

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

\* \* \* \* \*

PUBLIC HEARING

\* \* \* \* \*

BEFORE: DAVID BARASCH, CHAIR  
Dante Santoni, Jr., Sean Logan, Anthony  
C. Moscato, William H. Ryan, Jr., Richard  
Jewell Members, George Augusto,  
representing Russell Redding, Secretary  
of Agriculture; Robert Coyne,  
representing Dan Hassell, Secretary of  
Revenue Christopher Craig, representing  
Joseph Torsella, State Treasurer

HEARING: Monday, July 31, 2017  
2:01 p.m.

LOCATION: PA Gaming Bureau of Hearings and Appeals  
303 Walnut Street  
Strawberry Square Complex  
Harrisburg, PA 17101

Reporter: Adam Beck

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

## A P P E A R A N C E S

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

CYRUS PITRE, ESQUIRE

PA Gaming Control Board

P.O. Box 69060

Harrisburg, PA 17106-9060

Counsel for the Pennsylvania Gaming Control Board

MARK S. STEWART, ESQUIRE

Eckert Seamans

213 Market Street

8th Floor

Harrisburg, PA 17101

Counsel for Stadium Casino

GERALD E. ARTH, ESQUIRE

Fox Rothschild, LLP

2000 Market Street

20th Floor

Philadelphia, PA 19103-3222

Counsel for East Market Associates, LLP

ALSO PRESENT:

KEVIN MCKEON, Stadium Casino Co-Counsel

I N D E X

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

OPENING REMARKS

By Chairman Barasch 5 - 9

PRESENTATION

By Attorney Stewart 9 - 12

By Mr. Everett 12 - 16

By Mr. Manoukian 17 - 18

WITNESS: TERRANCE EVERETT

CROSS EXAMINATION

By Attorney Pitre 18 - 40

QUESTIONS BY BOARD 41 - 46

CLOSING STATEMENTS

By Attorney Stewart 47 - 48

CLOSING STATEMENTS

By Attorney Pitre 49 - 54

DISCUSSION AMONG PARTIES 54 - 56

## E X H I B I T S

			Page	Page
	<u>Number</u>	<u>Description</u>	<u>Offered</u>	<u>Admitted</u>
5	<u>Office of Enforcement Counsel Exhibits:</u>			
6	OEC-A	Sterling Investors Trust	49	50
7	OEC-B	By-Laws of		
8		Sterling Fiduciary Services	49	50
9	OEC-C	Written Consent of		
10		Board Directors of Sterling	49	50
11	OEC-D	Agreement Restricting		
12		Transfer of Shares	49	50
13	OEC-E	Assignment Separate		
14		from Certificate	49	50
15	OEC-F	Written Consent of		
16		Sole Director of Sterling	49	50
17	OEC-G	Agreement	49	50
18				
19	<u>Stadium Remand Exhibits:</u>			
20	3	Funding Agreement	11	47
21	4	Written Consent	11	47
22	5	Written Consent	11	47
23	6	Affidavit	12	47
24	7	Affidavit	12	47
25	8	Affidavit	12	47

## P R O C E E D I N G S

-----  
CHAIRMAN: Good morning, everyone.

My name is David Barasch, Chairman of the Pennsylvania Gaming Control Board. Before we begin, as always, I would ask people to put their electronic equipment on silent.

With us today is Jorge Augusto representing Russell Redding, the Secretary of Agriculture. Christopher Craig, representing Joe Torsella, the State Treasurer and Bob Coyne representing Secretary of Revenue - Secretary of Revenue Dan Hassell. Thank you.

The quorum being present for today's proceedings to order. First matter of business I'd everybody to stand for the Pledge of Allegiance.

---

(WHEREUPON, THE PLEDGE OF ALLEGIANCE WAS  
RECITED.)

---

CHAIRMAN: By way of announcements, the Board held an Executive Session a little earlier today to discuss and review the matters that are going to be heard for today. Area of new business, we have one item on the agenda today, a hearing on

1 the Supreme Court's partial remand of the Stadium  
2 Casino, LLC License issuance.

3           Before we begin, I'd like to note for  
4 the record that we have a Petition to Intervene in  
5 this matter and it was filed by SugarHouse. Because  
6 the parties to the proceeding have not yet had a  
7 chance to respond to that Petition, we are not going  
8 to take that matter up today. Rather, we will hear  
9 from the parties present as scheduled and then keep  
10 the record open. This will give all parties an  
11 opportunity to respond to the SugarHouse Petition if  
12 they choose to do so. I would ask that any party  
13 who wishes to respond to SugarHouse's Petition do so  
14 by close of business this Friday, August 4th.

15           MR. SPRAGUE: Mr. Chairman, may I be  
16 heard?

17           CHAIRMAN: No, I don't believe so Mr.  
18 Sprague.

19           MR. SPRAGUE: You're supposed to make  
20 a motion.

21           CHAIRMAN: There's nothing in - not  
22 hearing any matter relating to the intervention of  
23 SugarHouse at this time. We'll deal with that after  
24 we receive briefs.

25           MR. SPRAGUE: It relates to deferring

1 a ruling in our Petition to Intervene.

2 CHAIRMAN: Well I would suggest that  
3 we would like to proceed and when we're done if you  
4 want to talk to us then you can talk to us then.  
5 Thank you very much.

6 MR. SPRAGUE: Very well.

7 CHAIRMAN: Additionally, we have a  
8 request from Stadium to preclude Cross Examination  
9 of its witnesses by Market East as well as a  
10 response to that request that was filed by Market  
11 East. Although Section 44A.7 of the Board  
12 regulations typically allow only the Board and  
13 Enforcement Counsel to question Applicant witnesses,  
14 due to the unique posture of this case and the  
15 narrow issue before the Board, we are also going to  
16 allow Market East to question the Applicant's  
17 witnesses and any witnesses OEC may call. I would  
18 caution Market East, however, that the questioning  
19 must be limited solely to the issues that are  
20 presented by the remand and before the Board today.

21 At this time I would ask anyone who's  
22 going to speak, please state and spell your name for  
23 the court reporter and I would also ask that all non  
24 attorney witnesses for any party please stand and be  
25 sworn at this time.

1 Mr. - you may proceed Mr. Stewart.

2 ATTORNEY STEWART: Thank you very  
3 much. May it please the Board, Mr. Chairman,  
4 Commissioners, good afternoon. My name is Mark  
5 Stewart, S-T-E-W-A-R-T, with the firm of Eckert  
6 Seamans who appearing before you today on behalf of  
7 Stadium Casino, LLC. With me as well is my co-  
8 counsel Kevin McKeon and that's M- small c, capital  
9 K-E-O-N.

10 It has been a long road that we have  
11 all been on.

12 CHAIRMAN: Before you proceed, -.

13 ATTORNEY STEWART: Excuse me. We do  
14 have witnesses or do you want them to be sworn right  
15 now or wait?

16 CHAIRMAN: I think we should do it  
17 that way and then we're free to proceed.

18 ATTORNEY STEWART: I'll allow them to  
19 introduce or spell their own names but it is Mr.  
20 Terrance Everett and Mr. Bob Manoukian.

21 CHAIRMAN: Okay.

22 If you could both please stand for the  
23 court reporter and be sworn.

24 ---

25 (WHEREUPON, WITNESSES WERE SWORN EN MASSE.)

1 ---

2 ATTORNEY STEWART: Thank you, Mr.  
3 Chairman.

4 It has been a long road that we have  
5 been on together in this licensing proceeding. It  
6 was in 2012 that applications were filed by Stadium  
7 Casino as well as I believe six other applicants at  
8 that time. Those applications were extensively  
9 reviewed by your staff, hearings were held in 2014  
10 as you're well aware. In the beginning of that  
11 year, your decision came down in November of 2014.

12 We are here today in 2017, almost  
13 three years later, and we are here to address the  
14 narrow questions that have been remanded to the  
15 Board by the Supreme Court. Namely whether in  
16 Stadium Casino's post licensing structure, Bob  
17 Manoukian will hold a financial interest in either  
18 Sterling Fiduciary Services, the Trustee, or the  
19 Sterling Trust that is in excess of the 33 and a  
20 third percent permitted by the Gaming Act.

21 The evidence presented today which  
22 will be in the form of documents as well as the  
23 testimony of Mr. Terrance Everett and Mr. Bob  
24 Manoukian will show that Mr. Manoukian in fact holds  
25 no financial interest in either Sterling Fiduciary

1 Services or the Trust, that is to say using the  
2 court's parlance that he has no monetary right,  
3 claim or investment in or with respect to either the  
4 Trust of the Trustee.

5 Prior to presenting our witnesses, we  
6 would like to identify the exhibit packets that are  
7 before you. In doing so, we note that the court  
8 specifically identified two distinct and discreet  
9 facts for the Board to determine. One is the nature  
10 of Mr. Manoukian's transfer to his sons of his  
11 shares in the Trustee. The other is the nature of  
12 Mr. Manoukian's funding of the Trust.

13 On the first issue involving the  
14 transfer of the shares, it has already been  
15 established on the record before the Board. Stadium  
16 Remand Exhibit 1, which is before you is the  
17 assignment separate from certificate executed by Mr.  
18 Manoukian in February of 2014. It clearly states  
19 that he assigned the shares as a gift. Stadium  
20 Remand Exhibit 1 was admitted into the record by  
21 Board Order dated February 26th, 2014.

22 Stadium Remand Exhibit 2 is Addendum 1  
23 to the Suitability Report for Stadium Casino dated  
24 February 25th, 2014 in which the Bureau of  
25 Investigation and Enforcement (BIE) as well as its

1 Financial Investigations Unit acknowledged these  
2 gifts. These confidential exhibits are marked for  
3 demonstrative purposes only as they are already in  
4 the record. You also have before you what we have  
5 marked as Stadium Remand Exhibits 3 through 8 and  
6 they will be testified to today as necessary.

7 Stadium Remand Exhibit 3 is a funding  
8 agreement for the trust entered into by Mr.  
9 Manoukian, the Trustee and the Trustee for the  
10 Trust.

11 ---

12 (Whereupon, Stadium Remand Exhibit 3, Funding  
13 Agreement, was marked for identification.)

14 ---

15 ATTORNEY STEWART: Exhibits 4 and 5  
16 are written consents of the Director of Sterling  
17 Fiduciary Services approving the funding agreement  
18 and the shareholders of that company approving the  
19 funding agreement respectively.

20 (Whereupon, Stadium Remand Exhibit 4, Written  
21 Consent, was marked for identification.)

22 (Whereupon, Stadium Remand Exhibit 5, Written  
23 Consent, was marked for identification.)

24 ---

25 ATTORNEY STEWART: And then Stadium

1 Remand Exhibits 6 through 8 are Affidavits from each  
2 of Mr. Manoukian's three sons affirming and  
3 attesting that they received the shares in the  
4 Trustee as a gift.

5

---

6 (Whereupon, Stadium Remand Exhibit 6, Affidavit,  
7 was marked for identification.)

8 (Whereupon, Stadium Remand Exhibit 7, Affidavit,  
9 was marked for identification.)

10 (Whereupon, Stadium Remand Exhibit 8, Affidavit,  
11 was marked for identification.)

12

---

13 ATTORNEY STEWART: With that, we will  
14 move on to present our oral testimony. Our first  
15 witness will be Mr. Everett who is appearing in his  
16 capacity as President and Director of Sterling  
17 Fiduciary Services. After his testimony, Mr.  
18 Manoukian will testify. Mr. Everett.

19

---

20 TERRENCE EVERETT,  
21 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND  
22 HAVING BEEN PREVIOUSLY SWORN, TESTIFIED AND SAID AS  
23 FOLLOWS:

24

---

25 THE WITNESS: Gentlemen, I'm here

1 today as the President and Director of Sterling  
2 Fiduciary Services, Inc. This is a corporation that  
3 is the Trustee of the Sterling Investors Trust.  
4 That Trust will hold ultimately a 17 percent  
5 interest in the Stadium Casino investment as a  
6 whole. Sterling Fiduciary Services, Inc. is owned  
7 24 percent by each of the sons of Mr. Manoukian and  
8 28 percent by Mr. Manoukian.

9           With respect to the Trust, this was an  
10 Irrevocable Trust created by Mr. Manoukian in  
11 November of 2012. It can't be modified. It can't  
12 be changed. The beneficiaries in this Trust are his  
13 three sons and their, if they have them in the  
14 future, their children and their respective wives.  
15 Mr. Manoukian cannot benefit from the Trust. He  
16 cannot get any distributions from the Trust.

17           The Trustee, which is Sterling  
18 Fiduciary Services, Inc. is authorized to make  
19 distributions from the Trust to the beneficiaries  
20 for health, education, maintenance and support. The  
21 Trust instrument also provides that Mr. Manoukian  
22 cannot exercise any control over the Trust or its  
23 investments.

24           When the Trust terminates, which  
25 ordinarily by its terms is 80 years hence after its

1 establishment or when the beneficiary pass away, the  
2 assets get distributed to the heirs of the  
3 beneficiary or the charitable organizations only.  
4 Mr. Manoukian can't get anything. I doubt whether  
5 he'll be here at that time but in any event he can't  
6 have anything. And so this is the Trust that will  
7 ultimately own 17 percent of Stadium Casino.

8           There were two issues that we have  
9 been asked to address. One was the transfer of the  
10 stock back in 2014. In 2014 in February he decided  
11 to gift stock of the Trustee to his sons in equal  
12 amounts so they would own a majority of the stock of  
13 the Trustee which controlled the stock for their  
14 interest. The Trustee - I signed it on behalf of  
15 the Trustee and the sons signed an agreement under  
16 which the stock that they received couldn't be  
17 transferred in the future without Mr. Manoukian's  
18 consent. This was to maintain equal ownership of  
19 the sons in the Trustee by the three beneficiaries  
20 of the Trust.

21           At that time documents were - of the  
22 record assignment separate from certificate gifting  
23 the stock to each of the sons was executed by Mr.  
24 Manoukian, his certificate and that was delivered to  
25 the Trustee. The corporate records were revised and

1 new stock certificates were issued reflecting that.  
2 It was a pure gift and that's what the records of  
3 the Trustee reflect.

4           The other issue is a question  
5 concerning the funding of the Trust which speaks to,  
6 you know, current and future events. In November  
7 2012, Mr. Manoukian gave a commitment letter to the  
8 PGBC agreeing to fund up to \$34 million to the  
9 Trust. All of the commitment letter referred to  
10 gifts or loans. Mr. Manoukian has advised the  
11 Trustee that he will fund this solely by gifts.

12           To document this and to create  
13 certainty the Trustee, the Trust and Mr. Manoukian  
14 have signed a binding agreement dated July 20, 2017  
15 which is submitted to you providing him to fund the  
16 Trust or obligating him to fund the Trust by gifts.  
17 That agreement provides that he commits to make  
18 outright irrevocable gifts of the funds under the  
19 commitment letter as and when necessary to fund the  
20 investment in the Stadium Casino by the Trust.

21           But he agrees that he will obtain or  
22 retain no residual, reversion or other economic  
23 right entitling him to receive any return or other  
24 benefit from the gifts, any portion of them. The  
25 Trustee of the Trust agrees that it would limit the

1 Trustee fees charged to the Trust to the actual cost  
2 of administering and operating the Trust. This  
3 permitted the maximum amount of funds to be retained  
4 in the trust for the benefit of Mr. Manoukian's son.

5 The Trustee also agreed that no fees  
6 that it receives as a Trustee from the Trust will be  
7 distributed by way of dividends, profit  
8 participation or other distributions to Mr.  
9 Manoukian. Mr. Manoukian agreed that neither he nor  
10 his estate would borrow or lend money to the Trust.  
11 And the Trustee has also agreed that neither it -  
12 that it will not borrow money or lend money to the  
13 Trust.

14 This agreement was drafted. It was  
15 approved by the Director of the Trustee. It was  
16 also approved by the shareholders of the Trustee  
17 with Mr. Manoukian abstaining because he had an  
18 interest in the agreement. That agreement was then  
19 signed in the records and has been submitted to you.

20 I'm happy to answer any questions but  
21 that's the simple and straightforward facts of the  
22 matter.

23 CHAIRMAN: Thank you very much.

24 ATTORNEY STEWART: The witness is  
25 available -.

1                    CHAIRMAN: I would prefer if we just  
2 get all the direct in first and then we'll open up  
3 to questions from Enforcement Counsel, from us and  
4 from others.

5                    Okay?

6                    ATTORNEY STEWART: Okay, Mr. Chairman.  
7                    Mr. Manoukian then is prepared to give  
8 his testimony.

9                    ---

10                    ROBERT MANOUKIAN,  
11 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND  
12 HAVING BEEN PREVIOUSLY SWORN, TESTIFIED AS FOLLOWS:

13                    ---

14                    THE WITNESS: Thank you very much,  
15 gentlemen. Thank you for the opportunity to speak  
16 with you today. I also thank you for expediting  
17 this matter and it's very much appreciated. Here  
18 are the facts.

19                    In 2012 I found the Stadium invests  
20 its Trust as an Irrevocable Trust as part of my  
21 estate planning for the benefit of my sons. With  
22 respect to funding the trust, I sent the commitment  
23 letter that was given to me in November of 2012  
24 committing to fund monies to the trust for the  
25 purposes of Stadium investments.

1                   In 2014 I gave each one of my sons 24  
2 percent of the stock of the Trustee that controlled  
3 the Trust. This was a gift. They did not pay me  
4 anything for it. I have also recently signed a  
5 binding agreement to fund the Trust by outright and  
6 irrevocable gifts and I will do so. I promise.

7                   Thank you very much.

8                   CHAIRMAN: Thank you.

9                   ATTORNEY STEWART: Mr. Chairman, that  
10 concludes our testimony on Direct.

11                   CHAIRMAN: Thank you.

12                   Enforcement Counsel.

13                   ATTORNEY PITRE: Cyrus Pitre,  
14 P-I-T-R-E, Chief Enforcement Counsel.

15                   ---

16                   TERRENCE EVERETT,  
17 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND  
18 HAVING BEEN PREVIOUSLY SWORN, TESTIFIED AND SAID AS  
19 FOLLOWS:

20                   ---

21                   CROSS EXAMINATION

22                   ---

23                   BY ATTORNEY PITRE:

24                   Q. Mr. Everett, did you have a role in  
25 creating or forming the Sterling Investors Trust,

1 and if so, what was that role?

2 A. My law firm acted as counsel as part of  
3 drafting that Trust.

4 Q. And in drafting that Trust, was it  
5 created with Section 1330 of the Gaming Act in mind?  
6 That would be the ownership and financial interest  
7 section of the Act. Did you refer to that at any  
8 time while you were creating the Trust?

9 A. We were well aware of Section 1330.

10 Q. Okay.

11 So, was that created with that section of  
12 the Act in mind?

13 A. We certainly had all sections of the Act  
14 but we were aware of the rule under 1330 at the  
15 time.

16 Q. Okay.

17 Was there any intent when creating the  
18 trust to create a get around or for lack of a better  
19 word, around the ownership and the financial  
20 interest provisions of 1330 of the Act?

21 A. No, we saw what the law was and we knew  
22 what was required. We had seen the decisions of the  
23 Board and a structure was created and in our view  
24 complied with all the requirements.

25 Q. Okay.

1                   So, what was the intent in the creation  
2 of Sterling Investors Trust?

3           A.       The intent of the Trust was for Mr.  
4 Manoukian to create a separate vehicle for the  
5 benefit of his sons that he would give money and  
6 fund and they would own and control and have the  
7 benefit of it.

8           Q.       And what was the intent in the creation  
9 of Sterling Fiduciary Services, Inc.?

10          A.       It's - well a Trust has to have a Trustee  
11 and the Trustee was created as a Trust company  
12 similar to a family office or family corporation to  
13 be the Trustee of the Trust, to control and to  
14 implement the terms and provisions of the Trust  
15 instrument.

16          Q.       And did your firm or you have any role in  
17 creating Sterling Investors?

18          A.       Yes, we did.

19          Q.       Sterling Fiduciary Services, Inc., I'm  
20 sorry, the Trustee?

21          A.       Yes.

22          Q.       Okay.

23          A.       Yes, we did.

24          Q.       All right.

25                   And what is your role within the Trustee

1 within Sterling Fiduciary?

2 A. I am currently the President and Director  
3 and Secretary of the corporation.

4 Q. Are there any other Officers or Directors  
5 in Sterling Fiduciary Services, Inc.?

6 A. No.

7 Q. Okay.

8 Talk to me a little bit about the roles  
9 of a Director and an Officer, your separate roles  
10 there. Talk to me first about your role as the  
11 President of - and Secretary of Sterling Fiduciary  
12 Services, Inc.

13 A. Well to date there hasn't been really  
14 anything to do because there's no license to create  
15 a casino. But the typical role of an Officer of a  
16 corporation is to act, particularly the president,  
17 as a Chief Executive Officer to make day to day  
18 decisions subject to the discretion of the Board of  
19 Directors and the by-laws of the corporation and to  
20 run the operations of the corporation.

21 Q. And as a Director?

22 A. A Director is, at least under Nevada law,  
23 is the people that supervise the Officers of the  
24 company. They owe a fiduciary duty to the  
25 corporation and to the shareholders.

1 Q. Okay.

2 Now my understanding is that according to  
3 the by-laws, Sterling Fiduciary Services, Inc. is  
4 required to have no less than two Directors.

5 Is that correct?

6 A. It is authorized to have two Directors  
7 and up to 14 Directors.

8 Q. Okay.

9 And is there an exception to having less  
10 than two Directors?

11 A. Currently there is a vacancy on the  
12 Board. There is currently - there were two, now  
13 there is one Director and there's a vacancy on the  
14 Board.

15 Q. And that previous Director was Mr.  
16 Manoukian.

17 Correct?

18 A. That's correct. He resigned I believe in  
19 2014.

20 Q. And with regard to Mr. Manoukian's  
21 resignation, my reading of the by-laws indicate that  
22 a Director serves until they are no longer qualified  
23 and replaced when there's a vacancy that is created.

24 And there's one exception under those by-laws and  
25 it's section 3.4. Do you have any recollection of

1 that, would it help if I let you -?

2 A. Well I don't know what section 3.4 says.  
3 We can look at the exhibits if you want. I know  
4 that the Directors serve in their position until  
5 their successors are appointed. However, if a  
6 Director resigns, you know, he's gone.

7 Q. Okay.

8 And once that Director resigns, do the  
9 stockholders step in at any point and have a say in  
10 how business is conducted?

11 A. No, the stockholders elect the Board of  
12 Directors. The Board of Directors then determines  
13 the policy of the corporation and that Board then  
14 directs its Officers to implement that policy.  
15 Given an open position on the Board, either the  
16 shareholders or the remaining Directors can appoint  
17 somebody to that vacant position.

18 Q. So, at this time with one Director in  
19 place, is there any concern that any actions taken  
20 by Sterling Fiduciary Services, Inc. could be deemed  
21 not to have the effect of law because there's only  
22 one Director?

23 A. No, absolutely not. It's a majority vote  
24 of the Directors that are in office and right now  
25 the - my class of Directors have two votes. So, no,

1 there's no question whatsoever.

2 Q. Okay.

3 Also - so, Mr. Manoukian reduced his  
4 number of shares and he transferred them as gifts to  
5 his sons in equal amounts. There's a restriction  
6 that was placed that if I'm not mistaken that his  
7 sons have to seek the approval of Mr. Manoukian  
8 prior to them divesting those - that share of  
9 ownership.

10 Is that correct?

11 A. That's correct.

12 Q. Explain to me why that shouldn't be  
13 considered - that condition or restriction shouldn't  
14 be considered a form of consideration or why it  
15 shouldn't be considered a financial interest as  
16 defined by the Supreme Court?

17 ATTORNEY STEWART: Mr. Chairman, I'm  
18 going to object to that question. It's asking for  
19 legal conclusion from the witness who is here  
20 testifying. All though he is a lawyer, he's not  
21 here to make legal argument. He's here to testify  
22 as a fact witness.

23 ATTORNEY PITRE: I'm just asking for  
24 an explanation. I'm not asking for him to a legal  
25 conclusion. He can say he doesn't know or he would

1 defer until later.

2                    CHAIRMAN: We can deal with that in  
3 briefs.

4                    ATTORNEY STEWART: Well we certainly  
5 could, yes.

6            A. Well as I understand it, the Supreme  
7 Court has said that a financial interest is a  
8 legally enforceable monetary right or claim or an  
9 investment in the Trustee. Well having - it's  
10 similar to a private company where you have three  
11 shareholder and you have a shareholders' agreement.  
12 The shareholders agree not to transfer the stock to  
13 a third party without the consent of the other  
14 shareholders.

15                    Very similar to that, Mr. Manoukian  
16 cannot get any money from that, he doesn't own the  
17 stock, he just has the ability to prevent the kids  
18 from transferring it among themselves or giving it  
19 to somebody else without an approval, maintains the  
20 majority of the stock in the kids but in equal  
21 amounts. And it creates a reasonable structure for  
22 - go forward.

23                    So, I don't see it as a financial  
24 interest at all. He can't benefit from it. It's  
25 similar to, as I said, a privately owned company

1 where people have shareholders agreement when you  
2 transfer stock.

3 BY ATTORNEY PITRE:

4 Q. Would any part - if one of his sons sold  
5 or attempted to sell that stock, who would have a  
6 legally enforceable claim to stop that sale or to  
7 sue as a result of that sale?

8 ATTORNEY STEWART: I have to object to  
9 that question as well. It's calling for, you know,  
10 pure speculation and a hypothetical situation.

11 CHAIRMAN: My response would be your  
12 witness is free to state whatever views including no  
13 view if that's what his position is.

14 ATTORNEY STEWART: Thank you, Mr.  
15 Chairman.

16 CHAIRMAN: If the record is still  
17 confused when we're all finished we can deal with  
18 that in briefs.

19 Okay?

20 A. The parties to that document were the  
21 sons and Mr. Manoukian as well as the corporation.  
22 The corporation would be in breach of contract if it  
23 registered a transfer of that stock on the books and  
24 records of the corporation. Therefore, it seems to  
25 me Mr. Manoukian as well as the corporation and the

1 kids could probably enforce that.

2 BY ATTORNEY PITRE:

3 Q. So, would the Trust have any legal rights  
4 against the Trustee in that regard?

5 A. The Trust - the Trust is an entity that  
6 holds assets for the benefit of the beneficiary.

7 Okay?

8 The only party to that agreement is the  
9 Trustee. It doesn't involve the affairs of the  
10 Trust. It involves the Trustee. So, - and the  
11 Trustee can - the Trust can only act through the  
12 acts of the Trustee in any event. So, the Trust is  
13 an independent legal entity so to speak.

14 Q. Now you talked - you spoke a little bit  
15 earlier about Mr. Manoukian relinquishing or being  
16 removed from some of his duties as a Director and a  
17 stockholder relinquishing some of his shares and  
18 being removed from his duties. As it relates to the  
19 Trust, has Mr. Manoukian completely removed himself  
20 from those decisions or is this on a case by case  
21 scenario?

22 A. I'm not sure -?

23 Q. As far as his duties as - with the  
24 Trustee.

25 A. Well he has no duties to the Trustee.

1 His only interest in the Trustee is he's a 28  
2 percent shareholder.

3 Q. Okay. All right.

4 Can he enter into any agreements on  
5 behalf of the Trustee?

6 A. No.

7 Q. Can he make any decisions on his own on  
8 behalf of the Trustee?

9 A. No.

10 Q. Do you know - could you explain the  
11 fiduciary duties that the Trustee would have to the  
12 Trust?

13 A. Well a Trustee has fiduciary duties to  
14 conform its activities to the instructions that are  
15 within the Trust instrument itself and to conform to  
16 the fiduciary requirements of law which are duties  
17 of loyalty, you know, other duties that the law  
18 imposes upon a Trustee of a Trust. And it's  
19 required to implement the provisions of the Trust  
20 instrument totally.

21 Q. And as a sole Director and the sole  
22 Officer of the Trustee at this stage, you have broad  
23 discretion as it relates to the operation of the  
24 Trustee.

25 Is that correct?

1           A.       I have - I have broad discretion with  
2 respect to the operations of the Trustee.  However,  
3 with respect to anything that involves the Trust, I  
4 can only act in accordance with the terms of the  
5 Trust instrument itself.

6           Q.       Could the stockholders remove you as the  
7 Officer and Director?

8           A.       Yes, majority of stockholders can remove  
9 me at any time.

10          Q.       Does anyone else other than the  
11 stockholders have the authority to remove an Officer  
12 or Director of the Trustee?

13          A.       Could you repeat that question?

14          Q.       Does anyone other than the stockholders  
15 have the authority to remove the - any Director or  
16 Officer of the Trustee?

17          A.       No, not that I'm aware of unless there's  
18 some crazy provisions in Nevada law, if there was a  
19 Board - somebody committed a felony or something and  
20 the Board could kick somebody off but other than  
21 that, no.  Nobody has a right.

22          Q.       Okay.

23                    With regard to the Trust document,  
24 particularly as the Sterling Investors Trust states  
25 in specifically section four, it's entitled Trustee

1 Powers and Administration. Do you have a copy of  
2 that before you?

3 A. Yes.

4 Q. Does a Trustee have the authority to  
5 borrow money, make loans or enter into contracts on  
6 behalf of the Trust?

7 A. The Trustee has extremely broad powers  
8 and basically can take any transactions on behalf of  
9 the Trust that are in accordance with the - with the  
10 Trust.

11 Q. Okay.

12 So, who would execute any contracts or  
13 agreements on behalf of the Trust?

14 A. Well if the Trust - if the Trustee  
15 decided on behalf of the Trust to make an investment  
16 then that investment would be taken in the name of  
17 Sterling Fiduciary Services, Inc. as Trustee of the  
18 Sterling Investors Trust.

19 Q. Okay.

20 So, can the Trustee enter into any  
21 transactions with a fiduciary to buy or sell assets  
22 or to loan or borrow any amounts of money pursuant  
23 to the Trust document?

24 A. I have to read this again. I believe and  
25 I will tell you I haven't read this provision

1 lately. But I believe that the Trustee has  
2 extremely broad powers which would include those  
3 powers.

4 Q. Okay.

5 With regard to the agreement that Mr.  
6 Manoukian signed on July 20th, 2017, in your words,  
7 what is the purpose and the effect of that agreement  
8 when you executed it on behalf of the Trust and the  
9 Trustee and Mr. Manoukian as the settler for the  
10 Trust?

11 A. Well, the purpose of the agreement was to  
12 create some certainty in a binding legal agreement  
13 with respect to future acts by the parties including  
14 the legal obligation which would be enforceable to  
15 fund that Trust by gifts. The legal obligation,  
16 which would be enforceable, to limit the amount of  
17 Trustees fees. The legal obligation, which would be  
18 enforceable, to not borrow money or lend money. And  
19 so we attempted to create a document that clearly  
20 set forth legally binding obligations of the parties  
21 to create certainty as to what those obligations  
22 were and so those parties would perform them in the  
23 future.

24 Q. I'd like to direct your attention to - of  
25 that agreement if you could pull that agreement,

1 please? I believe it's page seven, paragraph three.

2 A. Page seven or section seven?

3 Q. I'm sorry, paragraph seven.

4 A. Okay.

5 Q. I believe you made mention of that  
6 particular term when you were reciting your  
7 testimony to the Board.

8 A. That's correct.

9 Q. And would you - would you mind reading  
10 that into the record, that particular paragraph?

11 A. Sure.

12 Paragraph seven of this document says  
13 loans, settler agrees that neither he nor after his  
14 death his estate will borrow money from or loan  
15 money to the Trust. Trustee agrees that it will not  
16 borrow money from or loan money to the Trust.

17 Q. Now, does this also include the  
18 contacting of any goods or services from the  
19 settler?

20 A. It doesn't address that, no.

21 Q. Does it include contracting - the  
22 contacting of any goods or services from the Trustee  
23 other than those provided as a Trustee?

24 A. No, it doesn't.

25 Q. Would the Trust document limit either one

1 of those from occurring, to your knowledge?

2 A. Well, I think that the language of the  
3 Trustee powers and the Trust document are extremely  
4 broad.

5 Q. Okay.

6 A. Okay.

7 So, I don't believe that it would prevent  
8 it. A more practical perspective in the sense of  
9 the Trustee, the Trustee has agreed to provide its  
10 services as Trustee at cost and that's the fees it  
11 will charge plus whatever the reimbursable expenses  
12 are for that. So, I can't see a Trustee providing  
13 goods or services to a Trust which is controlling.  
14 I don't know how you do that but this is a company  
15 that's a Trustee company. Look at business of  
16 selling goods or anything else, it has its services  
17 which are acting as the Trustee.

18 Q. In the future, could it act in any other  
19 capacities, could it - could it form - could it add  
20 any other purposes?

21 A. Well, I guess it could acquire IBM and  
22 merge or something like that. I mean, I have no  
23 idea. Anything's possible in the future. I will  
24 tell you however that the intent of this was to  
25 create a family Trust company to control the

1 family's Trust. This wasn't some business endeavor  
2 or attempting to make money out of a Trust where the  
3 settler is giving money for the benefit of the kids.  
4 The last thing anybody wants to do is take money out  
5 of that. It's all going to the Stadium investment.

6 Q. So, other than the monies that will be  
7 infused into the Trust, does this also - this  
8 provision also cover the borrowing or loaning of  
9 money from or to any business owned in full or in  
10 part by the settler? Is that what's covered by the  
11 estate?

12 A. Well, I - in this particular legal  
13 language it doesn't necessarily do that, but I will  
14 tell you that there's no intent or desire to have  
15 any affiliated company to Mr. Manoukian start  
16 providing services or doing something that's taking  
17 money out. He can do that himself. He doesn't need  
18 to give money to the Trust, have money come back to  
19 some other company of his.

20 Q. So, the answer is no?

21 A. Excuse me?

22 Q. So, the answer is no that it doesn't  
23 prevent that from occurring?

24 A. I said the precise language of it doesn't  
25 necessarily prevent it.

1 Q. Okay.

2 Other than what's been disclosed as part  
3 of this Category 2 Application process, does the  
4 Trust or the Trustee currently have any contacts,  
5 any promissory notes, any loan agreements or any  
6 type - other type of agreements with Mr. Manoukian  
7 or with any entity in which he has an ownership  
8 interest?

9 A. No.

10 Q. Again, other than what's been disclosed  
11 in the Category 2 Application process, does the  
12 Trust or Trustee currently have any contracts,  
13 promissory notes, loan agreements or any type of  
14 agreement with any person or entity financially  
15 indebted to Mr. Manoukian or to any entity in which  
16 he has an ownership or financial interest?

17 A. No, the only thing that this - the  
18 Trustee and the Trust has done is apply to be an  
19 investor in Stadium Casino.

20 Q. And other than what's been disclosed in  
21 the Category 2 Application, the Stadium Casino  
22 Application, does the Trust or Trustee currently  
23 have any contracts, promissory notes, loan  
24 agreements or any other type of agreements with any  
25 person or entity to whom Mr. Manoukian is directly

1 or indirectly financially indebted?

2 A. No, not except as disclosed in our  
3 application materials.

4 Q. Right, right.

5 A. No.

6 Q. I want to change course now and now talk  
7 about the money that's going to be placed into the  
8 Trust. Do you know or does Mr. Manoukian know the  
9 source that he will utilize to make that \$34 million  
10 gift?

11 A. He has the financial resources available  
12 to do so from multiple sources.

13 Q. Okay. Okay.

14 So, please walk us through the process  
15 and how the gift will be made. Will it be one lump  
16 sum infused at one time, will it be on a schedule to  
17 be infused over different set amount of time or will  
18 it be on an as-needed basis?

19 A. Yeah, I - what the agreement provides as  
20 needed. What will happen, the Stadium Casino  
21 investment contemplates that there will be a hotel  
22 acquired. That hotel will be renovated and built  
23 into casino operation in south Philadelphia. As  
24 that process goes along, all of the partners will be  
25 asked to contribute equity towards that amount and

1 the Trust will contribute its 17 percent of that  
2 equity.

3           So, if what happens in the funding as say  
4 okay, all of that's got to go upfront then everybody  
5 will put their money up front and the gifts will be  
6 made immediately. If the banks and everybody else  
7 say you got to put in one-third, one-third, this is  
8 the schedule, that's what we'll do. That schedule  
9 has not been determined but whatever is needed when  
10 it's needed will be when the gifts are made.

11           Q. Will there be any conditions or  
12 restrictions that attach to the gift?

13           A. No, they're going into a Trust which is  
14 already restricted for the benefit of the kids.

15           Q. And will the funds in whole or in part  
16 emanate from any loans, contracts or agreements with  
17 Greenwood Gaming, Inc.?

18           A. No.

19           Q. Will or do the funds in whole or in part  
20 emanate from any loans, contracts or agreements with  
21 any of the Greenwood affiliates or subsidiaries?

22           A. No.

23           Q. Will or do the funds in whole or in part  
24 emanate from any loans, contracts or agreements with  
25 any subsidiaries of Greenwood's affiliates?

1 A. No.

2 Q. Will or do the funds in whole or in part  
3 emanate from any loans, contracts or agreements with  
4 any of Greenwood's or of Stadium Casino's Principals  
5 other than Mr. Manoukian?

6 A. No.

7 Q. Or any businesses owned by those  
8 Principals in whole or in part?

9 A. Not that I'm aware of, no.

10 Q. Okay.

11 CHAIRMAN: The witness try to keep his  
12 voice up, please.

13 THE WITNESS: Excuse me.

14 CHAIRMAN: If you keep your voice up  
15 when you answer a question?

16 THE WITNESS: I'm sorry. I apologize.

17 CHAIRMAN: That's okay.

18 BY ATTORNEY PITRE:

19 Q. Will or do any of the funds that will be  
20 used or infused as a gift in whole or in part result  
21 from any encumbrance or refinancing transaction  
22 involving Greenwood Racing, Inc. or any of its  
23 affiliates, subsidiaries or subsidiaries of any  
24 Greenwood affiliates?

25 A. No.

1 Q. Other than what's in this record  
2 regarding the Stadium Casino project, will there be  
3 any benefit returned to Mr. Manoukian from the \$34  
4 gift to Sterling Investors Trust?

5 A. Other than to see happy sons, no.

6 Q. Okay.

7 And other than what's in the record  
8 regarding the Stadium Casino project, will Mr.  
9 Manoukian or Greenwood Gaming or any of its  
10 affiliates or subsidiaries retain any legally  
11 enforceable monetary right or claim to the \$34  
12 million gift to Sterling Investors Trust?

13 A. No, except for the fact it'll be invested  
14 in a casino which they own part of.

15 Q. Right, other than what we're talking  
16 about here today.

17 A. No.

18 Q. Okay.

19 And are the Sterling Trust beneficiaries  
20 and the Sterling Fiduciary Services, Inc.  
21 stockholders aside from Mr. Manoukian in agreement  
22 with the July 20th, 2017 agreement?

23 A. Yes, they've executed written consent  
24 which you have on the record.

25 Q. Okay.

1                   Is Greenwood Racing Inc. required to  
2 convert, and Mark, maybe you can answer this, I  
3 think I already know the answer but I want to get it  
4 on for the record, required to convert the pre  
5 licensure or loan to Stadium Casino, LLC into an  
6 equity interest after the Category 2 License is  
7 issued by the Board?

8           A.       Yes.

9                   ATTORNEY STEWART: Yes.

10          A.       Yes.

11                   ATTORNEY PITRE: They are required to  
12 do that?

13                   ATTORNEY STEWART: Yes.

14 BY ATTORNEY PITRE:

15           Q.       Can either or both of you commit that  
16 they will do that today here on the record?

17           A.       Absolutely. Otherwise if we don't, I  
18 assume that the Board will decide that they want to  
19 conduct an investigation on 1330.

20                   ATTORNEY PITRE: That concludes my  
21 questioning.

22                   CHAIRMAN: Thank you.

23                   That means you have no questions for  
24 Mr. Manoukian either at this point?

25                   ATTORNEY PITRE: No, he answered ---

1 all the questions have been answered.

2 CHAIRMAN: Fine.

3 Subject to what I stated at the  
4 beginning, I would allow Counsel for Market East to  
5 ask any questions within the narrow confines of what  
6 we're discussing here today. Who's Counsel for  
7 Market East?

8 ATTORNEY ARTH: Gerald Arth.

9 CHAIRMAN: Please come forward. Just  
10 identify yourself for the record.

11 ATTORNEY ARMSTRONG: Gerald Arth from  
12 Fox Rothschild for Market East Associates, LLP. We  
13 have no questions of either of these witnesses.

14 CHAIRMAN: Sorry to make your walk  
15 forward but thank you for the record.

16 At this point, are there any questions  
17 from the Board or Ex-Officio members?

18 CHAIRMAN: Mr. Everett, I don't know  
19 if you or perhaps Mr. Stewart is best to answer the  
20 question, can you tell me - tell us how old are the  
21 three children of Mr. Manoukian?

22 THE WITNESS: They're all adults.  
23 They range in age from what -?

24 MR. MANOUKIAN: Twenty-two (22) and a  
25 half, 27 and a half, 29 and a half and 31 and a

1 half.

2 CHAIRMAN: Are they - any of them  
3 married, sir?

4 MR. MANOUKIAN: My daughter is going  
5 to get married next year. That's another adventure  
6 coming down the road.

7 THE WITNESS: The sons are not  
8 married.

9 MR. MANOUKIAN: The sons are not  
10 married, no.

11 CHAIRMAN: Mr. Everett, will this  
12 trust have any other assets besides those connected  
13 with this project?

14 THE WITNESS: At this time, this Trust  
15 is designed to hold this asset as a discreet Trust  
16 bearing asset. It wasn't intended to be a broad  
17 Trust with respect to all sorts of other ones,  
18 because of the gaming requirements and licensing, et  
19 cetera. So, at this time I anticipate it will be  
20 solely for this investment.

21 CHAIRMAN: Perhaps in a way this  
22 question's been answered but I'll ask it anyway, Mr.  
23 Manoukian gifted 72 percent of the shares of the  
24 Trustee. Why did he retain 28 percent exactly? Can  
25 you tell us?

1                   THE WITNESS: The 72 percent gives the  
2 kids if they work unanimously to do anything they  
3 want. They can change the Officers and Directors of  
4 the Trustee, they could fire me the next day,  
5 whatever they want to do. But two kids can't gang  
6 up on a third kid and the father is there while he's  
7 alive is a buffer to prevent that. He doesn't have  
8 control at all but it was done so they had equal  
9 interest at the same time. It prevented things from  
10 getting out of hand.

11                   CHAIRMAN: Okay.

12                   Finally, I'm not sure going forward  
13 what relevance this has, but it's interesting to me  
14 that Mr. Manoukian resigned as Director some years  
15 ago and no replacement has been accomplished. Can  
16 you tell the Board why not?

17                   THE WITNESS: Well as I said, the  
18 purpose of this Trust is to make this investment.  
19 Frankly, we've been granted the License been we've  
20 been in litigation for three years. Very difficult  
21 to determine who you want as a director with respect  
22 to something that may not occur and which is in the  
23 middle of litigation. So, there was really no  
24 reason to start and recruit and determine a third  
25 person and go through the qualification requirements

1 with the Board that would be required for that. We  
2 don't even know if we have a License.

3 CHAIRMAN: Okay. That's all I have,  
4 Mr. Chairman.

5 CHAIRMAN: Nothing?

6 MR. JEWELL: One question for Mr.  
7 Manoukian and that is this has been testified to in  
8 part but I just want to make sure to clarify for the  
9 record, there are no agreements either oral or  
10 written between either your children as an entity or  
11 even an individual child side agreement that you  
12 could in any way benefit and have monies passed back  
13 from you from the ownership of Stadium?

14 MR. MANOUKIAN: Absolutely not.

15 MR. JEWELL: Thank you.

16 MR. MANOUKIAN: Thank you.

17 MR. LOGAN: I have none, Mr. Chairman.

18 CHAIRMAN: Ex-Officios, anyone? Mr.  
19 Craig?

20 MR. CRAIG: Just for the record, my  
21 name is Christopher Craig, I'm Chief Counsel of  
22 Pennsylvania Treasury Department. I represent the  
23 Treasurer Joseph Torsella and one of our roles is  
24 that we're the sole custodian of all gaming funds  
25 and we monitor that and make sure it's proper and

1 prudent investment and to see that funds are  
2 available for the priorities of the commonwealth as  
3 a legislator has intended.

4 So, we have an interest in seeking the  
5 health and so I just have a - just a couple  
6 questions that really reflect my lack of  
7 understanding of some of the transaction.

8 If I understand it, it was - it's the  
9 total commitment is \$34 million is it of the Trust?

10 THE WITNESS: Yeah.

11 That's the total capital commitment.  
12 Now what is the total commitment of the Trust to the  
13 casino development?

14 THE WITNESS: That's its pro rata  
15 share of the commitment to the development.

16 MR. CRAIG: So, in theory, \$34 in  
17 sufficient?

18 THE WITNESS: Right

19 MR. CRAIG: If the development were to  
20 undergo additional delays or if there were increased  
21 cost of instruction, et cetera, would there be any  
22 additional expectation or capital commitment  
23 required from the Trust?

24 THE WITNESS: Well, Mr. Manoukian -  
25 we've talked about this, Mr. Manoukian has told me

1 that if there's an agreement that the, you know,  
2 Principals have to contribute or we will gift more.

3 MR. CRAIG: Understood.

4 ATTORNEY STEWART: Is that correct,  
5 Mr. Manoukian?

6 MR. MANOUKIAN: Absolutely. Of  
7 course.

8 MR. CRAIG: But again, any additional  
9 commitment would still be subject to the terms of  
10 the - of the Trust in which Mr. Manoukian wouldn't  
11 have any control or pecuniary interest.

12 THE WITNESS: That's right.

13 MR. CRAIG: I think that was the other  
14 term the court used to describe it. It was a  
15 pecuniary interest. I guess - but the Trustee's  
16 rule again just so that I'm clear is strictly that  
17 of fiduciary. It's to ensure that the Trust is  
18 properly executed and that the transactions of the  
19 Trust are handled with extreme loyalty to the  
20 beneficiaries?

21 THE WITNESS: Absolutely.

22 MR. CRAIG: That's all Mr. Chairman.  
23 Thank you.

24 CHAIRMAN: Thank you.

25 Other Ex-Officio questions?



1 (Whereupon, Stadium Remand Exhibit 8, Affidavit,  
2 was admitted.)

3 ---

4 ATTORNEY STEWART: Thank you.

5 CHAIRMAN: Enforcement Counsel, do you  
6 have any summary comments?

7 ATTORNEY STEWART: Oh, I'm sorry. I  
8 want to do that.

9 CHAIRMAN: Oh, I'm sorry.

10 ATTORNEY STEWART: I just wanted to  
11 get that in there.

12 CHAIRMAN: You paused.

13 ATTORNEY STEWART: Thank you.

14 CHAIRMAN: That was your mistake.

15 ATTORNEY STEWART: The issues remanded  
16 to the Board were very narrow. And really it's  
17 really just one. Does Mr. Manoukian have a  
18 financial interest as defined by the court in  
19 Sterling Fiduciary Services or the Trust? The  
20 evidence is overwhelmingly clear that he does not.  
21 The shares have been gifted. The money will be  
22 gifted. If there are additional monies required  
23 they will also be gifted. There is no financial  
24 interest and compliance with 1330 is complete.

25 Thank you.

1                    CHAIRMAN: Thank you.

2                    Enforcement Counsel?

3                    ATTORNEY PITRE: Enforcement Counsel  
4 would move to - it's exhibits A through G in to the  
5 record. They have been provided to Ms. Lewis and to  
6 opposing counsel and to Market East.

7                    ---

8                    (Whereupon, Stadium Remand Exhibit A, Sterling  
9 Investors Trust, was marked for identification.)

10                   (Whereupon, OEC Exhibit B, By-Laws of Sterling  
11 Fiduciary Services, was marked for  
12 identification.)

13                   (Whereupon, OEC Exhibit C, Written Consent of  
14 Board Directors of Sterling, was marked for  
15 identification.)

16                   (Whereupon, OEC Exhibit D, Agreement Restricting  
17 Transfer of Shares, was marked for  
18 identification.)

19                   (Whereupon, OEC Exhibit E, Assignment Separate  
20 from Certificate, was marked for identification.)

21                   (Whereupon, OEC Exhibit F, Written Consent of  
22 Sole Director of Sterling, was marked for  
23 identification.)

24                   (Whereupon, OEC Exhibit G, Agreement, was marked  
25 for identification.)

1 ---

2 ATTORNEY PITRE: We'd ask that those  
3 be moved into the record.

4 CHAIRMAN: So moved.

5 ---

6 (Whereupon, Stadium Remand Exhibit A, Sterling  
7 Investors Trust, was admitted.)

8 (Whereupon, OEC Exhibit B, By-Laws of Sterling  
9 Fiduciary Services, was admitted.)

10 (Whereupon, OEC Exhibit C, Written Consent of  
11 Board Directors of Sterling, was admitted.)

12 (Whereupon, OEC Exhibit D, Agreement Restricting  
13 Transfer of Shares, was admitted.)

14 (Whereupon, OEC Exhibit E, Assignment Separate  
15 from Certificate, was admitted.)

16 (Whereupon, OEC Exhibit F, Written Consent of  
17 Sole Director of Sterling, was admitted.)

18 (Whereupon, OEC Exhibit G, Agreement, was  
19 admitted.)

20 ATTORNEY PITRE: In OEC's opinion,  
21 Section 1330 of the Pennsylvania Race Horse  
22 Development and Gaming Act contains both an  
23 eligibility and a compliance provision.  
24 Pennsylvania Supreme Court has determined that  
25 Stadium Casino is an eligible Category 2 Applicant

1 and there are no current eligibility issues under  
2 the Act which we must consider at this time.

3           The issues of whether or not Stadium  
4 Casino meets the ownership and financial interests  
5 requirements under Section 1330 are compliance  
6 provisions. As such, Section 1330 allows for the  
7 divestiture of any ownership or financial interest  
8 not in compliance with this Section and also gives  
9 the Board the authority to approve the terms and  
10 conditions of any of divestiture of ownership or  
11 financial interest greater than 33.3 percent.

12           Additionally, the Section provides  
13 that no Slot Machine Licensee Applicant shall be  
14 issued a Slot Machine License until the Applicant  
15 has completely divested its ownership or financial  
16 interest that is in excess of 33.3 percent in  
17 another Slot Machine Licensee. This Section does  
18 not disqualify or make ineligible a Slot Machine  
19 Applicant but allows the Applicant to come into full  
20 compliance if it is discovered to not be in  
21 compliance of the ownership or financial interest of  
22 1330.

23           The testimony and situation today is  
24 no different than any other issues involving Section  
25 1330 that we've dealt with in the past with changes

1 of control and of renewals of Licenses. As the  
2 Board is aware, we have a few casinos that have  
3 persons with ownership and financial interest in  
4 more than one Slot Machine Licensee. We constantly  
5 and tediously monitor and review financial  
6 transactions, agreements and changes in ownership  
7 percentages for all our Slot Machine Licensees and  
8 we've done the same thing for Stadium throughout  
9 this ordeal to ensure that they maintain compliance  
10 with Section 1330.

11 I don't know if the Board recalls, a  
12 couple of years ago there was a refinancing that  
13 Parx went through. We went through those documents.

14 We reached stipulations with Parx with regard to  
15 those matters on Stadium. We've been receiving  
16 information regarding the disbursements and the  
17 expenses as it relates to stadium. So, that's an  
18 ongoing monitoring that occurs with every Licensee  
19 and with every pending applicant for a Slot Machine  
20 License.

21 With each filing of every Category 1,  
22 2 and 3 Renewal Application, we take a complete look  
23 at not only the current ownership and financial  
24 interest but also what has occurred over the renewal  
25 period. If at any time a Bureau or an office within

1 the PGCB questions whether a Licensee or Applicant  
2 is out of compliance with Section 1330, a referral  
3 is made to our office and an investigation and  
4 review is conducted.

5           So, with that said, Mr. Manoukian and  
6 Mr. Everett have been Licensed Principals in good  
7 standing with the Board for quite some time. I have  
8 no reason to doubt their testimony and I'm  
9 encouraged by it. However, it will be recommended  
10 and requested that subsequent to a final  
11 adjudication of this matter and prior to the Board  
12 issuing any Category 2 License to Stadium, that the  
13 BIE and Office of Enforcement Counsel (OEC) be given  
14 ample opportunity and time to review and trace the  
15 source of any funds that will be used by or for  
16 Stadium Casino to build a Philadelphia casino  
17 project.

18           This includes a review of all related  
19 affiliates, Principals and subsidiaries to ensure  
20 the Applicant remains in full compliance with  
21 Section 1330 of the Act prior to issuing the  
22 License. And we request that a special statement of  
23 condition of licensure be memorialized to ensure  
24 that any subsequent review after licensure entail  
25 that synopsis.

1                   With that, the OEC has - is open to  
2 any questions the Board may have and we conclude our  
3 testimony.

4                   CHAIRMAN: Thank you very much.

5                   MR. SPRAGUE: Mr. Chairman, may I put  
6 on the record, -.

7                   CHAIRMAN: We're in the middle of a -  
8 Mr. Sprague, - Mr. Sprague, we're in the middle of a  
9 proceeding. No one has called upon you. You should  
10 remain there if you wish and let us conduct our  
11 proceeding and before the gavel comes down at the  
12 end of this proceeding, I will address you at that  
13 time.

14                   MR. SPRAGUE: Then I can -.

15                   CHAIRMAN: That's it.

16                   MR. SPRAGUE: I just want to put on  
17 the record that -.

18                   CHAIRMAN: That is it for now, we will  
19 deal with it when we get to that point in these  
20 proceedings.

21                   MR. SPRAGUE: Before you close, Mr.  
22 Chairman, -.

23                   CHAIRMAN: I will have a comment to  
24 make and you will be able to react thereto.

25                   MR. SPRAGUE: Thank you.

1                    CHAIRMAN: Market East, having heard  
2 all of this, do you have any final comments in this  
3 matter?

4                    ATTORNEY ARTH: Market East will  
5 reserve its comments for the post-hearing  
6 memorandum.

7                    CHAIRMAN: Thank you very much.  
8 Are there any other final comments  
9 from the Board or Ex-Officio members?

10                    Okay.

11                    We're going to be - I'm going to make  
12 a motion shortly to conclude today's hearing and the  
13 next scheduled public hearing will be held on  
14 Wednesday, August 9th which will begin at ten  
15 o'clock in this room. As far as your desire to  
16 speak to the Board or communicate with the Board,  
17 Mr. Sprague, I would suggest that you file whatever  
18 you have to say no later than this Wednesday which  
19 will then allow other parties who have until this  
20 Friday to file their briefs. And other than that,  
21 we are not going to take any testimony or argument  
22 from you at this time.

23                    MR. SPRAGUE: I don't propose to  
24 argue, Mr. Chairman, I just wanted to put on the  
25 record what my motion would have been.

1                    CHAIRMAN: I think you should submit  
2 that on Wednesday so we know what it was. Thank you  
3 very much.

4                    Okay, then.

5                    So, the next meeting will be next  
6 Wednesday, August 9th at ten o'clock. At this time  
7 I would entertain a motion to adjourn the meeting.

8                    MR. RYAN: So moved.

9                    CHAIRMAN: Second?

10                   MR. MOSCATO: Second.

11                   CHAIRMAN: All in favor?

12 AYES RESPOND

13                   CHAIRMAN: All opposed?

14                   The motion is adopted.

15                   The meeting is adjourned. Thank you  
16 all for your time. Thanks for coming in.

17

18                   \* \* \* \* \*

19                   HEARING CONCLUDED AT 3:00 P.M.

20                   \* \* \* \* \*

21

22

23

24

25

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

CERTIFICATE

I hereby certify that the foregoing proceedings,  
hearing held before Chair Barasch was reported by me  
on 7/31/2017 and that I, Adam Beck, read this  
transcript, and that I attest that this transcript is  
a true and accurate record of the proceeding.



Adam Beck

Court Reporter