \$600
3 million annually to the Commonwealth once in
4 operation. These figures are all exclusive of the
5 two-thirds free cash flow that would be going to the
6 pension and education areas of Philadelphia that we'll
7 speak to later in the presentation.

8 We also have contemplated Phase 2 which
9 would be --- which would include a 500 room hotel, the
10 potential for additional square footage on the gaming
11 floor to house 1,000 slot machines. As part of the
12 hotel would be a nearly 25,000-square-foot meeting
13 space and we can expand the parking garage as well.
14 We have 13 --- over 13 acres total, and so we have the
15 ability to expand the footprints. You see an image
16 here of what the 500 room hotel may look like. And
17 what you see here is a nighttime shot of our facility
18 from Packer. And everything you see in gold would be
19 part of the Phase 2 expansion, so you see the hotel
20 off on the right-hand side, the convention space, and
21 parking at the center and the casino expansion
22 highlighted in gold on the left-hand side. And these
23 are all contemplated for a Phase 2, based upon the
24 demand of the business.

25 Now I'm going to get into some other

1 unique elements and features of our proposal with
2 regards to our overall marketing strategy. I'm going
3 to highlight Penn National Gaming's database that was
4 referenced by Tim earlier, our Marquee Rewards Loyalty
5 Program, a proven advertising plan and some proven
6 partnership concepts that have been tried out in
7 several of our jurisdictions including Penn National
8 Race Course in Grantville.

9 With regards to our database, we
10 currently have over 4.3 million active customers in
11 our database across the country and in Canada. If
12 you're looking simply east of the Mississippi for
13 those that would be within a short drive or short
14 flight of Philadelphia 2.7 million active database,
15 very important in that before you ever open the doors
16 you've got to see the database. We have many VIP
17 customers who love the weekend getaway trips that we
18 package together for them in markets like Chicago, and
19 St. Louis and Kansas City. Philadelphia would be very
20 similar. You can package up not only the gaming
21 experience but visiting one of the sporting venues,
22 partnering with a local hotel for their hotel stay and
23 concerts, obviously in Philadelphia as well. So, this
24 is something that has been proven successful for us as
25 we cross market our facilities across the country.

1 And Philadelphia certainly is a destination to add to
2 the list.

3 Our Marquee Rewards Loyalty Card Program
4 is what links our properties together across the
5 country. And the concept is as simple as walking into
6 a casino, you see customers who insert their player
7 card into a slot machine or they hand it to a pit boss
8 at a table game, their play is tracked. They earn
9 points. And the key concept with our Marquee Reward
10 Program is it incentivizes consolidation of play. The
11 points that you earn at Hollywood in Philadelphia or
12 Hollywood/Penn National in Grantville are bankable and
13 those points are they redeemable or portable to any of
14 our facilities. So, it's a true competitive
15 advantage. We have a beautiful \$1 billion casino off
16 of the Las Vegas strip, the M Resort. Customers in
17 Pennsylvania who are playing at their local regional
18 favorite casino like Hollywood, would be able to earn
19 those points, bank those points, save up and redeem
20 them for the trip --- their annual trip to Las Vegas,
21 which most of our customers tell us through polling
22 that they do once or twice a year.

23 So, certainly a competitive advantage
24 and incentivizes consolidation of play. If you're
25 playing at other casinos those points are not going to

1 go toward your bank that is portable and usable at any
2 of the Penn National Gaming Casinos across the
3 country. Only at our facilities.

4 We've been very busy over the course of
5 the last six years. Tim alluded to this. We've
6 actually opened six Greenfield project casinos in the
7 last six years. And we've certainly been able to
8 refine and perfect our advertising strategy, what
9 works, what doesn't work. How long before you open do
10 you advertise? What are the correct channels, how you
11 ramp up, when you ramp down, where you advertise and
12 the like. We have a strategy that has proven to be
13 very successful for us and we would certainly plan to
14 deploy here in Philadelphia based on our experience
15 across the country and at these six openings over the
16 last six years.

17 With regards to travel and tourism, we
18 are a proven partner in all of our markets. I think
19 Penn National in Grantville is a great example of
20 this, where we partner up locally, regionally and at
21 the statewide level with regard to Tourism Boards and
22 Chambers of Commerce to promote the city, the towns,
23 the regions where we operate.

24 A couple of great examples of this in
25 the central Pennsylvania market, would be festival

1 events like Oktoberfest and Staycation packages, in
2 which we partner up with the Greater Hershey and
3 Harrisburg businesses and Tourism Boards to promote
4 not just the casino but all that Hershey and
5 Harrisburg have to offer by having these customers not
6 just join us but to participate in what's going on
7 throughout the market and stay in the local hotels as
8 well.

9 This next page are a few more examples
10 of us supporting local businesses and trying to create
11 foot traffic not just for our facility and to drive
12 gaming revenue, but to be a great partner within the
13 community and generate some volume to local business,
14 like in this case Sheetz gift card giveaways, Macy's
15 gift card giveaways. These are promotions that we
16 have run at our Hollywood Casino/Penn National Race
17 Course facility in Grantville.

18 And we are also a very strong partner
19 with the Pennsylvania State Lottery. We are the
20 number one retailer in the Greater Harrisburg area
21 with annual lottery sales nearly \$2.5 million a year.
22 That is not just executed through the kiosks and the
23 promotional material inside the facility, we also
24 participate with the State Lottery on lottery ticket
25 giveaways. This has been proven to be successful.

1 Our customers really gravitate toward this. It's a
2 win/win situation. It's a win of a promotion for us
3 and our customers and certainly for the State, as
4 we're generating gaming revenue which is taxed and
5 shared with the Commonwealth. We are also helping at
6 the Pennsylvania Lottery level by purchasing tickets
7 enmasse and promoting some of these great scratch card
8 giveaways.

9 So, with all that said, I plan to hand
10 it off now to Cori Whitacre, our Vice President of
11 Talent Management. And she has some updates to share
12 with you with regards to our hiring practices. Thank
13 you.

14 MS. WHITACRE:

15 Great. Thank you, Jay. And thank you
16 for the opportunity to speak to you today about our
17 hiring initiatives. Whitacre. My name is Cori
18 Whitacre, W-H-I-T-A-C-R-E. And as Jay said, I'm the
19 Vice President of Talent Management for Penn National
20 Gaming. Where's the clicker? There we go.

21 Along with the 1,100 jobs that will be
22 part of our workforce that Hollywood Casino at
23 Philadelphia, we also project this project will create
24 over 3,600 construction jobs, as well as 3,500 direct
25 and indirect jobs.

1 Jay and Tim both alluded to our track
2 record of success in opening new facilities. And this
3 goes on the hiring side as well. We have a proven
4 track record, and we strongly believe in hiring local.
5 We're able to accomplish our local hiring goals by
6 working with community organizations, our educational
7 partners and by hosting and participating in local job
8 fairs.

9 You'll hear more from Karen Bailey and
10 Chy Stewart in --- a little bit more about our
11 community outreach efforts, as well as our diversity
12 initiatives and track record of success in working
13 with some community organizations.

14 The majority of our workforce will be
15 full time with benefits. And we offer a competitive
16 compensation package as well as a great benefit
17 package, which includes medical, dental, 401(k) and
18 paid time off for our employees.

19 We strongly believe in investing in our
20 workforce. And along with the great benefit package
21 that I just mentioned, we also offer tuition
22 assistance as well as paid training for all of our
23 employees. We'll look to partner with local community
24 colleges, as well as culinary training programs to
25 ensure that our workforce is trained to provide an

1 experience like no other in Philadelphia.

2 And lastly, I'd like to highlight our
3 commitment and our opportunities for growth within our
4 casinos. Along with our great educational
5 partnerships that we develop with local community
6 colleges, we also provide comprehensive training and
7 development programs for our existing employees.

8 We've developed some internal training
9 programs, such as our I lead manager and supervisor
10 training programs, which provides some real on-the-
11 ground training for our leaders. And it encourages
12 them to take on additional responsibilities. But as
13 also have a track record of success with promoting
14 internally.

15 We give our team members the educational
16 foundation and the confidence to pursue opportunities
17 internally. And we have many stories and examples of
18 dealers, slot attendants, slot techs, chefs,
19 surveillance agents who have grown their careers into
20 taking on greater leadership opportunities such as
21 general managers, assistant general managers, VPs of
22 Operations and, you know, VPs of HRs of various
23 properties across our portfolio.

24 We're very excited to be able to provide
25 those same opportunities here at Hollywood Casino,

1 Philadelphia. With that, I'd like to turn it over to
2 Chy Stewart, our award winning diversity partner at
3 Hollywood Casino, Grantville.

4 MS. STEWART:

5 Good morning. Chy Stewart, S-T-E-W-A-R-
6 T, Diversity Officer, Hollywood Casino in Grantville.
7 I'd like to focus this morning on our diversity
8 initiatives and our commitment to diversity. Penn
9 National proudly supports minority, women-owned
10 businesses and disadvantage businesses, along with our
11 veterans.

12 Our approach to this commitment focuses
13 on our construction and our project development. What
14 we do in initial development phase, we do partner with
15 local chambers and local organizations that will
16 support and provide opportunities for minority
17 vendors. With the vendor focus, as with any
18 responsible business you want to focus on the quality,
19 and service, and dependability and the price.
20 However, Penn National has taken the further step
21 where we have a commitment where we've actually made a
22 pledge to support and partner with minority vendors
23 whenever possible.

24 In addition to our vendors, we've
25 created a vendor fair opportunity where we do have

1 vendors come in, meet with our purchasers and provide
2 opportunities for business. We also focus on
3 mentoring programs. We've created a step-by-step
4 guide on how to do business with Hollywood Casino.
5 We've also invited them in and we provide one-on-one
6 sessions where we can explain to them what their
7 opportunities are and what our needs are.

8 In addition to that, we do also have an
9 expedited payment process where we sit down with them,
10 we work out a payment schedule that is flex --- that
11 works for both us as the company and them as the
12 vendor. And they --- there's no delay with their
13 payments to ensure that they're able to turn their
14 products around quickly and be able to continue their
15 business operation.

16 We do have an ongoing hiring commitment
17 within the community. We partner with several
18 organizations and businesses, local colleges where we
19 will actually go out and have vendor fairs at the
20 colleges as well, to provide opportunities. We have
21 onsite fairs as well, where we've invited many
22 different opportunities for folks to come out and have
23 an opportunity for employment.

24 Penn National has a strong history of
25 minority and local business commitments and success.

1 For our fiscal year 2013 we have focused our
2 initiatives and our expenses, we're 12 percent with
3 our minority women-owned business --- minority owned
4 businesses and women-owned business. We also proudly
5 support the fact that we've had 45 percent of our
6 expenses with our local --- local businesses. And
7 that's within a 50 mile radius of Penn National.
8 We've very proud that we can support the local
9 community and help grow the market in that area.

10 Myself along with our former diversity
11 officer have also been recognized by the community as
12 well as the State of Pennsylvania for our commitment
13 to the community and to the minority workforce. And
14 just to developing the area as a whole in supporting
15 the minorities. With procurement activities, we do
16 have --- we continue with the vendor fairs. We also
17 invite them out to do the one-on-one sessions as well.

18 Penn National has a strong commitment to
19 diversity, I'm very proud to work in this capacity to
20 be able to support the organization and support the
21 community. Thank you. I'd like to introduce Karen
22 Bailey, Vice President of Public Affairs.

23 MS. BAILEY:

24 And Karen Bailey, B-A-I-L-E-Y. I'm Vice
25 President of Public Affairs. Thank you, Mr. Chairman,

1 members of the Board. I get to do the fun stuff of
2 the presentation and talking about our commitment to
3 the community, probably my favorite topic to talk
4 about. Although, I'm never short of talking about
5 finding stuff to talk about. And you know, as we look
6 towards this potential of coming into Philadelphia,
7 that commitment to community will continue as an
8 operator here in this city.

9 And we've already demonstrated that
10 through the active community and charitable support
11 programs that we've had in place, not only from the
12 inception of our company but also since the opening of
13 Hollywood Casino in Grantville in 2008.

14 Our portfolio of support for
15 Pennsylvania-based organizations is broad, supporting
16 organizations throughout the central Pennsylvania
17 region, as well as in the Reading and Wyomissing area
18 where our headquarters are located, as well as here in
19 Philadelphia not only in the last year during our
20 application process but also over the years with
21 various organizations like Please Touch Museum and
22 other integral programs here in the Philadelphia area.

23 And I apologize, my computer keeps
24 wanting to attach to the Wi-Fi and it keeps shutting
25 us down. So, you know, who says technology helps us

1 all; right?

2 In the next slide takes our community
3 --- our commitment to community even one step further.
4 And Tim spoke to this earlier, and that is the unique
5 part of our proposal. And that is the two-thirds cash
6 flow sharing with Philadelphia School District and
7 pension funds.

8 Joe is going to talk a little bit more
9 about the Philadelphia Casino Benefit Corporation.
10 But the diagram that you have in front of you is the
11 partnership that makes up Pennsylvania Gaming Ventures
12 with Penn National Gaming serving as the managing
13 member, the lender, developer and operator at the
14 casino, owning one-third of the operation and then
15 PCBC owning two-thirds, creating the joint venture and
16 ultimately Hollywood Casino Philadelphia.

17 The next slide reflects what I would
18 consider sort of generally what any applicant will
19 provide by way of economic impact from taxes here in
20 the City of Philadelphia. These are the wage taxes,
21 business taxes, that any business would be doing here
22 in Philadelphia. And in addition, obviously being the
23 host community fees that the City of Philadelphia
24 would receive as a result of our gaming operations.

25 But then what sets us truly apart from

1 the local economic impact here in the city, is that
2 two-thirds of free cash flow that we'll be sharing.
3 In this diagram here you'll see three colored lines.
4 You've got blue along the bottom, red in the middle
5 and sort of a yellow-green on the left-hand side.

6 The blue on the bottom, it actually
7 starts at year one, and that is the \$2 million
8 guaranteed floor or distribution that the operation
9 will distribute to PCBC for the intended recipients
10 being the school and the pension funds. We wanted to
11 just make sure that we started --- when we began our
12 operations that we would have an immediate fiscal
13 impact on the two beneficiaries that we've designated
14 as --- to receive these two-thirds cash flow.

15 In the middle or the red line reflects
16 the financing program and the certainty of financing
17 that Tim had already --- has already mentioned. This
18 is if we --- if we continue --- if we fund as we've
19 said we will fund our project, we anticipate that the
20 cash flow --- the two-thirds cash flow will increase
21 beginning year eight, jumping from that \$2 million
22 floor to \$12 million and then those distributions
23 continuing beyond that. This is a matter of function
24 and the payment of debt in which we can answer in
25 greater detail later if you wish.

1 On the left-hand side or the green-
2 yellow line that you see, you see that those
3 distributions, the two-thirds cash flow grows at a
4 slightly greater --- greater rate starting year five,
5 going above that \$2 million floor. This is if we
6 elect to utilize the financing --- the EB-5 Financing
7 Program. We're not dependent on that financing
8 program, but it is an option that we've explored,
9 allowing us a lower interest rate. And so we just
10 wanted to show the impact should we go that route, and
11 the ability for us to increase the two-thirds cash
12 flow at a greater rate than our current financing
13 structure.

14 With that, I'm going to turn this over
15 to Joe Domenico, the --- representing the Philadelphia
16 Casino Benefit Corporation, to give you a little more
17 detail on the organization itself.

18 MR. DOMENICO:

19 Good morning. It's Joe Domenico.
20 That's D-O-M-E-N-I-C-O. Chairman Ryan and members of
21 the Board, thank you for the opportunity to speak
22 today regarding the two-third partner of the Hollywood
23 Casino, that being the Philadelphia Casino Benefit
24 Corporation.

25 Before we talk specifics, I did want to

1 positively comment on the Staff's approach during my
2 investigation, especially Agent Elizabeth Cothmyer
3 (phonetic). She was very professional and made the
4 process as pleasant as possible given the situation.
5 So, thanks to the Staff again.

6 So, in reference to the slots and just
7 to refresh our memories, the Philadelphia Casino
8 Benefit Corporation, or PCBC as it is referred, is a
9 Pennsylvania non-for-profit corporation whose sole
10 mission will be to distribute dedicated funds from the
11 Hollywood Casino Philadelphia to the city's education
12 and pension funds. It will have an independent Board
13 of Directors.

14 We will receive favorable suitability
15 reports for PCBC and me. Both were determined
16 suitable for licensure. The OEC did propose five
17 conditions that both Penn and I represented PCBC, did
18 not have any issues with. In reality these conditions
19 provide the Gaming Board with complete assurance of
20 all of PCBC's actions going forward. We believe this
21 further demonstrates the transparency and how we want
22 to fully disclose the activities of PCBC.

23 As far as the Board members go, once the
24 license is awarded we will begin formally interviewing
25 for appropriate directors, consistent with the

1 conditions noted above and before the next Board
2 member would be appointed we will seek Gaming Board
3 approval. And of course, the Board member will be
4 required to go through the formalized background
5 investigation.

6 Board members will be reflected with the
7 community, including business acumen, community
8 involvement, integrity, as well as diversity. And as
9 noted, Penn will initially have a designated Board
10 member on the Board as well.

11 But most importantly, PCBC is the
12 fiduciary oversight of the free cash flow from the
13 two-thirds partnership in PA Gaming Ventures and
14 Hollywood Casino. Its responsibilities include the
15 appropriate auditing and reporting of the final
16 distribution to the funds, to the two areas noted,
17 pensions and education within the City of
18 Philadelphia. We have done research on the process
19 for distribution to both areas. And once the Board of
20 Directors has constituted, we have a defined process
21 for request and distribution of the funds.

22 Moving on, as you can see in slide two,
23 this project along with its unique structure, it does
24 have support from the community. These are quotes
25 from the City Council presentation last February 7th,

1 has been presented, again, to City Council.

2 So, with all that said and, you know,
3 finally with the performance of the Hollywood Casino
4 and this unique structure PCBC, both will provide
5 future financial benefits for both education and
6 pension funding needs in the City of Philadelphia.
7 And these benefits will far exceed any other projects,
8 charitable contributions once revenues are stabilized.
9 Thank you. I'm going to turn it back over to Tim.

10 MR. WILMOTT:

11 Eric, could you fix the last slide we
12 have from a technology standpoint? This is the last
13 slide. And again, I just want to conclude with
14 talking about our Hollywood Casino Philadelphia
15 proposal for \$480 million on 700 Packer Avenue. I
16 failed to mention before, that of our existing casino
17 properties, about two-thirds of our properties carry
18 the Hollywood banner. And we find that the
19 technology, the theme, very much resonates with casino
20 customers across many markets here in North America.

21 But again, to finalize the six points of
22 why we think this is the most advantageous proposal
23 that you're considering, first again financial
24 certainty of Penn National gives you the assurance
25 that we can do this project and fully fund the \$480

1 million. We have an experienced track record of
2 developing and operating casinos that is unparalleled
3 compared to the other four applicants that you're
4 considering.

5 And along with that, I --- Cori did
6 cover this. We plan, if we are fortunate enough to
7 win this license, to hire the majority of our
8 employees locally. But we have 20,000 existing Penn
9 National employees out there approximately, and a deep
10 management bench. So, in the critical sensitive areas
11 of surveillance, slot operations, table operations,
12 cage operations, we'll bring in experienced management
13 that is familiar with the high degree of regulatory
14 compliance that we're used to with Penn National.
15 We'll bring that level of expertise here to
16 Philadelphia.

17 Jay touched on it in more detail, but
18 our access, we believe with I-76 and a commitment to
19 fund the off-ramp onto 76 west, to have ease of access
20 for customers coming east/west and the close proximity
21 to Interstate 95 north/south gives us tremendous
22 access into markets that we believe the other
23 applicants can reach into with our location. And
24 specifically, we believe we have a location that
25 generates the most incremental revenue of all the ---

1 of all the five that you're considering.

2 On top of that, we think the location
3 next to the entertainment and sports venues adds
4 another element of revenue enhancement that the others
5 located in Downtown Philadelphia don't offer. Our
6 database with customers that we can bring to the City
7 of Philadelphia, certainly is something the others
8 don't have.

9 And then finally, the opportunity to
10 provide funding to the City of Philadelphia for
11 education and pension is also unique to our proposal
12 and creates an advantage that we think you should
13 strongly consider.

14 Again, I want to thank all of you for
15 your time this morning, this is the end of our formal
16 presentation. We're now available, as well as our
17 consultants behind us to hopefully answer questions
18 you may have regarding our proposal.

19 CHAIRMAN:

20 Thank you. At this time, I would open
21 the floor to my colleagues on the Board. Any
22 questions from the Board members? Greg?

23 MR. FAJT:

24 Thank you, Mr. Chairman. Thank you, Mr.
25 Chairman. A couple of questions, and not in any

1 particular order but I thought of them as your
2 presentation went along. You had mentioned several
3 potential casinos that you are currently bidding on, I
4 think is the best way to put it or in the process of
5 developing if you already have a license. I believe
6 you mentioned Youngstown, San Diego, this one and I
7 believe you're also involved in Lawrence County; is
8 that right?

9 MR. WILMOTT:

10 That is correct. We are also involved
11 in the --- with a partner. We're not the applicant in
12 Lawrence County as well.

13 MR. FAJT:

14 Okay.

15 MR. WILMOTT:

16 We're still working on the details of
17 the capital structure there.

18 MR. FAJT:

19 Okay. And you may not have the answers
20 to this, but where I'm going with this is, if you were
21 to get all of these licenses, you already have some,
22 Youngstown --- and I don't know where you are with San
23 Diego, walk me through the investment in each of those
24 facilities and how you will finance if you are
25 fortunate enough to get all of them, this one, the

1 Packer Avenue \$482 million, walk me through the other
2 ones and what your financial exposure is and then how
3 you're going to get financing if you would get all of
4 those.

5 MR. WILMOTT:

6 Okay. I'll try to do my best on that.

7 MR. FAJT:

8 Thank you.

9 MR. WILMOTT:

10 In Dayton and in --- outside of
11 Youngstown, Ohio, as you're aware we have, recently
12 going back about three months, split our company up
13 and created the first real estate investment trust in
14 the gaming industry. And those two projects in Ohio
15 are a partnership between GLPI, the Gaming REIT and
16 Penn National.

17 So, the majority --- not the majority
18 there, but most of the capital there is coming from
19 GLPI's balance sheet not Penn's. Both projects are
20 about \$260 million each, of which --- and you're
21 testing my memory here --- about \$180 million will
22 come from GLPI. The balance will come from Penn
23 National, but in Ohio there's a \$50 million license
24 fee and a \$75 million relocation fee that we're paying
25 the State of Ohio. And they don't all occur

1 immediately when we open. We plan to open those two
2 facilities in late September, early October. But the
3 payments stretch out over ten years.

4 So, we're probably going to have to come
5 up --- I'm giving you rough numbers. And we'll give
6 you greater detail in our follow up. The amount for
7 both of those will probably be somewhere around \$150
8 to \$175 million this year. These projects will be
9 open this year, finished this year. And then we have
10 those ongoing obligations for those payments to the
11 State of Ohio that will go out over ten years.

12 MR. FAJT:

13 San Diego?

14 MR. WILMOTT:

15 San Diego is a \$360 million proposal.
16 Now, the tribe owns --- by federal law, the tribe owns
17 the casino. We are providing backstop financing up to
18 \$360 million, which we expect to be taken out once we
19 open the facility in about two years.

20 MR. FAJT:

21 Okay.

22 MR. WILMOTT:

23 So, most of that --- most of that spend
24 will be into 2015. Now, the tribe has the option, and
25 they could exercise the ability to take us out sooner

1 if they get better financing terms. We're providing
2 financing to them at LIBRA (phonetic) plus 1,100 BIPS.

3 MR. FAJT:

4 Packer Avenue \$482, and then what about
5 Lawrence County?

6 MR. WILMOTT:

7 Lawrence County, it ---. Let me do
8 Lawrence County first. That right now contemplates a
9 very small amount of capital from Penn National, about
10 \$30 million. That also includes GLPI in the capital
11 structure. And then here, we haven't finalized yet,
12 but we're also contemplating using GLPI's capital
13 here. And the Penn amount of financing would be
14 approximately \$150 million with the balance coming
15 from GLPI.

16 MR. FAJT:

17 Okay. So, ---?

18 MR. WILMOTT:

19 The other thing with that, the timing
20 --- the timing of that spend, we believe the process
21 here will take --- you know, after the decision is
22 made by you to who gets the license, there's going to
23 be an extending permitting process. And the majority
24 of that capital will most likely be spent in the 2015
25 into 2016 time period. So, we'll provide you with a

1 schedule that shows the timing of our current
2 development projects, and uses of cash and how we
3 believe this will play out based on when you make a
4 decision.

5 MR. FAJT:

6 Okay. And I assume that if you, again,
7 were to get all of those licenses that you would be
8 able to finance that? And I hope that your answer ---
9 or your information that you send back to us will make
10 that apparent.

11 MR. WILMOTT:

12 Yes, we do. And I should mention also,
13 that in our current projections we anticipate two
14 operations annually to generate about \$170 million of
15 operating cash flows. And we have a revolving credit
16 facility today that's a half million dollars in size,
17 that only has drawn on it \$25 million. So, we have
18 \$475 million of capacity left in that revolver.

19 MR. FAJT:

20 Okay. I'm going to ask this question of
21 you starting out and all of the other applicants.
22 Obviously the issue of saturation is something that is
23 out there, it's the elephant in the room if you will.
24 And it's something that I'm personally concerned
25 about. I don't believe that, you know, we have the

1 capacity to open just another casino, that we need
2 something that's more than a casino. And we have the
3 opportunity here in Philadelphia with some of the
4 proposals to offer something more than just slot
5 machines and tables. So, let me ask you --- I looked
6 at your proposal, read your materials. What are your
7 thoughts on that and what do you have in addition to
8 just, you know, slot machines and tables that you
9 think will separate you from the myriad of other
10 casinos, you know, within 150-mile radius of your
11 proposed facility?

12 MR. WILMOTT:

13 I'll take it and then I'll let Jay pick
14 up anything I missed. And I think as you look at our
15 proposal, and I highlighted this in the advantages. I
16 think one of the most important advantages we have is
17 our location. You cannot stress hard enough, the
18 importance of locating a casino that provides
19 convenient access for customers in and out of your
20 facility. It also gives us an opportunity as we
21 mentioned before, to reach into parts of southern New
22 Jersey that no one, I believe today in the
23 Philadelphia market is doing a very good job at.

24 If you look at Parx up in Bensalem, they
25 obviously have the access into central New Jersey.

1 But we have a location that has great access into that
2 part of southern New Jersey currently, we believe
3 going to Atlantic City. We also have the advantage of
4 being in the stadium district with the entertainment,
5 visitation and the sports visitation that also creates
6 an advantage for our location, that I realize from a
7 saturation standpoint is a very important concern that
8 you have to --- you have to consider. But of all the
9 things we have to offer on top of that, the Hollywood
10 brand is something with our database of customers that
11 we can bring to this location --- we can bring to the
12 City of Philadelphia that the other applicants can't
13 as well.

14 MR. SNOWDEN:

15 I think Tim hit the major --- the major
16 items, I would just underscore the point that he made
17 on location and convenience. And of all the surveys
18 that we conduct with our customers, and you ask them
19 why do you play, why do you frequent where you play
20 when you gamble? By a wide margin, what comes back
21 number one in every market across the country is
22 convenience.

23 And so we do believe that the access
24 features that we highlighted for you off of 76, the
25 proposed on-ramp to make the ease of allowing you to

1 get back to the northeast after visiting one of the
2 sporting events or the casino, really does separate
3 our proposal and our facility from the others. We
4 believe that from, again having surveyed customers,
5 the restaurants we're offering, the on-floor casino
6 entertainment. They value all of those things. They
7 want great food. They want a great experience. They
8 want to have a good time. But they also value
9 convenience first and foremost.

10 And to Tim's point, we believe we have
11 the best location and the most proximate location to
12 southern New Jersey to be able to grow tax revenue in
13 the Commonwealth of Pennsylvania by pulling customers
14 from New Jersey as opposed to just cannibalizing. We
15 anticipate directly to your question, around 60
16 percent of the business that we would generate through
17 the casino to be incremental in taxes to the
18 Commonwealth of Pennsylvania and about 40 percent
19 would be cannibalizing to existing facilities in
20 Pennsylvania. I think this is an issue that all five
21 applicants are going to contend with, certainly.

22 There is going to be some cannibalizing
23 effects, but we believe our 60 percent would be the
24 highest of all the applicants from out of state.

25 MR. FAJT:

1 Okay. Let's stay with the ramp on 76.
2 Have you had any discussions with PennDOT, the Feds or
3 the City as to that on-ramp? And where are those
4 discussions? And secondly, I believe, Mr. Snowden,
5 you mentioned that you are committing \$3 million, did
6 I hear that right, ---

7 MR. SNOWDEN:

8 Correct.

9 MR. FAJT:

10 --- to that ramp? I mean, that sounds
11 to me to be woefully inadequate given, you know,
12 construction costs, environmental surveys and things
13 of the like. Where does that ramp stand right now in
14 the permitting or discussion process with those other
15 agencies?

16 MR. SNOWDEN:

17 If I may introduce and have our head of
18 design and construction, Jim Baum speak to that
19 question. He's closer to the survey than Tim and I.

20 MR. O'TOOLE:

21 Mr. Chairman, maybe Mr. Baum should be
22 sworn as well.

23 CHAIRMAN:

24 Yes.

25 -----

1 JIM BAUM, HAVING FIRST BEEN DULY SWORN, TESTIFIED AS
2 FOLLOWS:

3 -----

4 CHAIRMAN:

5 Why don't you take the left turn, sir?

6 MR. BAUM:

7 Can I use this microphone?

8 CHAIRMAN:

9 That's fine.

10 MR. BAUM:

11 Good morning, members of the Board and
12 Chairman. My name is Jim Baum, B-A-U-M as in Mary.
13 I'm Senior Vice President of Penn National.

14 CHAIRMAN RYAN:

15 Keep your voice up, sir.

16 MR. BAUM:

17 I'm sorry?

18 CHAIRMAN RYAN:

19 Keep your voice up, if you will.

20 MR. BAUM:

21 I'm sorry. I will. In answer to your
22 question in regards to the I-76 westbound entry ramp,
23 we have not talked to MassDOT directly --- excuse me,
24 I got my DOTs messed up again, PennDOT, but we have
25 had discussions with the DRPA that is in the

1 jurisdiction from Walt Whitman, westbound on that
2 portion of I-76. We have vetted the feasibility of
3 this ramp with them. And while we have not gotten
4 into, you know, specific design and all the issues
5 associated with it, we do know that it will require
6 point of access study with the Federal Highway
7 Administration, as well as with PennDOT.

8 And the important thing to understand is
9 that all of the land that is required to use --- to
10 develop this ramp is owned by and under the control of
11 the DRPA. And with respect to the cost of the
12 development of that ramp, our traffic engineers,
13 Pennoni Engineering do not believe that structure is
14 necessary to develop this ramp. Obviously, we'll get
15 into that with the Highway Authority and with PennDOT,
16 but ---.

17 CHAIRMAN RYAN:

18 Excuse me, sir. If you can explain,
19 what do you mean by that?

20 MR. BAUM:

21 Well, structure would be a bridge, or a
22 flyover. Those types of things as opposed to on-grade
23 ramps and lanes. So, in the design, and I don't know,
24 Karen, if you want to try and pull that slide up. But
25 you can see that it's all accessed off of 7th Street

1 directly onto the right-of-way that's controlled by
2 the Authority, and would simply be to get traffic to
3 that point to enter into the ramp to head westbound
4 into --- towards Philly.

5 MR. FAJT:

6 And what do you anticipate the total
7 cost being of that ramp?

8 MR. BAUM:

9 Well, without getting into specific
10 engineering, the order of magnitude is, you know, we
11 think inclusive of all studies and design. It's in
12 the order of magnitude of \$3 million. But I will
13 stress that whatever that number is --- I think as Tim
14 will attest that, you know, we are unconditionally
15 committed to the cost that it would take to develop
16 that ramp.

17 MR. FAJT:

18 Okay. Two more questions, Mr. Chairman,
19 if I might? The \$482 million, Mr. Wilmott, that you
20 had discussed as your proposal, I believe that that's
21 simply Phase 1; is that correct? And that does not
22 include the cost of Phase 2?

23 MR. WILMOTT:

24 That is correct.

25 MR. FAJT:

1 And this Board, me specifically, has
2 been around for a while. And you know, when I hear
3 different phases for projects I get a little skittish
4 because we've been burned before on, you know,
5 proposals that were laid out in Phase 1, 2 and 3, and
6 it takes a while if it ever happens, to get to Phase 2
7 or Phase 3. What assurances can you give this Board
8 that you will embark on your Phase 2 if you are given
9 the license?

10 MR. WILMOTT:

11 The assurances are that we will do it
12 solely based on demand in the marketplace. We are
13 proposing this facility Phase 1. We cannot at this
14 point give you any hard assurances when Phase 2 will
15 occur. We look at things like existing hotel
16 occupancies in the neighborhood of our facility. We
17 look at our metrics from the business in terms of win
18 per unit performance of slot machine, and that tells
19 us when there is an environment right for incremental
20 capital investment. And at this stage, our commitment
21 is for \$480 million. And demand is going to have to
22 dictate Phase 2.

23 MR. FAJT:

24 Okay. And my last question, just to
25 talk a little about the PCBC and to make sure I

1 understand that. Penn National basically is putting
2 up the money, \$482 million for this proposal, there
3 may be some money coming from the REIT, I get all
4 that. And Penn National will be a one-third owner in
5 the overall enterprise. But two-thirds of the --- and
6 I don't want to use the word management, but two-
7 thirds of something goes to PCBC. And I want to make
8 sure I understand. But Penn National will, through
9 their Management Agreement control the operation of
10 the casino. In other words, you're not putting up all
11 the money and giving them two-thirds of the operation
12 of the casino. And I'll finish now.

13 But I think my understanding of the ---
14 of PCBC is that they will only operate as the
15 distributor, if you will, of the net gaming proceeds
16 to the City of Philadelphia School District or other
17 related entities; am I correct on that?

18 MR. WILMOTT:

19 That is correct. We will be the
20 manager. We will be the casino licensee. We will
21 operate the facility and be responsible for all
22 compliance with state regulations and laws.

23 MR. FAJT:

24 Will the Board of Directors of PCBC be
25 paid in any way?

1 MR. DOMENICO:

2 Our initial intent, no, Chairman. But
3 we have in the bylaws the opportunity to pay for
4 expenses or pay for a stipend.

5 MR. FAJT:

6 Okay.

7 MR. DOMENICO:

8 I mean, keep in mind that each one of
9 the Board members is going to go through the rigorous
10 licensing process. And when you go through that
11 process, and --- you have to be able to provide some
12 type of reimbursement for an individual's time should
13 that come about.

14 MR. FAJT:

15 And again, I would just caution you, you
16 are a nonprofit, typical nonprofits do not get paid.
17 And I can see how that could get out of hand rather
18 quickly. Expense reimbursement, you know, I think
19 that's ---. Again, this is just me talking, it's
20 fine. But I think when you get into stipends and
21 salaries, especially when you're a nonprofit, that
22 things can get out of hand; is that correct?

23 MR. DOMENICO:

24 Totally understand, you have to run a
25 very lean operation.

1 MR. FAJT:
2 I'm sorry, what's that?
3 MR. DOMENICO:
4 Totally understand, you have to run very
5 lean.
6 MR. FAJT:
7 Thank you. Thank you, Bill.
8 CHAIRMAN:
9 No problem.
10 MR. WOODS:
11 Can I just ask a follow-up question?
12 CHAIRMAN RYAN:
13 Sure.
14 MR. WOODS:
15 I believe in the Operating Agreement, as
16 specifically Section 6.4 there was a right to call for
17 the ownership of the entire casino. What impact would
18 that have on the contributions to the City's education
19 and also to the pension funds?
20 MR. WILMOTT:
21 I would like to ask our General Counsel
22 Carl Sottosanti to answer that question for you, sir.
23 MR. WOODS:
24 Sure. And it is understood that the law
25 does not allow that now. But the Operating Agreement

1 obviously looks forward in thinking that there's a
2 possibility that the law may change.

3 ATTORNEY SOTTOSANTI:

4 Good morning, Commission.

5 -----

6 CARL SOTTOSANTI, ESQUIRE, HAVING FIRST BEEN DULY
7 SWORN, TESTIFIED AS FOLLOWS:

8 -----

9 ATTORNEY SOTTOSANTI:

10 Good morning, members of the Commission.

11 Carl Sottosanti, S-O-T-T-O-S-A-N-T-I. And you are
12 correct, Section 6.7 of the amended Operating
13 Agreement suggests that we have a right to call the
14 remaining ownership of the gaming facility. Explicit
15 in that provision is, it's conditioned on the law
16 changing.

17 In addition, in the latest iteration of
18 the Operating Agreement, you'll note that under no
19 circumstances will the distribution to the PCBC be
20 less than \$2 million.

21 Finally, I would add that if a call-
22 right is exercised it would be at fair market value.
23 And I suspect that two-thirds ownership in a
24 profitable casino would be a very good nest egg for
25 PCBC to continue to make distributions from. Thank

1 you.

2 MR. WOODS:

3 Mr. Chairman, when appropriate --- I
4 have some other questions. But I knew you were headed
5 the other way.

6 CHAIRMAN:

7 Tony, go ahead.

8 MR. MOSCATO:

9 Thank you, Mr. Chairman. Just a couple
10 questions, continuing on the PCBC line. You said that
11 you're anticipating a stipend. Have you given any
12 thought to what that stipend might be?

13 MR. WILMOTT:

14 Commissioner, as of right now, no. I
15 mean, initially to go in would be a voluntary Board
16 and it would be a reimbursement for expenses,
17 obviously of traffic or whatever the case. But, you
18 know, we have not crossed that bridge as of yet. And
19 obviously as I said, we could run as lean as possible.

20 MR. MOSCATO:

21 Okay. Would Hollywood have any type of
22 input into what the stipend might be?

23 MR. DOMENICO:

24 Hollywood will have a Board member on
25 the Board. They have up to a one-third vote at any

1 given time, so they would have input as well.

2 MR. MOSCATO:

3 Okay. And you're anticipating the Board
4 size to be approximately how many?

5 MR. DOMENICO:

6 Board size, minimum of three, maximum of
7 seven.

8 MR. MOSCATO:

9 Okay. Have you done any analysis as to
10 what impact at the minimum \$2 million level this would
11 have on the education and pension fund?

12 MR. DOMENICO:

13 Initially, no. That was a guarantee
14 that was being put forward. But recognizing what the
15 future cash flow is obviously --- can potentially grow
16 to, that could be a significant contribution when you
17 think about the structure of this organization.

18 MR. MOSCATO:

19 Okay. To the best of your knowledge,
20 this type of public, private partnership with a casino
21 and a 501(c)(3), is this the first time ---? I know
22 it's the first time in Pennsylvania, has this occurred
23 any other --- in any other jurisdiction?

24 MR. WILMOTT:

25 The only other jurisdiction that I can

1 recall that has a component of charitable giving is in
2 the State of Iowa. When they formed that industry 20
3 plus years ago in the riverboat form, they required
4 the casino operators to partner up with a qualified
5 sponsoring organization where they give a percentage
6 of their revenues to that local community 501(c)(3)
7 organization. And the actual license is jointly held
8 between the casino operator and the charitable
9 organization. That's the only one I can think of off
10 the top of my head in the United States today that has
11 something like this. This is clearly different. This
12 is --- cash flow is not specifically tied to a
13 percentage of gross gaming revenues.

14 MR. MOSCATO:

15 Okay. Thank you.

16 MR. MOSCATO:

17 Just two other questions. I think
18 perhaps Ms. Whitacre might be best suited for this
19 one. What is your average wage of a Hollywood
20 employee?

21 MS. WHITACRE:

22 Our average compensation package
23 obviously depends on what type of position. But
24 overall, our average is right around \$40,000.

25 MR. MOSCATO:

1 Okay. And you would anticipate
2 employees of this casino being about the same?

3 MS. WHITACRE:

4 Yeah. I mean, what we'll do is, as we
5 do in any market that we go into, we survey the
6 population, do wage surveys to ensure that we are
7 paying competitively within the market.

8 As you could imagine, Philadelphia was
9 probably going to have a little bit different wage
10 structure than an attorney from Mississippi. So, we
11 just want to make sure that we're able to attract and
12 retain the best employees that we possibly can.

13 MR. MOSCATO:

14 Okay. Thank you.

15 MR. WILMOTT:

16 Just to underscore Cori's point about
17 how it does fluctuate from one market to another,
18 depending on the local economy, but also depending on
19 whether or not you have tip positions. And some of
20 our casinos are slots only, and so you have a few tip
21 positions that would serve our slot attendants and the
22 like. But where you have table games and poker, it
23 does tend to move more toward the \$45,000 a year
24 because of the rates associated with those positions.

25 MR. MOSCATO:

1 Okay. Very good. And my last question
2 with regard to diversity ---. I'm sorry, I don't know
3 if Ms. Stewart would be best suited to answer this.
4 But you identified yourself as the Diversity Officer
5 at Penn National in Harrisburg --- or Grantville; is
6 that correct?

7 MS. STEWART:

8 That's correct.

9 MR. MOSCATO:

10 How on a corporate level does Hollywood
11 handle diversity? Do you have a corporate diversity
12 officer and then each casino has one or ---?

13 MS. BAILEY:

14 Well, actually I'll answer that ---

15 MR. MOSCATO:

16 Sure.

17 MS. BAILEY:

18 --- in addition to ---. We actually at
19 the corporate level, work specifically with each
20 property in our development to develop the property
21 level, diversity officer positions. And so, from a
22 corporate standpoint on the front end of the
23 development, we work with local agencies, local
24 interested organizations to set up our MBE programs to
25 start with on the construction side, and then

1 transitioning that into the human resources side with
2 our workforce, training and recruitment programs. And
3 then all of those projects are then assumed out of
4 property level diversity position.

5 MR. MOSCATO:

6 Okay. Thank you very much. Thank you,
7 Mr. Chairman.

8 CHAIRMAN:

9 Annmarie?

10 MS. KAISER:

11 Thank you. Good morning, by the way.
12 You had indicated in your project that you were
13 interested in trying to get customer-base from New
14 Jersey. Given that New Jersey now has online gaming,
15 have you been monitoring that? And do you think that
16 will in any way impact your ability to bring in the
17 New Jersey customer-base?

18 MR. WILMOTT:

19 I have, and Jay does to, dozens of years
20 of experience operating in Atlantic City. I know the
21 New Jersey market very well, I live in New Jersey.

22 MS. KAISER:

23 I'm from New Jersey.

24 MR. WILMOTT:

25 I can't even fund my account today

1 because of the problems online gaming and the startup
2 that it's having in that state. The good news is,
3 early indications though, to ----. Very specific to
4 your question, I don't think online gaming is going to
5 have that big a threat to bricks and mortar
6 properties. As you've seen in the first six to seven
7 weeks, the revenues have been very, very slight. And
8 early results out of some of the operators in Atlantic
9 City suggest that these are new incremental customers
10 that are playing online. It's been about 60 percent
11 casino revenue and about 40 percent poker revenue to
12 date. That's what we expect to see.

13 But I don't anticipate that online
14 gaming is going to have a big impact on actual
15 physical visitation to casinos. People come to
16 casinos because of the social currency that they can
17 create through the experiences they have here. I
18 think the experience at home is very, very different.

19 MS. KAISER:

20 Thank you. My next question is about
21 Phase 2, should you proceed with Phase 2. I saw that
22 you had some meetings space that you were planning.
23 What type of businesses or associations would you plan
24 to market, because obviously Philadelphia has a number
25 of venues currently available? Who would you market

1 to?

2 MR. WILMOTT:

3 Typically when we operate --- and we
4 have casinos with hotels, with meeting space, we
5 market to the regional group and convention business.
6 We don't have the expansive space like this convention
7 center does. We don't have the ability to bring in
8 large groups from out of state or very far out of
9 region. So, the majority of our marketing efforts,
10 conventions and groups would come within a 90-mile
11 radius of the City of Philadelphia.

12 MS. KAISER:

13 Thank you. My next question deals with
14 an issue that we frequently deal with on the Board
15 with many casinos, and that is trying to prevent
16 underage minors from accessing a casino. What have
17 you learned through your experiences, the best ways to
18 keep the minors out? I know there's technology, but
19 with the technology oftentimes comes new forms of
20 fraudulent IDs. And that's something I'm very
21 concerned about.

22 MR. WILMOTT:

23 It's a question that's very important to
24 us. And obviously I'll speak to the experience we've
25 had at Penn National Race Course going back --- going

1 back to 2008. And we've learned a lot. And in ---
2 Pennsylvania is a very difficult state to monitor
3 this, especially when you have a horse racing
4 operation there, where a 19-year-old can gamble on
5 horses but can't play on the casino floor.
6 Personally, I think the law needs to be changed to
7 have only people of the age of 21 to be able to gamble
8 on horse racing, but that's a separate issue.

9 With that problem that was inherited at
10 Penn National, we had to look at our access points,
11 determine the right security staffing levels and the
12 right training programs to make sure that we identify
13 proper identification and make sure that we have an
14 entire operation focused on, if they get through our
15 point of security then it's everyone's job on the
16 casino floor to continue to ask questions to make sure
17 we have people over the age of 21.

18 We have significantly over time reduced
19 the incidents of underage minors on our casino floor
20 in Grantville, Pennsylvania. But we have this issue
21 everywhere that we operate in the United States. And
22 it's something that we take very seriously. And as
23 you do in Pennsylvania, every other state takes very
24 seriously as well. Karen, would you like to add?

25 MS. BAILEY:

1 I would. In addition to the operations'
2 mechanisms that Tim just talked about, on the
3 legislative side of it we've also worked in several
4 different jurisdictions, including here in
5 Pennsylvania on legislation that helps on the
6 enforcement end of that.

7 We know that our enforcement is --- and
8 with the fines we will face when, unfortunately, these
9 kinds of situations occur. But we also look to --- or
10 we have support and continue to support legislation
11 that also puts some onus on the minors that try to
12 attempt to come onto the gaming floor, through whether
13 it's fines, misdemeanor level charges and so forth.
14 We find that also as an effective deterrent and, you
15 know, helps minors find maybe better ways to spend
16 their time other than trying to get onto our gaming
17 floors.

18 MS. KAISER:

19 Is that something that the casino
20 industry as a whole has taken a look at together?

21 MR. WILMOTT:

22 No question. I'm a Board member of the
23 American Gaming Association, and it's in our industry
24 --- or association bylaws. It's something that we
25 work through the Federal Association with all the

1 states to try to make sure that everyone is compliant
2 with underage gaming, and also disorderly gaming and
3 also responsible distribution of alcohol. Those are
4 things that are inherent.

5 And what you get when you bring an
6 experienced operator like Penn National into the
7 Commonwealth, we have years and years of experience
8 working with our industry brethren to address these
9 issues, also fund research and make sure we're doing
10 everything as a responsible casino operator to make
11 sure that minors or problem gamblers don't visit our
12 facility.

13 MS. KAISER:

14 Just two more quick questions. One, in
15 addition to saturation what do you foresee as some of
16 the obstacles to having a successful gaming operation
17 in Pennsylvania? Sorry to put you on the spot there.

18 MR. WILMOTT:

19 Could you repeat the question, please?

20 MS. KAISER:

21 Sure. You know, we talked a little bit
22 about saturation, what other obstacles do you foresee
23 that an applicant would have in having a successful
24 casino operation in Philadelphia?

25 MR. WILMOTT:

1 You've heard this --- or I think it's
2 ease of access in and out of the facility. 99.5
3 percent of your customers in the United States visit
4 casinos in their own car, and they want to control
5 their time. They want to be able to come and go as
6 they please. And they want a hassle free experience
7 getting in and out of the facility in a safe, security
8 environment. And I think that's the most important
9 consideration for trying to generate revenues at a
10 location. Ease of access and safety and security of
11 location are the top two attributes why people choose
12 Casino A over Casino B.

13 MS. KAISER:

14 And just one more last question. How
15 would you characterize your revenue estimates? Would
16 you say they're conservative, moderate, aggressive?

17 MR. WILMOTT:

18 We have years of experience in going
19 into markets. As we've talked about we've opened six
20 properties in six years. We do market assessments all
21 the time. We understand in this beauty pageant, the
22 advantage of showing big numbers. I believe our
23 numbers are realistic to what this market can generate
24 and what the State should expect. I don't think
25 they're conservative. And I don't think they're

1 optimistic at all. I think they're based on reality,
2 based on our knowledge of casino markets here in North
3 America.

4 MS. KAISER:

5 Thank you very much. Thank you, Mr.
6 Chairman.

7 CHAIRMAN:

8 Keith.

9 MR. MCCALL:

10 Thank you, Mr. Chairman, just a few
11 questions. It may be a little redundant, but I just
12 want to dig down a little deeper --- the economic
13 impact plus, the free cash flow.

14 CHAIRMAN:

15 Page 34.

16 MR. MCCALL:

17 Yeah, page 34, if you want to see that?
18 You have a \$2 million guarantee, regardless of cash
19 flow --- the free cash flow. Where will that \$2
20 million come from, if free cash flow doesn't amount to
21 \$2 million? Who's going to pay that \$2 million?

22 MR. WILMOTT:

23 If it doesn't it comes from a parent
24 guarantee. You know, it'll come from ---?

25 MR. MCCALL:

1 So, it is guaranteed?

2 MR. WILMOTT:

3 Yes.

4 MR. MCCALL:

5 The parent company will pay that? What
6 happens then in year five and year six, when that
7 number jumps to \$14 million or \$12 million? Is that
8 debt repayment or --- what's happening there, that
9 that number jumps up in year five and year eight?

10 MR. WILMOTT:

11 Yeah, the way it works is, this is based
12 on our projections for the facility. Based on the
13 amount of operating cash flows or EBEDAR (phonetic)
14 that we can generate from the operation. And then
15 what comes off of that overtime is maintenance cap ex,
16 capital required to refresh your slot machines, for
17 example, management fees to the manager, Penn
18 National; any rent paid to a landlord, potentially
19 GLPI; licensing and branding fees for the Hollywood
20 name; and then there is interest and principle payment
21 for a period of time. Interest would be based on
22 whether it's EB5 money or Penn money. And that's why
23 there's two charts there on page --- or two lines
24 there on page 34.

25 If we're able to successfully get EB5

1 money, the interest expense is much lower. And then
2 there's principle payment over these years up to a
3 point where the loan amount has a leverage level of
4 three times. And when we get to a point where the
5 leverage level is three times, we stop amortizing the
6 principle. And that's when you see the spike in the
7 proceeds that go to the pension fund and to the
8 teacher's fund.

9 MR. MCCALL:

10 And how constant are those costs? When
11 I look at the capital expenditures, I understand that
12 that'll change with buying slots, but ---

13 MR. WILMOTT:

14 I can give you some rough estimates.

15 MR. MCCALL:

16 --- but management fees and, you know,
17 you talk about licensing and branding, you know.
18 While you're not making money licensing and branding
19 of just, hypothetically, \$1 million, but all of a
20 sudden, you're making money, well, we're going to make
21 licensing and branding \$20 million. I mean, what
22 protections are there that ---?

23 MR. WILMOTT:

24 It's cased on a percentage of revenues.

25 MR. MCCALL:

1 Pardon?

2 MR. WILMOTT:

3 It's based on a percentage of revenues.
4 The management fee is two percent of net revenues and
5 five percent of EBITDA. And the licensing and
6 branding fee is two percent of net revenue.

7 MR. MCCALL:

8 And what do you refer to --- the reserve
9 amount? What is that? You know when you go through
10 --- when you minus all of the expenses there's a
11 capital net taxes ---

12 MR. WILMOTT:

13 Also, ---.

14 MR. MCCALL:

15 --- and then the reserve amount? What
16 is that?

17 MR. WILMOTT:

18 The capital reserve, I believe, is for
19 maintenance capital. And typically that is, in a
20 business like this, and historically if you look at
21 our businesses, it's about two-and-half to three
22 percent of net revenues get put away in a reserve for
23 maintenance cap ex as well. Again, to keep your
24 product fresh and competitive?

25 MR. MCCALL:

1 I got you. I want to dig into the
2 Philadelphia Casino Benefits Corporation just a little
3 bit more. How much consideration did the Pennsylvania
4 Casino Benefit Corporation pay to obtain 66 percent
5 ownership? Like, what consideration did they give or
6 put into this deal to get 66 percent of the ---?

7 MR. WILMOTT:

8 There was no consideration.

9 MR. MCCALL:

10 None whatsoever?

11 MR. WILMOTT:

12 No.

13 MR. MCCALL:

14 So, let me ask it this way, then. If
15 there's no consideration, if they have no control over
16 the project, they're not contributing financing, no
17 capital, no land or management over the project, not
18 liable for losses or capital contributions, how could
19 they be considered an owner?

20 ATTORNEY BIZAR:

21 Mr. Chairman, may I be recognized?

22 CHAIRMAN:

23 Yes, you may.

24 ATTORNEY BIZAR:

25 Steve Bizar, for the record. This is

1 Counsel's statement, rather than sworn testimony, but
2 I would be willing to submit to ---.

3 CHAIRMAN:

4 Go ahead, Counsel.

5 ATTORNEY BIZAR:

6 So, the purpose of PCBC is to create an
7 organization that's cognizant of the regulations of
8 Section 1330. We need to have a structure that allows
9 Penn to have a one-third interest, because they can't
10 exceed the ownership interests under the law. But
11 also in the structure that we've come up with, that
12 allows us to do something that's very unique.

13 And so, PCBC has not paid anything for
14 this right. They exist solely to provide free cash
15 flow to the designated charities. We have to be
16 mindful of the fact that Penn National Gaming is
17 really trying to be attentive to the regulations.
18 This is an organization that, in 2006, divested Pocono
19 Downs in order to meet the requirements of the
20 regulations. So, we know what the regulations are and
21 we've tried to be attentive to those.

22 And we've tried to come up with a
23 structure that allows us to realize the charitable
24 purpose with this free cash flow, that hopefully will
25 creep and increase over time, but that doesn't require

1 any output from PCBC right now to start us off. And
2 that's really where we are.

3 MR. MCCALL:

4 But then shouldn't they get 66 percent
5 of proceeds instead of \$12 million in year eight? I
6 mean, if they have 66 percent ownership, why don't
7 they get 66 percent of the proceeds?

8 ATTORNEY BIZAR:

9 Why don't they?

10 MR. MCCALL:

11 Uh-huh (yes)?

12 ATTORNEY BIZAR:

13 They get 66 percent of it ---.

14 MR. MCCALL:

15 When you cut up the pie.

16 MR. WILMOTT:

17 Well, they get two-thirds of the cash
18 flows after all the distributions. So, they are
19 getting two-thirds of all the cash flows of the
20 operation.

21 ATTORNEY BIZAR:

22 Of the net.

23 MR. MCCALL:

24 Let me follow up then on some of ---
25 thank you very much.

1 ATTORNEY BIZAR:

2 Certainly.

3 MR. MCCALL:

4 Just to get your thoughts on your
5 location at the sports stadium, I don't know whether
6 even to ask these questions, but what about nonevent
7 patrons? What about the person that, you know,
8 doesn't go to a football game, baseball game, hockey
9 game, goes to the Fargo Center for a concert? What
10 about those patrons that, I'm not going to go down to
11 the Sports Complex, because I don't want to deal with
12 the traffic of a baseball game, a football game or an
13 event that's going on there? Don't you keep those
14 really loyal patrons of yours away from the casino,
15 when events are taking place in the stadium district?

16 MR. SNOWDEN:

17 The way that I would respond to that
18 question is similar to how we respond in any new
19 market we operate around rush hour. And our customers
20 are very cognizant of when to get in their car and
21 when not to, when to visit, when not to. And I
22 believe that, over a short period of time, they are
23 probably going to look to see when the ballgame
24 starts, when the concert begins, when it lets out and
25 plan their trip to the facility around those times.

1 Once the ballgame begins, we've all seen
2 it, it dies down. And then it heats back up again,
3 once the ballgame is over. And there any many days
4 throughout the year, where there are no activities, so
5 those days are easy answer. And I think, on the days
6 where there are sports activities, they're going to
7 plan their trips around the times --- the beginning
8 and end of those events.

9 MR. WILMOTT:

10 The only thing I'll add --- two other
11 things, is one of the reasons we're adding 3,500
12 additional parking spaces is to make sure that our
13 casino customers have the assurance that they can get
14 a parking space and get in and out easily off of our
15 location. And the location today, currently, is a
16 gambling operation that supports OTB, off-track
17 betting, for horseracing. So, there is actual --- and
18 a successful, off-track betting operation that
19 currently exists today at that location and has to
20 deal with the issues of entertainment and sports
21 nearby.

22 MR. MCALL:

23 And with your market analysis, the guy
24 that's spending, maybe, \$150 to go to that game, he's
25 tailgating all day, you know, probably before the

1 game, maybe a little bit after the game? Maybe he
2 wants to do something at your casino. How much more
3 expendable cash does that individual have to go the
4 casino and gamble?

5 MR. WILMOTT:

6 That's a very difficult question to
7 answer. I mean, people have all different types of
8 budgets and, you know, there are certainly customers
9 that will come that aren't going to see a concert or
10 see a football game. There certainly will be people
11 there that have the disposable time and the disposable
12 income to extend their stay at the location as well.

13 We have proposed casinos in arena
14 districts in places like Columbus, Ohio. There's been
15 proposals in Pittsburgh and other locations. There is
16 a natural advantage of having all that energy and
17 visitation there that can elevate the revenues of the
18 property beyond ---. You know, that customer's not
19 going to come there and there won't be the opportunity
20 for an impulse visit, if they're not coming to the
21 Philly's game or coming to an Eagle's game originally.
22 So, that's where I think you're going to see revenue
23 enhancement by that impulse opportunity that the
24 sports arenas and the entertainment venues bring.

25 MR. SNOWDEN:

1 If I may quickly add to that, when we
2 built our economic model and the assumptions around
3 revenue generation for this facility, the vast
4 majority of that is based on the population rings,
5 concentric circles that we do whenever we analyze a
6 new potential location and market. So, we're not
7 relying on the visitor of the sporting events to
8 generate the revenue that we have provided to the
9 Commission with our assumptions.

10 MR. MCCALL:

11 And just to follow up with that and it
12 will be my last question, --- so, in your analysis, do
13 you ---? The impact that those stadiums have,
14 especially when there's a game at those stadiums, you
15 would anticipate less revenue or more revenue?

16 MR. WILMOTT:

17 Let me give you a real-life example.
18 And I forgot to mention this. In February of 2012, we
19 built the Hollywood Casino in the second turn of the
20 Kansas Speedway in Kansas City, Kansas, in partnership
21 with the International Speedway Corporation. And we
22 have events there where they have their NASCAR races
23 and 85,000 people come to these events. And they're
24 some of our more successful weekends of the year.

25 Because customers do come. They

1 understand now when, as Jay suggested, when to come,
2 when not to come, when traffic in and out of the
3 facility is there. But, in addition, to having the
4 85,000 people there for an extended period of time,
5 actually, has enhanced visitation and revenues for the
6 Kansas Speedway facility.

7 MR. SNOWDEN:

8 And specifically to your question on
9 some of those game days on a Friday night or on a
10 Saturday, what we've seen in the case of the Speedway
11 example and in other locations, on event days, you may
12 find that your gaming revenue is a little less,
13 because there's a lot of volume coming through of
14 non-gamers, who may be parking in the garage or eating
15 at your restaurants, but it's offset by the increase
16 in your food and beverage and entertainment dollars.

17 So, we tend to see that this equalizes
18 overtime. Some weekends, you may generate more on
19 gaming revenue, less in non-gaming revenue and on
20 event days, more in non-gaming revenue in a dip down
21 in your gaming revenue, depending on what your gaming
22 customer chooses to do in that particular market. But
23 we've seen this happen in a variety of places.

24 MR. MCCALL:

25 Thank you.

1 CHAIRMAN:

2 John?

3 MR. MCNALLY:

4 Good morning.

5 MR. WILMOTT:

6 Good morning.

7 MR. MCNALLY:

8 Obviously, you have a number of
9 properties and you went through that today. What one
10 of your properties would you think would be most
11 comparative to the property that you propose in
12 Philadelphia?

13 MR. WILMOTT:

14 I would probably say the Hollywood
15 Casino in Columbus, Ohio, given the size of the
16 operation, the level of investment. Columbus operates
17 in a --- it's about 1.8 million people in the metro
18 area, so it's got a large metro base to draw from.
19 It's not located specifically in an arena district, so
20 there's a little bit of a disparity there.

21 We have an operation in Toledo, Ohio
22 that is right off Interstate 75, with tremendous
23 access off of that north/south interstate, into
24 Detroit and all the way down into Dayton, that is also
25 a fairly comparative facility. Toledo's got a little

1 bit less than a million people in its metro area, but
2 those are ---. And there are recent Hollywood
3 properties that would be comparable to what we're
4 proposing here in Philadelphia.

5 MR. MCNALLY:

6 You talked about the highway access.
7 Would this be done contemporaneous with the
8 construction of the facility? Or is this ---? What's
9 the timeline that you project on getting all of the
10 appropriate approvals and getting the actual build-
11 out?

12 MR. WILMOTT:

13 I'd like to ask Jim Baum, again, our
14 Corporate Vice President of Design and Construction,
15 to talk about schedule and sequencing of the
16 construction.

17 MR. BAUM:

18 Hi, Jim Baum, again. Thank you. We do
19 believe that this ramp construction, as well as all
20 the other improvements, could occur during the
21 development period of the casino itself. A big
22 distinction I would make between the project, which
23 has its permitting and zoning period and then
24 construction, we see that you have sort of an inverse.
25 You have a longer approval and permitting process for

1 the ramp, but a much shorter construction period.

2 We're looking at about 19 months,
3 turnkey, for construction of the gaming facility
4 itself, once all required permits are received. And
5 we're looking at about nine months, max, construction,
6 obviously, depending upon the seasonality of when that
7 construction would begin to complete the I-76 ramp.

8 MR. MCNALLY:

9 Is the possibility of obtaining all the
10 approvals a certainty?

11 MR. BAUM:

12 I'm sorry. It's hard to hear.

13 MR. MCNALLY:

14 We're in the gaming business.
15 Everything's percentages and possibilities and
16 probabilities. Are you certain, that all the
17 appropriate approvals will be obtained to get that
18 ramp?

19 MR. BAUM:

20 For the I-76 westbound ramp?

21 MR. MCNALLY:

22 Correct.

23 MR. BAUM:

24 I would say that based upon the
25 preliminary discussions that we've had with the

1 authority that they have said that they see that see
2 that there is merit too, you know, vetting it with
3 serious feasibility.

4 MR. MCNALLY:

5 Thank you.

6 MR. BAUM:

7 You're welcome.

8 MR. MCNALLY:

9 With regard to the economic impact and
10 the revenue projections that you've presented today,
11 are those all based on a build-out of Phase 2 or are
12 they based on Phase 1?

13 MR. WILMOTT:

14 All of our revenue projections are
15 solely based on our Phase 1 development.

16 MR. MCNALLY:

17 Have you projected any impact on Phase
18 2, on the total build-out?

19 MR. WILMOTT:

20 I don't believe we have any impact yet
21 on Phase 2. Again, as I said previously, that's based
22 on market maturity and certain demand characteristics
23 that aren't currently represented in our revenue
24 projections.

25 MR. MCNALLY:

1 As part of your creation of jobs, you
2 had estimated 3,500 direct and indirect jobs would be
3 created. Could you provide me with some examples of
4 what those indirect jobs would be?

5 MS. BAILEY:

6 If I may, I just found out that ---.
7 Oh, I'm sorry, there he is. If we may, we'd like to
8 bring up our consultant, Urban Partners, who conducted
9 the economic impact study.

10 -----

11 JAMES HARTLING, HAVING FIRST BEEN DULY SWORN,
12 TESTIFIED AS FOLLOWS:

13 -----

14 MR. HARTLING:

15 My name is James Hartling. That's
16 H-A-R-T-L-I-N-G. And I'm with Urban Partners. We did
17 the economic and fiscal impact assessment of this
18 property. Good morning, Mr. Chairman, and members of
19 the Board. To answer your question directly, there
20 are two types of direct impact. That is the
21 employment at the casino and then there is the
22 employment generated by their expenditures within the
23 Commonwealth or within the City, as well as the
24 spending of the customers to the casino that occurs
25 outside of the facility and the employment related to

1 that.

2 In addition to that on the indirect
3 side, we use the in-plan model, which is a standard
4 national approach to this, which looks at the
5 additional expenditures, both from construction
6 activities and from operating activities that happen,
7 rippling through the economy. And so that together
8 brings the total. Thank you.

9 MR. MCNALLY:

10 On pages two and three of your
11 presentation, you outline who your project team is and
12 who your leadership team is. What percentage of your
13 team has a claim to minority status?

14 MR. WILMOTT:

15 On page two and three?

16 MR. MCNALLY:

17 Correct.

18 MR. WILMOTT:

19 What percentage of this team is
20 minority?

21 MR. MCNALLY:

22 Has a claim to minority status?

23 Roughly?

24 MR. WILMOTT:

25 I can only speak to the Penn folks on

1 page two. One individual on this page is identified
2 as a minority.

3 MR. MCNALLY:

4 We heard some discussion about the
5 guarantee of \$2 million. How is the figure \$2 million
6 arrived at?

7 MS. BAILEY:

8 When we actual looked at the payment
9 schedules and the debt schedules, you know, we saw
10 that we wouldn't be generating the cash flow
11 immediately, starting year one. But in order for us
12 to meet immediate needs, as we know here in the City
13 of Philadelphia, we came up with the floor threshold
14 of \$2 million that we felt confident in putting
15 forward as an advance from us as the operators, so
16 that we would be able at least be --- to start
17 contributing immediately to these funds as we get the
18 operations underway and then can increase it to the
19 numbers that you see on that graph.

20 MR. MCNALLY:

21 Now, we have one member of the PCBC
22 here. But we could have up to seven. With regard to
23 that, what are your thoughts on how you're going to
24 arrive at either a consensus or unanimous decision
25 that is needed in order to distribute those proceeds,

1 the free cash?

2 MR. DOMENICO:

3 You know, as I've thought about it,
4 effectively, it's not necessarily a complicated
5 process. It has to be a through process. And I think
6 those will be the individuals that we would look
7 forward --- that want to come forward and understand
8 that the thoroughness of the process needs to be ---
9 because we understand, given the nature of this unique
10 structure, that there will be scrutiny so you select
11 the right individuals.

12 So, I would say, initially, smaller is
13 better, so you have a baseline to start with three.
14 And possibly, you can grow to four or five. And I
15 would initially think that would probably be the
16 number. But, as it expands, and with the results ---
17 depend on what happens in regards to the funds
18 received from the partnership, there could be a
19 possibility we can grow from there. But those were my
20 initial thoughts as I thought about it.

21 MR. MCNALLY:

22 Now, under the bylaws, my understanding
23 is Penn is allowed to have three appointees to that
24 Board; correct?

25 MR. DOMENICO:

1 No, it could be one-third.

2 MR. MCNALLY:

3 One-third? Okay.

4 MR. DOMENICO:

5 One-third. And that's with the ---
6 limited in terms of vote. You know, any voting power
7 on the Board.

8 MR. MCNALLY:

9 How do you see the process of building-
10 out your Board?

11 MR. DOMENICO:

12 The process of building out --- well,
13 first, we have the condition as a result of the
14 licensure, so the next Board member will be fully
15 vetted through this Commission right here, as well as,
16 of course, every Board member will go through a
17 license investigation. So, that would be the next.
18 And then, similar to the same process, each one is
19 going to go through the license investigation. And
20 then you have to make sure you have a balanced Board
21 as I mentioned, in regards to, you know, representing
22 the community, having the business acumen. You know,
23 fully have an understanding of the purpose and intent
24 of the Board. And then the utmost in integrity.

25 MR. MCNALLY:

1 Uh-huh (yes).

2 MR. WILMOTT:

3 We certainly will work with Joe to try
4 to find people that have history and experience in
5 charitable giving within the City of Philadelphia.
6 So, that would be our intent that we'd look for people
7 that have deep history and deep knowledge of giving
8 here in the City of Philadelphia. That would be our
9 first and foremost thought process in trying to
10 identify people that can obviously comply with all of
11 the regulatory requirements as well.

12 MR. MCNALLY:

13 Okay.

14 MS. BAILEY:

15 And, if I may, I just wanted to be
16 specific to answering your question. The bylaws
17 dictate that the dollars are split 50/50 between the
18 two beneficiaries, education and pension funds.

19 MR. MCNALLY

20 Okay.

21 MR. DOMENICO:

22 And one last point, Commission, in
23 regards to that. I am a Board member in terms of
24 United Way of Philadelphia, with the recent merge in
25 south Jersey. So, I personally do have access to a

1 number of individuals now that are truly involved in
2 the community, have a good understanding of the needs
3 within Philadelphia.

4 MR. MCNALLY:

5 Thank you. Commissioner Kaiser asked
6 some questions with regard to the impact of iGaming in
7 New Jersey and how it would affect your revenue
8 projections. Does your --- any of your properties,
9 specifically the property in Las Vegas, participate in
10 Internet gaming?

11 MR. WILMOTT:

12 No. We don't have --- even though we do
13 have the opportunity. In Nevada, it's poker, only, to
14 get an iGaming license, but given the small size of
15 the opportunity in Nevada, we decided not to pursue
16 it. And I believe, right now, there's only two
17 websites up in the State of Nevada that are offering
18 online poker and the level of play de minimis.

19 MR. MCNALLY:

20 Do any of your economic numbers ---
21 revenue-generation numbers reflect the possibility
22 that we may have Internet gaming here in Pennsylvania?

23 MR. WILMOTT:

24 No, they do not contemplate at all the
25 possibility of Internet gaming in Pennsylvania.

1 MR. MCNALLY:

2 You had made mention in an answer to one
3 of your questions with regard to underage gaming, an
4 interest in actually the age to game on horseracing
5 being 21. I might be going into the weeds a little
6 bit here, but how do you reconcile that with our
7 purpose of supporting the horseracing industry?

8 MR. WILMOTT:

9 I don't believe, and this is my personal
10 opinion about this issue, I don't believe the revenues
11 associated with 18, 19 and 20-year-olds is at all
12 meaningful to the horseracing industry. I think it
13 sends the right message to people under the age of 21
14 that gambling is gambling, whether it's on the casino
15 floor or whether it's at a racetrack. It should be a
16 consistent message.

17 MR. MCNALLY:

18 That's all the questions I have at this
19 time, Chairman.

20 CHAIRMAN:

21 Dave?

22 MR. WOODS:

23 Thank you, Mr. Chairman. As a follow-up
24 to Commissioner Fajt's question regarding
25 cannibalization, Mr. Snowden, I believe you mentioned

1 that 60 percent would come from new revenues and 40
2 percent ---. You used the figure obtained from the
3 other two facilities. In Southeastern Pennsylvania,
4 as you know, there's four operating facilities. I was
5 wondering if that two number is specific to casinos in
6 the southeast or is it truly from the four casinos in
7 the southeast?

8 MR. SNOWDEN:

9 If I may, we had --- and what I was
10 referencing of the 60/40 breakdown, the work was done
11 by an outside consultant, so if we can introduce him
12 to answer your specific questions that would be
13 helpful, from Gaming and Market Advisors, Steve
14 Gallaway?

15 MR. WOODS:

16 Sure, I'm just looking for the
17 clarification of where the cannibalization's coming
18 from.

19 -----
20 STEVE GALLAWAY, HAVING FIRST BEEN DULY SWORN,
21 TESTIFIED AS FOLLOWS:

22 -----
23 MR. GALLAWAY

24 My name is Steve Gallaway,
25 G-A-L-L-A-W-A-Y. And specifically to answer your

1 question in terms of the cannibalization, about \$54
2 million of that's coming from SugarHouse, about \$32.5
3 million is coming from Harrah's Chester, about \$27
4 million is coming from Philadelphia Park and the rest
5 is spread throughout other casinos. Those are the
6 significant ones, though

7 MR. WOODS:

8 Okay. So, all the facilities in the
9 southeast then?

10 MR. GALLAWAY:

11 Sure.

12 MR. WOODS:

13 Thank you.

14 CHAIRMAN:

15 If I can Dave, can I just jump in and
16 say, could you please tell us what methodology do you
17 use, sir, to come up with those numbers?

18 MR. GALLAWAY:

19 Sure. I built a growing model, which
20 takes into consideration the population in the region,
21 broken down into a ZIP code level. But I've put all
22 of the casinos of the region into my model, not only
23 those in Pennsylvania, but those in New Jersey, those
24 in Delaware, even down as far as Maryland, which is a
25 very, obviously, minimal impact down there. And then

1 I grow the model from the current trailing 12 months.
2 I grow the model up. I used 2018, as a base year, as
3 year three of operation. I grew the model assuming
4 that there was no additional competitor in
5 Pennsylvania, to get a baseline of what that revenue
6 would look like for each of the casinos.

7 I then add in, in this situation, the
8 Penn/Hollywood facility and see how that revenue grows
9 in the market, which is not as much growth compared to
10 cannibalization of other casinos. And because of all
11 of the casinos in the market from the different
12 States, I can actually quantify what the impact is on
13 each casino from the introduction of this facility.

14 CHAIRMAN:

15 What is your educational background?
16 May I ask?

17 MR. GALLAWAY:

18 Sure. I have a Bachelor's in arts and
19 science from Boston College, with a study in
20 economics. I've been consulting in the casino
21 industry for 13 years. I've done about, probably, 300
22 feasibility studies over that time. I've worked for
23 almost all of the major gaming companies. We have two
24 offices in our firm. One in Las Vegas and one in
25 Denver, where I live. And I also grew up in the

1 casino industry my entire life. Actually grew up here
2 in south Jersey.

3 CHAIRMAN:

4 Thank you.

5 MR. WOODS:

6 Mr. Wilmott, concerning the garage ---?
7 Thank you very much.

8 MR. GALLAWAY:

9 Thank you.

10 MR. WOODS:

11 Concerning the garage, as you mentioned,
12 it would be the largest garage of any of the
13 applicants. And how do you believe that garage will
14 be used on major event days in Philadelphia? Is it a
15 revenue maker for you. Is it a draw for people to
16 leave the game and end up going to your facility? How
17 do you envision that?

18 MR. SNOWDEN:

19 Sure. Great question. For those of us
20 who have been to ballgames in the stadium district,
21 parking is a challenge today, as is the traffic in and
22 out. And we spoke to the accessibility and the
23 proposed westbound on-ramp. Specifically, with
24 regards to parking, our site is where many people park
25 today, right across from the Holiday Inn. And they

1 walk to the stadiums.

2 Really, we believe we have a need from a
3 gaming perspective on our peak days with employees'
4 parking, as well as gaming customers parking at our
5 facility in the 2,700-ish number. So, you've got an
6 excess of, call it, 700-to-800 parking spaces that
7 would be available to non-gamers, who are simply
8 visiting the area for a sporting event.

9 The way that we would essentially
10 operate that parking garage during those peak hours of
11 game day is for customers who have a certain level
12 loyalty card --- they're our known gamers, they would
13 park in the garage for free. And customers who are in
14 the area for a sporting event would pay a nominal fee,
15 like they do at any of the available parking currently
16 in the area today, and we would charge them a fee for
17 that space.

18 MR. WOODS:

19 Did you have any discussions with any of
20 the sports teams concerning the garage, the need for
21 this parking and so forth?

22 MS. BAILEY:

23 We have met with representatives of the
24 special services district. It's actually where we
25 determined our investment decisions on things like

1 westbound access ramp, noting the concerns that they
2 have in today's marketplace there and the traffic
3 concerns and everything they've got. So, yes, we've
4 had conversations with them and intend to work with
5 them, should we be awarded the license, on all of
6 these matters that we've discussed. But not specially
7 the sports teams, but through the special services
8 district representatives.

9 MR. WOODS:

10 Mr. Wilmott, you mentioned that, from
11 your opinion, over nine percent of the folks that come
12 to the casino do so in a car. On game day, a lot of
13 individuals use public transportation to access the
14 stadiums. Any envisioning of jitney service,
15 transportation or so forth to the subway?

16 MR. WILMOTT:

17 No. Based on our experience in how
18 people come to casinos and --- we're really focused on
19 vehicular traffic and that's going to be where we're
20 going to put our capital and put our energies around
21 --- a safe, convenient parking experience for
22 customers, so that they can come and go, based on
23 their own terms.

24 MR. WOODS:

25 Thank you. Concerning EB-5 funding,

1 have you had any experience in another entity and
2 jurisdiction in which you've been successful in
3 gaining those funds?

4 MR. WILMOTT:

5 Penn National to this point has not. We
6 have looked at EB-5 funding, but have not done a
7 project that has that as a source of capital. We do
8 know of experiences with other operators who have done
9 that but not ourselves, at this point.

10 MR. WOODS:

11 And have you had any discussions with a
12 local sponsor, similar to PIDC or someone that you may
13 work through for that or have any discussions that
14 would lead you to believe you have an opportunity to
15 access those funds?

16 MR. WILMOTT:

17 We have seen other casinos use EB-5
18 money in other jurisdictions. That's why we have some
19 level of hope. We're doing this exploration of EB-5
20 funding because we think we can get lower interest
21 rates and that can get the flows of funds to these
22 charitable organizations sooner. And so that's why,
23 given the experience in other casino developments,
24 we're just beginning to explore that as a possible
25 source. But I can tell you that we're still very

1 early in that exploration.

2 MR. WOODS:

3 Thank you. You mentioned that you have
4 26 other facilities, and I was just wondering if
5 there's a way to quantify the amount of transportation
6 or the amount of movement of VIPs from one facility to
7 another as a promotion. Like coming to Philadelphia,
8 you mentioned your loyalty programs and so forth.
9 Obviously, it's probably not a lot of people, but what
10 percentage of your revenues are you anticipating
11 coming from individuals that would be brought in by
12 Penn National to this Philadelphia facility and if you
13 could, possibly rank this facility desirable location.
14 Is it going to be one of your top spots to be able to
15 move people in and out of --- you know, from a
16 promotional standpoint?

17 MR. SNOWDEN:

18 Sure. Given the proximity to some of
19 our other locations, --- in the northeast, we have
20 properties in Maine, a property, obviously, in
21 Pennsylvania; as well as West Virginia, as three to
22 name; as well as the access to the Philadelphia
23 International Airport. We actually, --- to sort of,
24 rank this out, at several of our other properties and
25 markets, we have two casinos right outside of Chicago.

1 There's a tremendous amount of cross-visitation
2 between those two facilities, so it's a higher
3 percentage of revenue than a stand-alone market. Our
4 property in Bangor, Maine, almost entirely is driven
5 by that property's database.

6 So, some markets you have a great deal
7 of cross-visitation. It can be upwards of 15, 20
8 percent of revenues. Some might be as low as one or
9 two percent in the case of Bangor, Maine. Our Las
10 Vegas property is a higher percentage. We have two
11 properties in the Greater Kansas City market, where
12 there's a great deal of cross-visitation, so it's
13 difficult to predict what it's going to be. But I
14 would rank it in the higher echelon of percentage of
15 cross-property visitation, given the properties we
16 have in the area, as well as to have access to the
17 airport here in Philadelphia.

18 MR. WOODS:

19 Is it a specific amenity that you will
20 offer? Or is it more of a location in which you're
21 casino is located that brings those VIPs to want to
22 come to Philadelphia?

23 MR. SNOWDEN:

24 More so, what we offer, complemented by
25 the surrounding entertainment offerings. The fact

1 that we have access to the Philadelphia Eagles, the
2 '76ers, Flyer and Phillies, as well as local hotels,
3 great entertainment in the stadium district, as well .
4 So, the gaming offer would be one component of that
5 visit, but we would certainly be ---. I spoke to our
6 efforts at the local, regional and state-tourism level
7 and the things we've done in central Pennsylvania. We
8 would anticipate similar types of all-inclusive
9 weekend events, get-aways, flight from Chicago to
10 Philadelphia and experience all that Philadelphia has
11 to offer over the course of that weekend for our very
12 best customers.

13 MR. WILMOTT:

14 Let me just add ---. Jay referenced our
15 Marquee card that we have, and across our enterprise,
16 we rate about two-thirds of our gaming revenues
17 through that affinity card. So, \$3 billion, we rate
18 about \$2 billion, round numbers. About 20 percent of
19 that \$2 billion come from customers that spend more
20 than \$400 per day in our facilities. That is the
21 group of customers would represent about \$400 million-
22 worth of play around our enterprise that we'd look to
23 try to incent, based on offerings in the stadium
24 district to come to Hollywood Casino in Philadelphia.

25 So, hopefully, it gives you a sense of

1 the magnitude of how much revenue's out there, what
2 type of customers. And, you know, if the Bears are
3 playing, we have Chicago customers; if the Lions are
4 playing, we have customers from Toledo and southern
5 Michigan. If the Rams are playing, we have two
6 casinos in St. Louis. Those are the kind of hooks we
7 have here to utilize the amenities of the arena
8 district with our facility, with our knowledge of who
9 those customers are out across the United States.

10 MR. WOODS:

11 Thank you. And just, finally, would you
12 be able to quantify the dollars that you would spend
13 in the local area on an on-going basis, year after
14 year, for services and other types of, you know, needs
15 that the casino has?

16 MR. HARTLING:

17 James Hartling, again. It is in the
18 report. I have to find it. Hold on, a second.

19 MS. BAILEY:

20 And if I may add in while Mr. Hartling's
21 looking for the economic impact number, you know, I
22 think that we can safely assume that we'll continue
23 with the track record that we have as a company in
24 terms of our local spend and looking towards just our
25 example up the road in Grantville and which Chy had

1 talked about, and the fact that we have a --- we're
2 running a rate at 45 percent of our expenditures
3 within the local community. And so we intend, --- we
4 would anticipate that or better to support the track
5 record that we have going forward.

6 MR. WOODS:

7 Did not know, if indeed, because of the
8 size of your organization, 26 facilities and so forth,
9 if there was economies of scale that would move some
10 of the purchases outside of the local area and just
11 wondered if you could clarify?

12 MR. HARTLING:

13 Yes. There are some, but the economic
14 impact that can --- directly from the casino, payroll,
15 plus purchases within the Commonwealth, \$351 million a
16 year.

17 MR. WOODS:

18 Thank you.

19 MR. SNOWDEN:

20 If I could and, sorry, be responsive
21 specifically to your question, our model at Penn
22 National Gaming from a corporate perspective is very
23 decentralized, so the properties have a tremendous
24 amount of autonomy. We have right around 100 total
25 employees at Penn National corporate.

1 The properties --- the expectations are
2 for those properties to be fully engaged in the
3 markets where they operate, so we have only two
4 company-wide corporate deals, one with Pepsi. So,
5 these are very large corporate deals. Locally, Penn
6 National Race Course in Grantville would be a great
7 example. The vast majority of the purchasing
8 decisions are made at the property level, not out of
9 the corporate office. We are not dictating that they
10 drive their decision for procurement to other parts of
11 the country. We want them to be as involved and as
12 active locally and within the region, as possible.
13 And that's part of the model at Penn National Gaming.

14 MR. WOODS:

15 Thank you. Thank you, Mr. Chairman.

16 CHAIRMAN:

17 Okay. This question may have already
18 been answered and, if it has, I apologize. But your
19 plan splits the development into two phases. Why not
20 get it all done at once?

21 MR. WILMOTT:

22 Very simple. Because, as we look at the
23 opportunity, we look at the opportunity for revenue
24 and profits, we believe the right return profile is
25 for an initial \$480 million investment. We don't want

1 to end up like Revel, where it's over-capitalized in a
2 market that can't support that level of investment and
3 we believe around a half-billion dollar investment is
4 the sweet spot for this opportunity.

5 CHAIRMAN:

6 So, is that another way of saying, sir,
7 that it may be that Phase 2 is never really feasible
8 when you look at the market and the year's go by and
9 the market doesn't change?

10 MR. WILMOTT:

11 If the market does not grow and
12 continued to show the opportunity to add 1,000 slot
13 machines, add hotel rooms, add additional parking
14 spaces, then there is, indeed, the possibility that
15 Phase 2 may not materialize for a very long time ---
16 it may take before that would happen.

17 CHAIRMAN:

18 If at all?

19 MR. WILMOTT:

20 Correct.

21 CHAIRMAN:

22 Can you tell us how people who live down
23 in that area close enough to the project who would be
24 impacted by it?

25 MS. BAILEY:

1 We've, in looking at this --- and Jim
2 may be interested in speaking in greater length, but
3 the greater sport stadium special services district is
4 the immediate impacted neighborhood to us. And
5 specifically the one quadrant, which I believe was
6 about 1,500 homes --- 1,000 to 1,500 homes total. But
7 it goes back to actually the decision that we'd made
8 in terms of the westbound ramp and the investment of
9 the westbound ramp, so that we avoid that traffic
10 going down into that area. In the immediate, adjacent
11 areas to us, there is no residential touching our
12 property.

13 CHAIRMAN:

14 So, there are, what, 1,500 families in
15 the immediate area, but not ---?

16 MS. BAILEY:

17 Right. In the special services
18 district.

19 CHAIRMAN:

20 I see. Have you had any contact with
21 any community groups representing those families or
22 has any attempt been made to meet with those families?

23 MS. BAILEY:

24 We've met with the special services
25 district, in which those families are represented on

1 that Board.

2 CHAIRMAN:

3 And how did that go?

4 MS. BAILEY:

5 As an organization, they obviously have
6 ongoing concerns about the congestion and traffic
7 impacts that they experience today. And, as I
8 mentioned earlier, our reaction to the concerns that
9 they've voiced resulted in our investment in, say,
10 things like the westbound ramp and also a greater
11 understanding and desire to work with them --- should
12 we be awarded the license and we're located at 700
13 Packer is to work with them going forward, in terms of
14 mitigating impacts on the game days, as it affects all
15 of us, as well, as with the Greater Philadelphia
16 public safety community, in order to ameliorate the
17 issues.

18 CHAIRMAN:

19 Okay. And, finally, if I can, just go
20 over again briefly, the structure. As I understand
21 it, Mr. Wilmott, the Penn National is responsible for
22 this particular project. That is to finance it, to
23 build it and to operate? Would that be a correct
24 statement?

25 MR. WILMOTT:

1 That would be, sir.

2 CHAIRMAN:

3 And, really, PCBC exists as what I would
4 call, perhaps, a charitable trust to receive income
5 from the operations, hopefully successful? And that's
6 the only reason for the existence of that particular
7 entity? Would that be an accurate statement?

8 MR. WILMOTT:

9 In addition to the Counsel's comment of
10 how Penn National can be one of your applicants here
11 in Philadelphia and still comply with State law,
12 that's why this structure was created.

13 CHAIRMAN:

14 Jen, do you have any questions? Anybody
15 else?

16 MR. FAJT:

17 Mr. Chairman, thank you. Just one quick
18 question. To follow up on Mr. Woods --- Commissioner
19 Woods' question about the parking. And I'm asking
20 this, because I want to ask other folks later on who
21 are also applicants, but you're proposing a parking
22 garage of 3,450 spaces. I think I heard Mr. Snowden
23 say that you really need about 2,700 or so. You have
24 2,000 slot machines, 81 tables. Is there a formula
25 that, you know, one spot for each slot machine plus a

1 table and then another 500? Is there a formula that
2 you use? Or, how do you come to that number? And,
3 again, I'm asking you as a guinea pig, because parking
4 is an issue with some of the other applicants, and I
5 want to follow up with them, based on what you tell
6 me.

7 MR. WILMOTT:

8 Mr. Baum can answer that question.

9 MR. BAUM:

10 Thank you. The general rule of thumb is
11 one spot per gaming position. And we typically look
12 at what your peak period is and in combination with
13 structured parking, we look at surface parking. And
14 what you want to do is to make sure that your loyal
15 customers can always find a convenient space to park.
16 And we have a general rule of thumb in our industry
17 --- or certainly we do, within Penn, and that is that
18 we try and make sure that our customer's within 500
19 feet from their car to their favorite gaming position.

20 MR. FAJT:

21 Thank you.

22 MR. WILMOTT:

23 The other piece of that, too, is we
24 typically have an employee spot for every two
25 employees that has to be added on top of the customer

1 demand.

2 MR. BAUM:

3 I would like to add that, you know, we
4 look very carefully at the Philadelphia code with
5 respect to the special entertainment district
6 designation that they viewed for the zoning. And they
7 have a formula that applies to casino development of
8 four spaces for every five gaming positions. And, as
9 we look at that on a ratio basis, our parking
10 complement, when you take employee parking out, which
11 puts us at about 3,000 spaces for customers, we're at
12 about a 1:1.6 ratio to the City's requirement and
13 would state that there's only one other applicant that
14 even gets to that required ratio by the City.

15 MR. FAJT:

16 Thank you, Mr. Chairman.

17 CHAIRMAN:

18 Annmarie?

19 MS. KAISER:

20 Thank you, Mr. Chairman. Just two, real
21 quick, follow-up questions. And I think you already
22 covered this, but I just want it to be clear. Since
23 the hotel is in Phase 2, are you planning to partner
24 with existing properties in Philadelphia during Phase
25 1, for those guests that want to come in and have

1 overnight accommodations?

2 MR. SNOWDEN:

3 Yes, that's ---. We call it a virtual
4 hotel program. And we operate virtual hotels at many
5 of our facilities across the country, including
6 Hollywood Casino at Penn National Race Course.
7 There's a Holiday Inn right down the road. And you've
8 all been to the site. And I think they would inform
9 you that we have been very good to their business and
10 their occupancy rates and we would consider a hotel
11 there at some point, once the rates were sustained at
12 a high-enough level, 80, 85-plus percent occupancy,
13 there are local hotels in the stadium district area
14 that could utilize additional occupancy.

15 And so, we anticipate being a partner in
16 that effort, until we can justify building our own
17 hotel and not cannibalizing their existing business.

18 MS. KAISER:

19 And just my second question is, as I
20 asked with the underage minors accessing the facility,
21 there's also the challenging issue of those with
22 compulsive gaming issues. How do you plan to handle
23 individuals that are self-excluded and try to enter
24 the property? I know you already have experience in
25 that. But just --- if you could tell us what your

1 experience has been, the best way to deal with that
2 issue?

3 MR. WILMOTT:

4 Sure. Again, working through the AGA
5 and their Code of Conduct, we have a regulatory --- or
6 a responsible gaming committee at every one of our
7 properties that senior management works on. The
8 issues of training and the identification of problem
9 gamblers, and the communication through out all of our
10 marketing collateral and in our sensitive casino
11 areas, like in casino credit, where that information
12 is very important to have in front of your customers.
13 We also, at our corporate office, have a responsible
14 gaming committee to make sure that all of our
15 properties are complying with our corporate policies
16 as well.

17 So, there's a local --- at the property-
18 level committee, and then there's one at the corporate
19 office that looks at problem gambling, underage
20 gambling, unattended children and also responsible
21 alcohol service. So, those are the four elements of
22 our responsible gaming program.

23 MR. SNOWDEN:

24 If I may as well, and there's obviously
25 a great proxy in that, we operate a casino here in

1 Pennsylvania, as you all know. We're very proud of
2 our reputation and our track record from a regulatory-
3 compliance, responsible gaming ---. We believe that
4 our training efforts are some of the best in the
5 industry and I think our track record in Pennsylvania,
6 and all of our jurisdictions certainly speak to that.

7 MR. KAISER:

8 Thank you very much, Mr. Chairman.

9 CHAIRMAN:

10 Mr. Wilmott, quickly, Penn National is
11 either not or no longer a hopeful up in Michigan? Is
12 that correct?

13 MR. WILMOTT:

14 I'm sorry, Mr. Chairman. I couldn't
15 hear the question.

16 CHAIRMAN:

17 Penn National is no longer a hopeful up
18 in Massachusetts, excuse me?

19 MR. WILMOTT:

20 No, that is not correct. We are bidding
21 for the Category 2 license for a slot facility.
22 Legislation that was passed in Massachusetts enabled
23 three resort, full casinos in three different zones in
24 the Commonwealth of Massachusetts, and a slot license.
25 And we are bidding for that slot license and should

1 hear back from the State of Massachusetts within the
2 next 60 days.

3 CHAIRMAN:

4 And how about in Maryland?

5 MR. WILMOTT:

6 Maryland, we are no longer involved in
7 any operational or development activities in the State
8 of Maryland.

9 CHAIRMAN:

10 Okay. Thank you. Does Enforcement
11 Counsel have any questions?

12 ATTORNEY PITRE:

13 No, we have no questions for the
14 Applicant.

15 CHAIRMAN:

16 Thank you very much. I will now ask the
17 Director of Licensing and the Chief Enforcement
18 Counsel to address the Board regarding their Bureau's
19 review of the application.

20 ATTORNEY BIZAR:

21 Mr. Chairman, perhaps before we get to
22 that, I can just take care of a housekeeping matter?
23 May I move the PowerPoint presentation into the
24 evidentiary record?

25 CHAIRMAN:

1 Any objection?

2 ATTORNEY PITRE:

3 No objection.

4 CHAIRMAN:

5 So moved.

6 ATTORNEY BIZAR:

7 Thank you.

8 CHAIRMAN:

9 It may be admitted.

10 ATTORNEY PITRE:

11 Mr. Chairman, before we have the
12 statements, the OEC will present the testimony of
13 PennDOT with regard to the review of the traffic
14 impact studies. It will be followed by statements
15 from the Director of Licensing, the Director of the
16 BIE and the Supervisor of our Financial Investigations
17 Unit.

18 CHAIRMAN:

19 Thank you, Cyrus.

20 ATTORNEY HOEFLICH:

21 Good morning, Chairman Ryan, members of
22 the Board. Jeff Hoeflich.

23 CHAIRMAN:

24 Good morning.

25 ATTORNEY HOEFLICH:

1 H-O-E-F-L-I-C-H, on behalf of the OEC.

2 CHAIRMAN:

3 Why don't all --- everybody who's going
4 to give testimony stand and be sworn?

5 ATTORNEY PITRE:

6 He was previously sworn.

7 CHAIRMAN:

8 Everybody's sworn?

9 ATTORNEY PITRE:

10 Yes.

11 CHAIRMAN:

12 Okay.

13 -----
14 FRANCIS HANNEY, HAVING BEEN PREVIOUSLY SWORN,
15 TESTIFIED AS FOLLOWS:

16 -----
17 DIRECT EXAMINATION

18 BY ATTORNEY HOEFLICH:

19 Q. Could you please state your name and spell your
20 last name for the record?

21 A. Yes. Good morning, Mr. Chairman and members of
22 the Board. My name is Francis Hanney. That's
23 H-A-N-N-E-Y.

24 Q. And Mr. Hanney, where are you employed?

25 A. I'm currently employed at the Pennsylvania

1 Department of Transportation, Engineering District Six
2 headquarters in King of Prussia, Pennsylvania.

3 Q. And what is your job title?

4 A. Okay. I am currently the traffic services
5 manager. I've been employed at PennDOT for 17 years,
6 the last 10 as traffic services manager, and the
7 previous 7 as district permit manager. Both positions
8 deal primarily with transportation issues related to
9 development.

10 I have a Bachelor's degree in civil engineering
11 from Temple University. I have numerous certificates
12 in both management and engineering that I have
13 acquired over the years as part of my PennDOT
14 employment, primarily, I manage the unit within
15 PennDOT that reviews highway occupancy permits or
16 HOPs.

17 HOPs are required for any work within the state
18 highway right-of-way or for any new driveway access
19 that is proposed as part of land development.
20 Essentially, I have been in the business of evaluating
21 transportation impacts from land developments, large
22 and small for the last 17 years. I was also directly
23 involved in the initial round of traffic impact study
24 reviews during the period from 2007 to 2009, when the
25 first casino licenses were being sought. My office

1 reviewed all of those applicants, as well as worked
2 with SugarHouse and Foxwoods after their selection.

3 Q. Was PennDOT asked to review traffic studies for
4 the Category 2 Slot Machine License process?

5 A. PennDOT was asked to conduct and provide reviews
6 of the traffic studies for the Category 2 slot license
7 process. The Pennsylvania Gaming Commission made this
8 request.

9 Q. Was Orth-Rodgers hired on behalf of PennDOT to
10 review the traffic study of PA Gaming Ventures?

11 A. Orth-Rodgers was contracted by PennDOT to conduct
12 an independent review of the traffic impact studies
13 for this and all of the other applicants.

14 Q. And when was the study reviewed?

15 A. The study was reviewed over the spring, summer
16 and fall of 2013.

17 Q. And what was your involvement in the review?

18 A. My role was as project manager, to oversee the
19 review and comment process.

20 Q. Were the results provided to Pennsylvania Gaming
21 Control Board?

22 A. Yes, the results were provided to the
23 Pennsylvania Gaming Board. And I have reviewed them
24 and also have them with me today.

25 Q. At any time during your review and assessment of

1 the information, did anyone attempt to influence you
2 or coerce you to provide a favorable or unfavorable
3 review during the process?

4 A. I was never approached in such a manner by any of
5 the applicants, their engineers or any third parties.

6 Q. Were you notified by anyone of attempts to
7 influence or coerce Orth-Rodgers during this process?

8 A. I have no knowledge of such attempts.

9 Q. Can you please present a summary of your report
10 regarding PA Gaming Ventures?

11 A. Yes, I can. This will just be a short couple
12 minutes. So, Hollywood Casino Summary
13 Recommendations ---.

14 CHAIRMAN:

15 Excuse me, sir, can you try to pull the
16 microphone maybe a little closer to you?

17 A. Sure.

18 CHAIRMAN:

19 Thank you.

20 A. Okay. The location of the Hollywood Casino is
21 700 Packer Avenue in the south Philadelphia stadium
22 district. The developer is PA Gaming Ventures and
23 their traffic consultant was Panonni Associates.

24 The Applicant's traffic study has undergone
25 several reviews. It has been updated and

1 conditionally approved. Our reviews were coordinated
2 with the City of Philadelphia Streets Department. Our
3 study now meets the guidelines provided by both the
4 City of Philadelphia and the Pennsylvania Department
5 of Transportation. Here's a short summary of our
6 findings.

7 If granted the license, the Applicant has
8 proposed the construction of new a westbound I-76
9 on-ramp at 7th Street. As a means of better traffic
10 management for both its traffic, as well as the Sports
11 Complex area. The Applicant also provided preliminary
12 analysis for this option. A review of this analysis
13 shows improvements to the local street system, as well
14 as a reduction in impacts to the existing westbound
15 I-76 on-ramp at Broad Street.

16 The coordination will be required with both the
17 Federal Highway Administration, the DVRPC, PennDOT and
18 the City. There could be some issues potentially with
19 geometry. The proximity of this on-ramp with the
20 existing off-ramp, that's just up the road from it,
21 and potential weaving issues. However, the benefits
22 of the study would argue for its consideration.

23 The Applicant was asked to review a traffic model
24 of the local roads' system during a Friday evening
25 commuter peak hour pre-Phillies' game time period.

1 The idea here being that we wanted to look at a worst-
2 case scenario of both their traffic and the stadium
3 sports traffic all coinciding at the same time.
4 Friday nights are typically the highest peak periods
5 for nearly any development. This exercise indicated
6 that the local roads were able to manage the
7 additional casino trips during this critical time
8 period, with the recommended improvements being
9 implemented.

10 The site is obviously not in the city's central
11 business district. And during non-commuter travel
12 peaks and non-Sports Complex events, the local roads
13 are actually underutilized and can very efficiently
14 manage the addition of the casino trips, specifically
15 during the casino's Friday and Saturday evening peaks.
16 How here, contrary to their earlier statement, in a
17 meeting minutes, dated April 26th, 2013, the Applicant
18 did agree to provide shuttle service to and from the
19 southern terminus of SEPTA's Broad Street line AT&T
20 Station, formerly known as the Pattison Station.

21 If the Applicant is granted a license, they have
22 agreed in writing to investigate and provide arterial
23 Intelligent Transportation System, or ITS, to improve
24 overall traffic operations. In addition to the
25 electronic technological improvements that they have

1 agreed, some other physical improvements that they
2 have committed to within their traffic impact study
3 and committal letter.

4 Site access improvements along 7th Street and
5 Darien Street for improved pedestrian facility,
6 construct a new sidewalk on the east side of Darien,
7 from Packer Avenue South to the newly constructed
8 sidewalk adjacent to Citizens Bank park, thus
9 providing pedestrian connectivity between the sports
10 facility as well as the casino. The enhancement of
11 pedestrian accommodations at the intersections of
12 Packer Avenue, 7th Street, Darien Street and 10th
13 Street by installing pedestrian countdown timers and
14 ADA compliant ramps where applicable.

15 Modification of the signal timings along Packer
16 Avenue, a new I-76 Westbound on-ramp at 7th Street.
17 Upgrade of all the traffic signal controllers at
18 Packer Avenue and Darien Street, a restriping of
19 eastbound Packer Avenue to improve traffic flow and a
20 widening at Packer Avenue and Darien Street off-ramp,
21 to provide additional storage and efficiency of
22 operations at that critical area, such that traffic
23 does not back up on I-76.

24 We are also recommending a --- and we'll repeat
25 this in all of our testimony here. And we are also

1 recommending a post-development study approximately
2 six months after opening day, to analyze actual casino
3 trips, their traffic operations, in order to address
4 unforeseen traffic operational concerns. Mainly, that
5 often consists of retiming the signals. Any traffic
6 study is always your best estimate of how things are
7 going to operate. And we have found that, with these
8 after-studies, it's prudent to perform them to tweak
9 things, to adjust things, to deal with the reality
10 should it differ from what was projected.

11 In conclusion, if granted a license, the
12 Applicant has committed in writing to the City of
13 Philadelphia and the Pennsylvania Department of
14 Transportation to finalize the Traffic Impact Analysis
15 and the design details necessary for traffic
16 mitigation. In other words, they're going to have to
17 come back to us. And they have committed to doing so,
18 to finalize the finer details and what needs to be
19 done, such as, you know, the potential geometry of the
20 ramp, other improvements, those types of things, that
21 are associated with the actual design of the
22 construction improvements. And, naturally,
23 coordination with the stadium district and the Port
24 Authority will also be required.

25 BY ATTORNEY HOEFLICH:

1 Q. Mr. Hanney, you had a chance to listen to the
2 traffic impact information provided by PA Gaming
3 Ventures during their presentation. Did you listen to
4 that testimony provided by them?

5 A. Yes, sir, I did.

6 Q. And was that testimony consistent with the
7 independent review provided to the Board?

8 A. It was consistent with the exception of the two
9 points, one having been the commitment to provide the
10 shuttle service from the SEPTA station. And the other
11 one, it's not necessarily a consistency issue, it's
12 just a statistical issue. While, it may be true that
13 nationally 99 percent of those folks travel to casinos
14 by vehicle, their study, along with a number of the
15 other studies, were based on a model that took some
16 volumes from our SugarHouse Casino here in Philly,
17 which actually has an 11 percent mass transit usage.

18 Q. Mr. Hanney, was there anything in that testimony
19 that was invalid, erroneous or contrary to your
20 findings?

21 A. Other than those two points, no.

22 Q. All right. Is there anything further you have to
23 provide today, regarding your independent traffic
24 review associated with PA Gaming Ventures?

25 A. I do not.

1 Q. Thank you.

2 ATTORNEY HOEFLICH:

3 I have no further questions for this
4 witness.

5 CHAIRMAN:

6 Okay, does the Board have any questions?

7 MR. WOODS:

8 Mr. Hanney, just one question. In your
9 testimony, you mentioned the Pattison Avenue end of
10 the subway and some sort of commuting agreed to or
11 contemplated. I'd asked the question of Penn and did
12 not hear a response that contemplated that. Could you
13 just repeat that section? I may have misunderstood
14 you.

15 A. Okay. That commitment was made in a meeting,
16 dated April 26th, 2013. That was attended by their
17 consultant. It was held at the City of Philadelphia
18 MSV building and it is contained within those minutes.
19 It is not contained within their traffic impact
20 studies, so, perhaps that's where the discrepancy
21 lies.

22 MR. WOODS:

23 Thank you.

24 ATTORNEY PITRE:

25 I guess logically we could ask Penn, if

1 you have a response to that?

2 MR. WILMOTT:

3 Certainly, I was unaware of that
4 commitment, but if it's in writing, we will certainly
5 fulfill that obligation for the shuttle service from
6 the SEPTA station.

7 MR. WOODS:

8 Thank you.

9 CHAIRMAN:

10 John.

11 MR. MCNALLY:

12 You were present when the Applicant made
13 the representation that, based on their preliminary
14 review, that there was going to be no structure needed
15 with regard to that ramp onto I-76 West. Do you agree
16 with that opinion?

17 A. That would have to be determined. The ramp
18 itself does come in at grade and the current proposal
19 does carry it completely on a non-structural
20 alignment. However, the issues with the geometry need
21 to be vetted. No one has looked at that proposal for
22 compliance with current standards, weaving distance
23 between that ramp and the existing off ramp and the
24 structure that carries I-76 over Darien Street.

25 The Federal Highway may insist that a shoulder be

1 maintained, which could necessitate a widening of the
2 structure that covers I-76 over Darien Street, but
3 that is all to be determined.

4 MR. MCNALLY:

5 Have any of the sports complexes looked
6 at adding that ramp in conjunction with their
7 construction down in the stadium district?

8 A. I have not received any information from the
9 sports teams specifically committing themselves to the
10 construction of that ramp. I have heard that they are
11 interested in the construction of that ramp. Being a
12 person who also attends the sporting events, I do see
13 the value of it.

14 MR. MCNALLY:

15 Did they take that into consideration
16 before they built the sports complexes down there?

17 A. I have no knowledge of that.

18 MR. MCNALLY:

19 That's all I have.

20 MR. MCCALL:

21 I have a question.

22 CHAIRMAN:

23 Go ahead.

24 MR. MCCALL:

25 Mr. Hanney, just a couple of quick

1 questions, do you anticipate any State or Federal
2 money to be used on this project?

3 A. I do not.

4 MR. MCCALL:

5 And the fact that no State or Federal
6 money, you're saying, you know, the Feds are involved,
7 would that preclude this project having to go through
8 the planning process? Meaning, doesn't it --- would
9 it require any local input from local planners as well
10 as addition on by the State Transportation Commission
11 to put this project on the 12-year program?

12 A. It would not have to be put on the 12-year
13 program, if there is no Federal or State money
14 involved. It most --- well, the Port Authority is the
15 primary owner of the real estate, where this ramp
16 would be situated. They would absolutely have to be
17 contacted. As the Applicant noted, a point of access
18 study would have to be undertaken.

19 The Port Authority may wish to review that
20 themselves and coordinate that with the Federal
21 Highway Administration or they may chose to request
22 that PennDOT manage and supervise the review of that
23 point of access study. Either way, it would have to
24 follow the same exact guidelines. And our approach
25 would be to --- if we are asked to oversee that study,

1 our approach would be to engage with the City of
2 Philadelphia as well as the Port Authority, as well as
3 the stadium district, to ensure that all stakeholders
4 have input and the thing is done correctly.

5 MR. MCCALL:

6 And you will, in fact, have to get
7 approval from the Federal Highway Administration for
8 the project?

9 A. Anything to do with limited access would require
10 their approval.

11 MR. MCCALL:

12 Thank you.

13 CHAIRMAN:

14 Okay. I'll tell you what? Right now,
15 we're going to take a five-minute recess.

16 SHORT BREAK TAKEN

17 CHAIRMAN:

18 Thank you, ladies and gentlemen. I
19 think we are still in the process of Board questions.
20 Greg?

21 MR. FAJT:

22 Thank you, Mr. Chairman. Two quick
23 questions. And I think you answered this to
24 Commissioner McCall, but the \$3 million price tag that
25 Penn National has put on this ramp, do you agree that

1 that's an accurate cost estimate?

2 A. I cannot say that that's an accurate cost
3 estimate. What I can say is, done privately, the cost
4 should be significantly less than if done as a public
5 project.

6 MR. FAJT:

7 And, based on your best estimate, and
8 we're talking about all approvals, construction and
9 the like, what is the best time frame that you could
10 give us on completion of this ramp?

11 A. Including construction or just for the approvals?

12 MR. FAJT:

13 Everything? All in construction
14 approvals ---?

15 A. They had noted a 19-month schedule that is
16 doable. There's no guarantees, but that is within
17 reason.

18 MR. FAJT:

19 Thank you.

20 CHAIRMAN:

21 Tony?

22 MR. MOSCATO:

23 Thank you, Mr. Chairman. I have just
24 one question. In your opinion, do you believe this
25 ramp will alleviate a lot of the traffic congestion

1 and problems that the neighbors have identified?

2 A. In my opinion, having attended sporting events
3 numerous times and tried to get on I-76 westbound,
4 trying to go to Broad Street is pretty much a
5 nightmare. Many people will take the other way out,
6 past the lakes and get on the Schuylkill in that
7 direction. I do believe that this ramp will serve as
8 a means to better distribute the traffic and, in that
9 sense, it will be less concentrated at Broad Street
10 and other locations. And the analysis does reflect
11 that and shows a benefit.

12 CHAIRMAN:

13 Annmarie. Anybody else? Okay. Cyrus?

14 ATTORNEY PITRE:

15 And next, we will present statements
16 from Board Staff. I'd ask that the Director of
17 Licensing, Susan Hensel; the Director of the Bureau of
18 Investigations and Enforcement, Paul Mauro; and the
19 Supervisor of the Financial Investigations Unit, Rich
20 O'Neil, that they come forward. Mr. Mauro, the only
21 non-attorney, was sworn in previously.

22 CHAIRMAN:

23 Thank you.

24 ATTORNEY PITRE:

25 And I would like to start with the

1 Director of Licensing, Susan Hensel, to present her
2 statement for the Board.

3 MS. HENSEL:

4 Thank you, Cyrus. And thank you,
5 Chairman Ryan and members of the Board. Susan Hensel,
6 H-E-N-S-E-L and the Director of Licensing.

7 Pennsylvania Gaming Ventures, LLC,
8 timely filed a Category 2 Slot Operator Application
9 and Disclosure Form with the Bureau of Licensing. The
10 Bureau of Licensing reviewed the application and
11 worked with the Applicant to ensure the provision of
12 all required information. The Bureau of Licensing
13 deemed the application complete and transmitted it to
14 the BIE for Investigation.

15 Upon completion of the background
16 investigation, the Bureau of Licensing prepared a
17 Background Investigation and Suitability Report using
18 information and documentation received from the
19 Applicant, the Bureau of Licensing, the OEC on behalf
20 of the BIE, the Bureau of Gaming Operations, the
21 Office of Diversity, the Office of Compulsive and
22 Problem Gambling, and the Pennsylvania Departments of
23 Revenue and Labor and Industry.

24 The draft Suitability Report was
25 provided to the Applicant to identify material errors

1 and omissions, if any. And the final report was
2 provided to the Applicant and the Pennsylvania Gaming
3 Control Board. Based on the application process, the
4 Bureau of Licensing is not, at this time, aware of any
5 issues that would preclude the approval of a Category
6 2 Slot Machine License for PA Gaming Ventures, LLC.

7 ATTORNEY PITRE:

8 Next I would like to offer the statement
9 of Richard O'Neil, the Financial and Investigations
10 Unit Supervisor.

11 MR. O'NEIL:

12 That's Rich O'Neil, O-N-E-I-L. In
13 preparation of the Financial Investigations Unit
14 Report and, when necessary, supplemental reports, all
15 information provided by the Applicant, its
16 intermediaries, subsidiaries and holding companies and
17 management company, was fully reviewed and analyzed.
18 This included any organizational documents, operating
19 debt, management agreements, financial statements and
20 any other contracts or agreements.

21 In this case, PA Gaming Ventures, LLC,
22 and its related entities provided all the
23 authorizations, contracts and agreements necessary to
24 conduct the investigation. It also provided a clear
25 and convincing evidence to enable the Financial

1 Investigations Unit to make the determination of the
2 financial suitability, integrity and responsibility of
3 its application for a Category 2 licensure and also
4 that the Applicant is likely to maintain operational
5 viability and maintain a steady level of growth.

6 At this time, based upon the information
7 contained in the application and other related
8 documents, as well as the Financial Suitability
9 Analysis performed, the Financial Investigations Unit
10 does not --- did not discover anything material which
11 would preclude PA Gaming Ventures, LLC from being
12 financially suitable to obtain a Category 2 License.

13 ATTORNEY PITRE:

14 Next, we'll hear from the Director of
15 the Bureau of Investigations and Enforcement, Paul
16 Mauro.

17 MR. MAURO:

18 Chairman Ryan, members of the Board.
19 Paul Mauro, M-A-U-R-O. The Bureau of Licensing
20 transmitted the Category 2 Application of PA Gaming
21 Ventures, which included but was not limited to any
22 and all associated forms, releases and disclosures, to
23 the BIE for the initiation and completion of a
24 background investigation as contemplated by the Act.

25 The BIE's background investigation into

1 PA Gaming Ventures consisted of, but was not limited
2 to, an investigation into the criminal history, the
3 credit history, the litigation history, including
4 civil judgments and bankruptcies; the business
5 history, the federal tax history and, if applicable,
6 the Commonwealth and its political subdivision tax
7 history and the gaming regulatory history in the
8 Commonwealth and/or other gaming jurisdictions for the
9 Applicant-affiliated entities and management company.

10 Additionally, the Bureau's background
11 investigation of each principle associated with PA
12 Gaming Ventures, included information pertaining to
13 the family, habits, character, reputation, criminal
14 history background, credit history, business
15 activities and history, litigation history, including
16 civil judgments and bankruptcies, financial affairs,
17 federal tax history and business, professional and
18 personal associates covering at least a ten-year
19 period preceding the filing of the application. Also,
20 if applicable, information pertaining to the
21 Commonwealth and its political subdivision tax history
22 and any applicable gaming regulatory history in the
23 Commonwealth or in any other legalized gaming
24 jurisdiction was investigated and reported.

25 The results of the Bureau's background

1 investigation were placed in the Bureau's Reports of
2 Investigation and forwarded, along with the Bureau's
3 Financial Investigations Unit report to the OEC for
4 the preparation of the final background investigation
5 report. As a result, based upon the information
6 obtained, through the background investigation
7 process, the BIE is not aware of any issues at this
8 time that would preclude the suitability of Category 2
9 Applicant PA Gaming Ventures, LLC.

10 ATTORNEY PITRE:

11 The OEC has been fully engaged with the
12 Applicants and the Board Staff throughout this
13 process. The OEC worked in conjunction with the BIE
14 and its Financial Investigations Unit throughout the
15 background investigation process. Once the Bureau
16 completed its report of investigation and its
17 financial investigation report, those reports were
18 transmitted to the OEC for completion of the final
19 background investigation and report for each
20 Applicant, affiliate, principle and management company
21 as contemplated by the Act.

22 The OEC drafted and prepared each
23 associated financial final background investigation
24 report and forwarded the same to the Bureau of
25 Licensing for inclusion in the Category 2 Applicant,

1 PA Gaming Ventures Suitability Report, which has been
2 delivered to the Board for its review and
3 consideration.

4 I would like to remind representatives
5 and principles of PA Gaming Ventures that suitability
6 is an ongoing rolling process and, as a result, each
7 Applicant has a duty to maintain suitability and to
8 provide information updates to Board Staff as it
9 becomes known or available. And that, as long as PA
10 Gaming Ventures' applications are pending before the
11 Board, my office will provide supplemental background
12 investigation reports to the Board any time there is
13 an issue that may have an impact upon suitability of
14 any applicant.

15 That concludes the statements of Staff
16 and should the Board have any questions, we are
17 available to answer them.

18 CHAIRMAN:

19 Any questions? Okay, thank you very, Cy
20 --- very much, Cyrus. Thank you. Does PA Gaming
21 Ventures have anything additional to add to this
22 proceeding before we adjourn?

23 MR. WILMOTT:

24 Mr. Chairman, I don't think we do, other
25 than saying thank you to the Board and Staff again for

1 the work that's gotten us to this point. And we
2 appreciate this opportunity. If we are selected, we
3 will certainly fulfill all the obligations that are in
4 our application. Thank you.

5 CHAIRMAN:

6 Thank you. Does Staff have anything
7 else to add? Cyrus?

8 ATTORNEY PITRE:

9 Nothing else.

10 CHAIRMAN:

11 Any members of the Board have anything
12 they would like to add to the record? May I have a
13 motion to adjourn?

14 MR. FAJT:

15 So moved.

16 MR. MCNALLY:

17 Second.

18 CHAIRMAN:

19 The motion passes. Ladies and
20 gentlemen, this concludes the hearing for Applicant
21 Pennsylvania Gaming Ventures, LLC. PA Gaming
22 Ventures, LLC, as with all Applicants, has the
23 opportunity to file a Post-hearing Memorandum on or
24 before Monday, February 10th, 2014. If appropriate,
25 PA Gaming Ventures should address any questions to the

1 Board for which supplemental information was requested
2 or is required.

3 This matter is now being taken under
4 advisement for review by each Board member. The Board
5 will reconvene at 2:00 p.m.

6 * * * * *

7 HEARING CONCLUDED AT 12:01 P.M.

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CERTIFICATE

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I hereby certify that the foregoing proceedings,
hearing held before Chairman Ryan was reported by me
on 1/28/2014 and that I Sami Zeka read this transcript
and that I attest that this transcript is a true and
accurate record of the proceeding.

Sami Zeka