

**COMMONWEALTH OF PENNSYLVANIA
BEFORE THE PENNSYLVANIA GAMING CONTROL BOARD**

**IN RE APPLICATION OF
PA GAMING VENTURES, LLC
FOR A CATEGORY 2 SLOT
MACHINE LICENSE**

PGCB Docket No: 3098-2013

Filed By: PA Gaming Ventures, LLC,
Applicant for Category 2 Slot Machine
License

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**POST-HEARING BRIEF
OF PA GAMING VENTURES, LLC**

Pursuant to section 441a.7(u) of Title 58 of the Pennsylvania Code, setting forth the Rules and Regulations of the Pennsylvania Gaming Control Board (the "Board"), Applicant PA Gaming Ventures, LLC ("PAGV") respectfully submits this Post-Hearing Brief in support of its Application for a Category 2 Slot Machine License.

I. INTRODUCTION

As demonstrated during its January 28, 2014 licensing hearing and in the clear and convincing evidence that comprises the record of its application, PAGV meets each of the eligibility criteria for a Category 2 slot machine license. See 4 Pa. C.S. §§ 1304, 1325(b); 58 Pa. Code § 441a.7(e). PAGV has also shown that it satisfies the suitability requirements of the Gaming Act and related regulations, including those for character, honesty, and integrity,

financial fitness, and operational viability. See generally id. at § 441a.7(f); Transcript of PAGV Licensing Hearing, dated Jan. 28, 2014, at 137:7 – 141:9 (testimony of Susan Hensel, Rich O’Neil, and Paul Mauro). PAGV has established that its proposal to build and operate the Hollywood Casino Philadelphia includes a highly experienced management team that knows how to design, build, and operate a successful casino and a non-profit corporation that exists solely to provide additional benefits to the education and pension funds of the City of Philadelphia. As such, PAGV best fulfills the goals of the Gaming Act by, among other things, generating additional revenues for the Commonwealth and City of Philadelphia, while also creating quality, permanent jobs and enhancing the tourism and event facilities already located near PAGV’s proposed site.

Rather than restate facts already readily available in the official record of its application, PAGV focuses this Post-Hearing Brief on the strengths of PAGV’s proposed Hollywood Casino Philadelphia and the specific issues raised by members of the Board during PAGV’s licensing hearing, especially questions regarding PAGV’s proposed location, its commitment to the local community, and its ownership structure.

In response to the Board’s concern regarding saturation in the Philadelphia gaming market, PAGV emphasizes that it intends to build and operate the Hollywood Casino Philadelphia at an *ideal location* for a second Philadelphia casino. PAGV’s casino at 7th Avenue and Packer Avenue will grow the gaming market and increase revenue primarily by increasing the convenience and access for potential patrons. These are time- and market-tested paths to credible and reliable growth.

The superiority of PAGV’s location will be further enhanced by PAGV’s *commitment to the surrounding community*. PAGV, for example, is unconditionally committed to

improvements in local transportation infrastructure and services that will ease traffic concerns for both the residents of the Stadium District and the millions of annual visitors to the multiple sports and entertainment venues in the area. The building and operation of the Hollywood Casino Philadelphia will also have a minimal negative impact on the residential communities given the distance between the casino and people's homes.

Lastly, PAGV's *ownership structure* provides stability, strength, and experience, as well as an opportunity to further benefit the citizens of Philadelphia above and beyond the revenue already due to the City. Penn National Gaming, Inc. ("Penn"), for example, brings significant financial resources, a strong balance sheet, and established record of constructing stand-alone casinos on time and on budget. No other applicant can demonstrate the depth and breadth of experience that Penn brings, especially with regard to competitive markets. Penn also has a history of making investments and improvements in its facilities when market conditions demand them. Penn's dedication to and record of compliance with gaming regulations is unparalleled. In sum, Penn's history of accomplishments provides assurance that, if PAGV were awarded the slot machine license, it will successfully deliver on its promises. Additionally, PAGV's ownership includes the Philadelphia Casino Benefit Corporation ("PCBC"), an entity that exists solely for the purpose of receiving profits from the operation of the Hollywood Casino Philadelphia and distributing them back to the community. The governing corporate documents, combined with the oversight and authority that the Board may exercise pursuant to Gaming Act, its own regulations, and the Special Conditions to which PAGV has already agreed, make clear that PCBC will responsibly fulfill its singular mission of providing additional funds to the school and pension funds of Philadelphia.

II. ANALYSIS OF THE ISSUES RAISED BY THE BOARD AT PAGV'S LICENSING HEARING.

A. The Proposed Location of the Hollywood Casino Philadelphia is Optimal to Grow the Gaming Market and Mitigate Adverse Effects on Existing Facilities.

The Hollywood Casino Philadelphia will grow the area's gaming market; it will not simply cannibalize revenues from existing Pennsylvania operators. Indeed, it was this opportunity that attracted PAGV to its proposed site location in Philadelphia's Stadium District.

The location and planned marketing strategy will allow Hollywood Casino Philadelphia to create new gaming patrons in the region and to import patrons from proximate states, all of which will grow the market more than any other applicant. First, by cross-marketing with and planning around the live sporting and concert events in the area, PAGV will be able to attract visitors who may never otherwise visit a Pennsylvania casino. The plentiful and convenient event-day parking that will be made available at the Hollywood Casino to all area patrons, for example, will attract them to visit the casino both before and after the events. Second, the location right off the Walt Whitman Bridge will create a new gaming market in Pennsylvania comprised of Southern New Jersey residents who will now find it more convenient to visit PAGV's facility than to drive to Atlantic City, as they have historically done. Lastly, PAGV is best positioned to grow the market because of its ability to market to the 4.3 million active casino gamers in its customer database, 2.7 million of whom live within a short flight or drive of Philadelphia. See Tr. at 24:25 – 26:2; 105:19 – 107:9. Cross-marketing the casino and area special events to these customers will lead to increased visitation and market growth that will benefit the region and the Commonwealth while ensuring that the casino meets its revenue projections.

No one can argue that a second Philadelphia casino will not have any negative impact on existing operators. PAGV, however, has demonstrated that its location and marketing strategies will ensure that Hollywood Casino Philadelphia will have the least negative impact on existing Pennsylvania casinos of the five proposals, while growing the market and bringing new revenue to the Commonwealth.

B. PAGV is Committed to the Local and Surrounding Communities.

1. PAGV has made an unconditional commitment to improve the transit system and infrastructure.

As made plain during the January 28 licensing hearing, see Tr. at 22:1-16; 55:6-16 (responding to questions from Comm'r. Fajt), PAGV unequivocally states that, if it is awarded the Category 2 slot machine license, it will fund and complete an access ramp to west-bound Interstate 76. PAGV's expert analysis has projected the cost of the proposed on-ramp to be around \$3 million, and PAGV understands that the actual cost may vary based on variables that, at this preliminary stage, have not been determined, including, for example, permitting and structural requirements. PAGV's promise, however, is unconditional. It will construct the proposed ramp, regardless of its actual cost. While other applicants have made post-application suggestions that they, too, would consider building a ramp, only PAGV has made an unconditional infrastructure commitment.

Moreover, PAGV expects its cross-marketing strategies with live sporting and concert events in the area and event-day parking incentives will attract patrons to visit Hollywood Casino Philadelphia before and after the events. Its proposal, therefore, includes a commitment to enhance pedestrian accommodations surrounding the site, including the construction of a new neighborhood friendly sidewalk on Darien Street from Packer Avenue south to the newly constructed sidewalk adjacent to Citizens Bank Park.

In addition to the significant improvement to the local infrastructure, PAGV, if licensed, will pay for and provide trolley or shuttle transportation services between SEPTA's subway station (i.e., AT&T Station located at Pattison Avenue and Broad Street) and Hollywood Casino Philadelphia. Admittedly, there was testimony during the January 28 hearing suggesting that PAGV did not intend to provide this service and would focus instead exclusively on increasing the ease of access to the casino by motor vehicle. See Tr. at 102:10-23 (responding to questions from Comm'r. Woods). This confusion was the result of a miscommunication between PennDOT and PAGV's traffic engineers, Pennoni Associates, concerning the minutes of an April 26, 2013 meeting, during which Pennoni purportedly indicated that, in fact, PAGV would provide transportation between the subway and the facility. Whatever the source and nature of these miscommunications, the fact is that, as with the I-76 access ramp, PAGV is now unequivocally and unconditionally committed to providing transportation to those patrons who come to the Hollywood Casino Philadelphia by SEPTA's Broad Street subway line. Tr. at 131:3-6 (Testimony of Timothy J. Wilmott).

2. Construction and operation of the Hollywood Casino Philadelphia will not negatively affect residential communities.

PAGV recognizes that the Hollywood Casino Philadelphia, in addition to being an entertainment and gaming venue for the Philadelphia and nearby area, will also be a neighbor to the surrounding community. Since the beginning of its application process, therefore, PAGV has taken seriously its obligation to communicate with the South Philadelphia residents living near the proposed site. See, e.g., 4 Pa. C.S. § 1325(c)(8); 58 Pa. Code. § 441a.7(9). The unconditional commitment to build the west-bound I-76 access ramp, for example, is a direct result of PAGV's conversations with representatives of the local area's special-services district, Sports Complex Special Services District. This one project resolves the current traffic patterns

that take visitors to the area (including the millions who attend Eagles, Phillies, Flyers, 76ers, and live music events) down Packer Avenue to Broad Street and to the existing I-76 WB access. See, e.g., Tr. at 135:23 – 136:11 (testimony of Francis Hanney, Traffic Services Manager, PennDOT). Additionally, PAGV has communicated with and provided information to those most interested in its project via direct mailings and social media tools.

Importantly, while nearly 1,500 households are proximate to the proposed Hollywood Casino Philadelphia, none of the residential homes are adjacent to our facility. In fact, the closest residential dwelling is approximately a half mile away from the proposed facility. Accordingly, construction and operation of the casino will not have a measureable adverse impact on those City residents closest to the facility.

C. PAGV's Ownership Structure, Including Penn and PCBC, Brings an Experienced Developer and Operator and a Unique Opportunity to Support Local Interests.

1. The Hollywood Casino Philadelphia will be managed by Penn

Penn is the largest, most experienced developer and operator of regional casino facilities in the country. Pursuant to the Management Services Agreement between Penn and PAGV, Penn would be responsible for the management and operation of the Hollywood Casino Philadelphia. In that capacity, Penn would handle, *inter alia*, (1) general operational supervision and guidance, (2) quality control and inspection, (3) supervision and support of employee hiring and training, (4) marketing, sales and promotional coordination, (5) operating performance measurements and evaluations, (6) coordination of project renovations, and (7) procurement and installation of gaming equipment and management systems and other information technology, (8) any other management services specified in the Board's regulations. See, e.g., 58 Pa. Code §440a.5(f); Amended and Restated Limited Liability Company Operating Agreement of PA

Gaming Ventures, LLC (attached as Exhibit 7A to the Office of Enforcement Counsel Background Investigation Reports for PAGV) § 4.2.

Penn's extensive role in managing the casino is a strength of PAGV's proposal given Penn's vast experience in marketing, responsible gaming, casino operations, regulatory compliance, security and surveillance systems, and accounting and internal controls and procedures. Moreover, Penn acknowledges that the Management Services Agreement is subject to approval by the Board should PAGV be so fortunate as to be selected as the operator of the Philadelphia Category 2 casino facility.

(a) *PAGV and Penn have the resources to insure that the Hollywood Casino Philadelphia is built and opens as proposed.*

As recognized by Commission Fajt, see Tr. at 43:24 – 48:18, Penn currently has a development pipeline which includes both approved and pending projects, including:

Approved:

- Dayton, Ohio
- Youngstown, Ohio
- Zia Park Hotel, New Mexico

Pending:

- Jamul Development
- Philadelphia Proposal
- Massachusetts Proposal
- Valley View (Lawrence County)

To provide sufficient funding for these projects, Penn maintains operating cash balances, free cash flows from operations during the period, a \$500 million revolving credit facility (of which \$477 million is currently available), and additional borrowing capacity under existing debt agreements to draw upon.

Penn, of course, would be delighted to be awarded final approval on all of the pending projects. It is possible, however, that Penn is not awarded final approvals for all of the projects

in the pending category. In any case, the attached sources and uses schedule assumes that Penn is awarded final approvals for each of the above listed projects. See Penn National Gaming Sources and Uses Schedule with Supplement, attached as Attachment A. The schedule projects ample resources to fund these projects without incurring additional debt under Penn's existing debt agreements. Obviously, if some of the projects do not come to fruition, Penn would have even further latitude in capital than this analysis describes.

(b) *PAGV and Penn are prepared and able to make additional investments and improvements to the Hollywood Casino Philadelphia as market conditions warrant.*

PAGV projects that the construction and operation of Phase 1 of the Hollywood Casino Philadelphia will provide an initial economic impact of \$446 million and will generate \$597 million in annual revenue to the Commonwealth. Tr. at 23:19 – 24:7. These millions of dollars in tax revenue and added income to state and City employees do not take into account the hotel, additional slots and parking, or increased event space that would be part of Phase 2.

As explained during the licensing hearing, PAGV will not give irresponsible assurances that it will build Phase 2. Tr. at 56:1-22 (responding to questions of Comm'r Fajt); 109:17 – 110:20 (responding to questions of Chairman Ryan). The market environment, especially sufficient demand for the added services and space, will dictate whether such an investment makes sense for PAGV and the citizens of the Commonwealth. PAGV, however, can represent that its proposal to expand and improve upon its initial proposal is not merely an empty promise. In fact, Penn, part owner of PAGV and proposed operator of the Hollywood Casino Philadelphia, has a documented history of making significant capital expenditures at its facilities when economically warranted.

For example, at the Hollywood Casino at Charles Town Races in Charles Town, West Virginia, Penn has been continuously expanding the casino, customer amenities, and employee-

support facilities for approximately the last 10 years. Specifically, Penn increased the size of the casino in strategic demand-generated stages up to 5,000 slot machines. It has also added a 153-room hotel to support demand from outer-market segments; structured and surface parking to maintain an effective parking plan; dining and entertainment options to support expanded casino operation; restaurants, food court, buffet, sports bar and entertainment stage/bar; and employee facilities to support expanded work force.

At the Zia Park Casino and Raceway in Hobbs, New Mexico, Penn recognized an opportunity to better cater to outer-market demand and began building a 150-room hotel, which is currently under construction. It also responded to strong, growing market and customer feedback by adding a steak house dining option.

In Lawrenceburg, Indiana, the slots and tables on the existing riverboat were insufficient to meet customer demand. Penn responded to these market conditions by designing and constructing a new and expanded gaming vessel and rebranding the facility as a Hollywood Casino. Parking facilities, dining and entertainment options, and employee facilities were all expanded to support the larger casino.

Additionally, since 2008, growth of gaming into new jurisdictions has provided Penn multiple opportunities to develop full scale casino facilities and expand its gaming and racing businesses into the following locations:

- Hollywood Casino at Penn National Race Course, Grantville, PA 2008
- Hollywood Casino, Hotel and Racing, Bangor, ME 2008
- Hollywood Casino Perryville, Perryville, MD 2010
- Hollywood Casino at Kansas Speedway, Kansas City, KS 2012
- Hollywood Casino Toledo, Toledo, OH 2012
- Hollywood Casino Columbus, Columbus, OH 2012

In sum, PAGV's proposal is rightly sized for the current gaming environment and market conditions in Philadelphia. If, however, these conditions change such that Phase 2 of the proposal becomes economically warranted, the Board, the Commonwealth, and the City should rest assured that PAGV has the vision to recognize the opportunity, the resources and resolution to take advantage of it, and the experience to implement it.

(c) *PAGV's proposal, backed by the experience and record of Penn, assures responsible gaming and regulatory compliance at the Hollywood casino Philadelphia.*

(i) PAGV and its operator, Penn, will promote and protect responsible gaming.

Penn presently owns and operates 26 racing and gaming facilities in 17 jurisdictions. Its determination to promote safe and responsible gaming, however, starts at the corporate level. See Tr. at 117:4-22 (responding to questions of Comm'r Kaiser). Penn follows the American Gaming Association's Code of Conduct for Responsible Gaming. In accordance with the Code, Penn's Responsible Gaming Program establishes policies and procedures that address:

- Problem/Compulsive Gambling
- Responsible Alcohol Service
- Unattended Minors
- Underage Gambling

Oversight of the Corporate Responsible Gaming Program is the responsibility of the Corporate Responsible Gaming Committee. The Committee meets regularly, is chaired by the Chief Operating Officer, and consists of the Senior Vice Presidents of Regional Operations, Legal, Human Resources, Compliance and Internal Audit, among others.

In addition to the corporate leadership, each individual Penn property maintains its own Responsible Gaming Committee. These local committees include the property's General

Manager and key department heads. The Property Responsible Gaming Committee is responsible for:

- Developing written, property-specific responsible gaming policies and programs in accordance with the Code and the Penn Corporate standards;
- Ensuring staff is properly trained on their duties and responsibilities concerning the Program;
- Monitoring compliance with the program; and
- Making quarterly reports to the Penn Corporate Responsible Gaming Committee, describing ongoing compliance with the program and any changes to the program, and summarizing any significant responsible gaming issues.

A Property Responsible Gaming Committee will be established at the Hollywood Casino Philadelphia.

Each Penn casino property also maintains a self-exclusion program, financial-restriction program, and a no-mail program. Patrons who may be experiencing issues with gambling can enroll in these programs to help better understand those issues and obtain assistance if necessary. In addition, Hollywood Casino Philadelphia will be integrated into Penn's Marquee Rewards player-card system; a Rewards patron who self excludes themselves in one state will be excluded from all Penn casinos using Marquee Rewards, which currently consists of 12 Penn properties. Signs and brochures with a responsible gaming message and toll-free helpline will be located at all entrances and exits, ATM/cage locations, and credit issuance areas, as well as other areas of the facility. Lastly, like staff members at all of Penn's properties, every staff member of the Hollywood Casino will be trained and encouraged to check identification for any person appearing to be under 30 years of age. This cautionary practice minimizes the chance that minors can engage in gambling or purchase alcohol. See Tr. at 68:13 – 71:12 (responding to questions of Comm'r Kaiser).

- (ii) PAGV and its operator, Penn, will ensure compliance with all applicable Pennsylvania gaming regulations.

Operating to the highest ethical and regulatory standards is of paramount importance to Penn and all of its subsidiaries. Penn maintains a Corporate Compliance Committee that consists of several Penn Board members and meets at least on a quarterly basis. In addition, it includes two supremely qualified non-board members that together bring over 60 years of law enforcement and casino regulatory experience to Penn:

- Steve DuCharme was previously employed in gaming regulatory and law enforcement positions in Nevada for 30 years, including 10 years as a member of the Nevada State Gaming Control Board and two years as its Chairman.
- Thomas A. Auriemma retired after serving four years as Penn's VP/Chief Compliance Officer. Prior to that role, Mr. Auriemma had over 28 years of distinguished casino regulatory experience in New Jersey, serving at both the New Jersey Casino Control Commission and the New Jersey Division of Gaming Enforcement, where, for the last four years of his governmental career, he served as its Director.

In addition to the committee, Penn maintains a five-person Corporate Compliance Department headed by Frank Donaghue, VP/Chief Compliance Officer for Penn National. Mr. Donaghue has 14 years of governmental and gaming regulatory experience in Pennsylvania.

Hollywood Casino Philadelphia will also have its own local Compliance Committee, as well as a dedicated Compliance Officer responsible for property-level compliance issues. This person will directly report to Mr. Donaghue.

2. PCBC ownership interests in PAGV will produce added benefits to the City of Philadelphia.

(a) Certainty of purpose of PCBC sets PAGV apart from other applicants.

PA Gaming Ventures has designed Hollywood Casino Philadelphia to achieve the most significant revenues for the owners and the Commonwealth, while also creating a unique opportunity for this Board to add immense value for the City of Philadelphia well beyond the

local share of tax revenues. PA Gaming Ventures is a limited liability company with two members: PCBC, a Pennsylvania nonprofit, non-stock corporation owning 66.67%, and Penn, owning 33.33%. This structure allows Penn to do what it does best, i.e., develop, finance, and operate a successful casino, while allowing PCBC to do precisely what it is deigned to do, i.e., distribute significant casino profits to the chronically underfunded education and pension beneficiaries within the City.

PCBC is set apart as a Pennsylvania non-profit, non-stock corporation under section 5306(a)(6) of the Pennsylvania Code. It holds a two-thirds interest in PAGV, but has a completely different purpose than Penn. Under its Bylaws, PCBC is required to distribute the amounts it receives from the gaming operation of PAGV each year to two specific causes, and no others: “public education and municipal pension causes in the City of Philadelphia.” See Second Amended and Restated Bylaws of Philadelphia Casino Benefit Corporation § 7.1 (“Bylaws”) (attached as Exhibit 13 to the Office of Enforcement Counsel Background Investigation Reports for PAGV); see also Tr. 113:3-12 (responding to questions of Chairman Ryan). Both of these causes present sympathetic and needy beneficiaries. PAGV anticipates that payments from PCBC to the city funds will start at a guaranteed level of \$2 million a year and will escalate to even more substantial amounts after several years of stabilized operations. See Tr. at 36:17 – 38:13 (Testimony of Karen Bailey). Specifically, with the project financed by Penn and Gaming and Leisure Properties Inc. , the annual distribution is expected to be approximately \$12 million in year 8 and to increase to approximately \$17 million by year 14. With more favorable financing potentially available through an EB-5 loan, the annual distribution from PCBC is expected to rise more quickly, \$14 million by year 6 to \$23 million in year 14. Other applicant’s offers to provide amounts to “charity” pale in comparison to the defined impact of

PAGV's proposal. By awarding the slot license to Hollywood Casino Philadelphia, this Board has the opportunity to enable a unique model that generates enormous contributions to the two causes that need it most in the City where this casino will operate.

- (b) *PCBC must equally distribute funds to public education and municipal pension causes in Philadelphia.*

PAGV's proposal is dedicated to providing additional funds to specific entities. According to its Bylaws, PCBC is only authorized to distribute its net distributable cash flow for two public purposes – public education and municipal pension causes in the City of Philadelphia. See Bylaws § 1.2. Furthermore, section 7.1 of the Bylaws mandates that these distributions take place yearly, and must be divided equally between the two causes. That is the stated and sole purpose of PCBC, and its board must follow this instruction. If there were to be any changes to these stated causes, a full vote of the PCBC board must be taken, and it must be unanimous. See Bylaws § 3.3.6.6.

- (c) *Compensation of PCBC board members will be controlled by governing Bylaws and Board oversight.*

PAGV anticipates that, once the PCBC Board is constituted, there may be costs associated with performing the routine board functions of meetings, compliance, and execution of the PCBC mission. There also have been and will be costs associated with the Board's licensing process. To address these costs, section 8.1 of the Bylaws authorizes "reimbursement for reasonable expenses incurred in connection with the performance of services for the Corporation..." In any event, these costs are expected to be modest.

The PCBC Board will be established as a volunteer board, and no compensation to members is presently authorized. Notably, while there is the possibility that an annual stipend may one day be considered, a unanimous vote of the full Board must occur to establish such a stipend. Bylaws § 8.1. This would require all Board members, including any member from

Penn, to approve such stipend. PCBC acknowledges the comments by Commissioner Fajt and Commissioner Moscato regarding the non-profit nature of this Board. Mr. Domenico testified PCBC has no intention to authorize a stipend at this time and intends to operate “as lean as possible” so as to maximize its distributions to the two causes. See Tr. at 57:24 – 59:5 (responding to questions of Comm’r Fajt); 61:9 – 62:1 (responding to question of Comm’r Moscato).

PCBC has agreed to accept Special Condition 4, allowing for additional oversight of and confidence in PCBC’s distribution practices. Specifically, PCBC agrees to provide all of its tax returns and disbursement schedules to the Board. See Attachment B, Special Condition 4(a). PCBC also agrees to provide to the Board, each fiscal year, reports associated with: (1) its expenses; (2) tax payments; (3) reserve funds; and (4) any other item that would affect Net Distributable Cash Flow. Id., Special Condition 4(b). Accordingly, the Board’s staff will have yearly reports of all distributions, expense reimbursements, or other payments that are made for any reason to PCBC Board members.

(d) The Board has appropriate control over PCBC.

As noted above, the PAGV/PCBC/Penn structure is unique in Pennsylvania, allowing for a creative casino project with a substantial charitable component to benefit specific causes, while incorporating a well-known brand and impeccable Pennsylvania-based operating company to provide the capital for, develop, and manage the casino. The overarching goal was to permit PCBC to operate as an independent entity with the sole purpose of providing its distributions to the public education and municipal pension causes identified in its Bylaws. PCBC undertook significant efforts to create corporate governance documents that accomplished that goal, while at the same time recognizing that Penn’s material investment and brand/reputation requires certain safeguards.

PAGV's ownership structure, however, was also specifically designed to comply with the ownership limitations of the Gaming Act. 4 Pa. C. S. §1330; see also 58 Pa. Code § 44a.17(f)-(i). See Tr. at 77:25 - 79:2 (responding to questions of Comm'r McCall). As both PAGV and PCBC will be licensed entities, this Board has the complete capability to monitor all of their activities. Awarding the Category 2 slot machine license to PAGV does not implicate realistic concerns of undue economic concentration or control. Instead, awarding the license to permit PCBC to prosper will further enhance the purposes of the Gaming Act by promoting the quality of life in the City of Philadelphia beyond just tax revenues. This Board has control over major decisions, distributions, and appointments of PCBC, and can impose such further conditions over this licensee, beyond the Special Conditions already agreed to, as it deems proper to insure that the organization follows its altruistic goals.

(e) Penn's "call right" to acquire PCBC's interest enhances PCBC's ability to benefit Philadelphia.

Section 6.4 of the Amended and Restated Limited Liability Company Operating Agreement of PA Gaming Ventures, LLC provides that, if Pennsylvania law ever permits Penn to own more than a one-third interest in PAGV, Penn has the "option to purchase from [PCBC] all of the Membership Units owned by [PCBC] at a price equal to the fair market value of such Membership Units at the time of such purchase."

This "call right" provision cannot serve as a means for Penn to effect a potential backdoor takeover that would effectively reduce PCBC's contributions to its beneficiaries. First, the right can only be exercised if the current ownership limitations set forth in the Gaming Act are changed. Second, the Board can be assured that it will have oversight regarding any exercise of the call right because the Gaming Act requires notice and approval of any transfer of an ownership interest in a license. See 4 Pa. C. S. §1328(a). Lastly, and most importantly, the "call

right” would actually further advance the interests of PCBC’s non-profit causes. See Tr. at 59:15 – 61:1 (responding to questions from Comm’r Woods). This is so because PCBC is the two-thirds owner of PAGV, and Penn may only acquire PCBC’s majority share for “fair market value” at the time of the sale. If this were to occur in year 9, for example, projections indicate that PCBC would be conservatively receiving \$12 million in revenue. Since regional gaming assets typically are valued at between six and eight times earnings, the market value of an asset generating \$12 million yearly should be well in excess of \$ 70 million dollars. Thus, PCBC potentially would realize enormous amount for its interest, which, under its Bylaws, it would be required to distribute to the specifically designated Philadelphia school and pension funds.

(f) PCBC board will include diverse, suitable, experienced persons.

At present, Joseph Domenico is the sole board member of PCBC. He and Penn, see generally Bylaws § 3.2.1, have been meeting with interested individuals throughout the application process, but are awaiting the award of the slot license before finalizing nominees. The intention of Penn and PCBC is to invite individuals to serve who have been historically active and community-oriented in the City of Philadelphia and who are reflective of the local community. Section 3.2.5 of the Bylaws delineates further that: “The Board of Directors shall promote and strive for diversity in its membership...” It should also be noted that no board member may be a “party officer or public official” as defined by 4 Pa. C. S. § 1512, and no board member may hold more than 5% of any publicly traded stock in any licensee of the Board.

Additionally, PAGV has readily agreed to the Special Conditions proposed by the Office of Enforcement Counsel. Those conditions are included with this Brief as Attachments B and C. As set forth in Special Condition 3 and Additional Special Condition 1, the appointment of any additional member to the PCBC Board requires approval from the Board. That member must also be found suitable as a “Principal” under the applicable laws and regulations. Consequently,

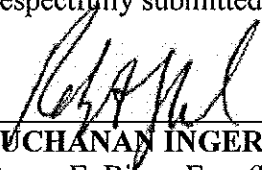
the Board will be fully aware of, and comfortable with, the person or persons that ultimately populate the PCBC Board. See generally Tr. at 92:22 – 93:24 (responding to questions of Comm'r McNally).

III. CONCLUSION

Based on the record before the Board and in consideration of the issues addressed above, PAGV respectfully submits that it is most deserving of, and should be awarded, the lone remaining Category 2 slot machine license.

Respectfully submitted,

Dated: February 11, 2014


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ATTACHMENT A

Penn National Gaming Sources and Uses Schedule with Supplement

Primary Funding Sources: Corporate Cash Flows and Revolver

Sources/Uses	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Sources																
Cash From W/C ¹	\$62,797.9	\$177,653.5	\$126,504.3	\$76,185.5	\$81,585.9	\$99,181.7	\$143,896.0	\$64,925.0	\$56,891.5	\$36,692.7	\$10,000.0	\$28,612.1	\$27,500.0	\$19,664.4	\$2,833.3	\$12,445.4
Valley View (Owner/3rd Party)				66,750.0	122.6	3,625.9	4,010.9	6,292.8	3,310.3	1,986.3	12,579.6	11,321.6				
REIT Valley View				111.4	3,296.3	3,646.3	20,391.2	48,520.7	1,805.7	11,436.0	10,292.4					
REIT Fin-Ohio Tracks	21,189.9	26,487.4	36,482.4	21,189.9												
REIT Fin-Phila	238.8	2,109.1	4,236.3	4,108.2	6,935.9	14,540.8	30,998.9	62,146.1	43,603.5	64,160.4	40,891.2	24,687.2	11,343.6	567.0	0.0	0.0
Total Sources	\$84,225.7	\$206,250.0	\$167,623.0	\$168,233.6	\$88,755.8	\$120,644.6	\$182,492.1	\$154,253.1	\$152,326.1	\$104,645.1	\$74,906.8	\$74,913.3	\$38,843.6	\$20,231.4	\$2,833.3	\$12,445.4
Uses																
*Youngtown Track	\$15,268.0	\$36,425.6	\$56,023.5	\$15,268.0	\$0.0	\$4,806.0	\$25,000.0	\$4,806.0	\$0.0	\$4,806.0	\$0.0	\$4,806.0	\$0.0	\$4,806.0	\$0.0	\$4,806.0
*Dayton Track	15,570.6	37,523.5	52,920.5	15,570.6	0.0	4,806.0	25,000.0	4,806.0	0.0	4,806.0	0.0	4,806.0	0.0	4,806.0	0.0	4,806.0
Philadelphia	238.8	77,946.8	5,324.0	5,195.8	9,685.9	17,540.8	31,698.9	62,896.1	48,535.5	74,160.4	50,891.2	43,687.2	38,843.6	10,619.3	2,833.3	2,833.3
*Zia Hotel	4,423.6	6,635.4	7,741.3	3,317.7												
*Jurnal Development ²	6,048.3	13,931.5	25,975.1	35,141.5	44,985.1	50,668.3	65,542.7	44,985.1	49,141.5	17,080.6	0.0	0.0	0.0	0.0	0.0	0.0
Printridge	42,677.3	33,787.3	19,638.6	26,989.9	30,850.8	32,901.3	24,592.4	6,577.8								
Valley View				66,750.0	3,234.0	9,922.1	10,657.2	30,184.0	54,831.0	3,791.9	24,015.6	21,614.0				
Total Uses	\$84,225.7	\$206,250.0	\$167,623.0	\$168,233.6	\$88,755.8	\$120,644.6	\$182,492.1	\$154,253.1	\$152,326.1	\$104,645.1	\$74,906.8	\$74,913.3	\$38,843.6	\$20,231.4	\$2,833.3	\$12,445.4

* Note: Remaining spend on projects

\$500 Million 2013 Revolver Facility: Projected Activity

Revolver	\$500,000.0	\$477,924.8	\$362,924.8	\$227,924.8	\$157,924.8	\$122,924.8	\$79,924.8	\$32,924.8	\$7,924.8	\$7,924.8	\$27,924.8	\$62,924.8	\$67,924.8	\$117,924.8	\$167,924.8	\$217,924.8
LOCs	(22,073.2)															
(Draws)/Payments	-	(115,000.0)	(135,000.0)	(70,000.0)	-	(35,000.0)	(90,000.0)	(25,000.0)	-	20,000.0	35,000.0	5,000.0	50,000.0	50,000.0	50,000.0	30,000.0
Payments																
Remaining Capacity on Revolver	\$477,924.8	\$362,924.8	\$227,924.8	\$157,924.8	\$122,924.8	\$79,924.8	\$32,924.8	\$7,924.8	\$7,924.8	\$27,924.8	\$62,924.8	\$67,924.8	\$117,924.8	\$167,924.8	\$217,924.8	\$247,924.8
Corporate Cash Balance	\$292,994.6	\$234,956.2	\$224,944.8	\$238,797.0	\$255,790.1	\$257,054.0	\$241,229.1	\$337,668.6	\$339,977.9	\$252,631.3	\$256,684.7	\$353,761.2	\$254,467.1	\$253,979.2	\$254,907.3	\$352,851.6
Total Debt Covenant Cushion ³	\$493,422.0	\$481,015.8	\$406,070.2	\$269,511.7	\$350,224.6	\$309,475.3	\$496,294.4	\$633,243.5	\$487,123.4	\$626,992.4	\$691,689.8	\$746,945.9	\$697,308.3	\$794,788.7	\$876,826.0	\$950,928.9

¹ Note: Cash used to complete the delinquent projects below as well as all other PNCI project and maintenance aspect has been used in determining revolver and cash available balances.

² Assumes Jurnal does not refinance \$360 million owed to PNCI

³ Pursuant to our existing credit facility and subordinated debt, the company has this amount of incremental subordinated borrowing capacity under those agreements.

Project Spend Summary				Grand Total			
Total	Total	Total	Total	Total	Total	Total	Total
Spend Pre-2014	\$18,900.0	\$176,821.4	\$62,478.6	\$18,900.0	\$176,821.4	\$62,478.6	\$18,900.0
Spend 2014-2017	17,300.0	\$175,421.4	62,478.6	17,300.0	\$175,421.4	62,478.6	17,300.0
		\$482,749.0			\$482,749.0		
	3,882.4	\$22,118.0		3,882.4	\$22,118.0		
	6,500.0	\$351,500.0		6,500.0	\$351,500.0		
		\$218,016.2			\$218,016.2		
		\$225,000.0			\$225,000.0		

ATTACHMENT B

Special Conditions Specific to Areas of Interest in PA Gaming Ventures BIR:

1) Special Condition associated with Penn's Management Authority over PAGV:

- a. The Board must be notified prior to any advances being made by Penn National Gaming, Inc., to cover shortfalls in the Minimum Distribution requirement under the Amended and Restated Limited Liability Operating Agreement for PA Gaming Ventures, LLC.
- b. If an advance is made to Philadelphia Casino Benefit Corporation, with respect to the Minimum Distribution requirement or if any amount of a prior advance is recouped, PAGV shall provide the Board, with the annual audited financial statements, with a detailed reconciliation of all activity for the prior year related to the Minimum Distribution requirement.

2) Special Condition associated with Penn's Authority to Add New Members, and Dilute PCBC's Membership Percentage:

- a. Philadelphia Casino Benefit Corporation and the Bureau of Investigations and Enforcement shall receive notice of any proposed change in membership interests in PA Gaming Ventures, LLC, at least thirty days prior to the effective date of such proposed. Moreover, Penn National Gaming, Inc., shall provide the Board with documentation illustrating the future membership structure of PA Gaming Ventures, LLC, and any amendments to any documents of agreements relating to such proposed, if the additional member is licensed by the Board.

3) Special Condition associated with Philadelphia Casino Benefit Corporation's Initial Three Member Board of Directors:

- a. Prior to the appointment of the third director to the Three Member Board of Directors for Philadelphia Casino Benefit Corporation, the corporation shall petition the Board for approval of the individual as third director, and the individual must submit to a full background investigation back the Board's Bureau of Investigations and Enforcement.

4) Special Condition associated with Philadelphia Casino Benefit Corporation's Contributions to Education and Municipal Pension Funds:

- a. The Philadelphia Casino Benefit Corporation shall provide to the Board for each fiscal year, 10 days after filing, a complete copy including all statements and schedules of the Federal Form 1120, U.S. Corporation Income Tax Return, in addition to a disbursement report (which would include the name, date, amount and reason for each disbursement) for all disbursements during each fiscal year.
- b. Following the first year the Minimum Distribution is provided to Philadelphia Casino Benefit Corporation, the Corporation shall provide each fiscal year, reports associated with: 1) expense reports; 2) tax payments; 3) reserve funds; and 4) any other item that would affect Net Distributable Cash Flow.

5) Additional Special Conditions associated with Philadelphia Casino Benefit Corporation:

- a. The Board shall receive notice of any loans, as defined under Section 9.5 (iv) of the Second Amended and Restated Bylaws of Philadelphia Casino Benefit Corporation, that are entered into by Philadelphia Casino Benefit Corporation as a creditor, and copies of any loan agreements

Office of Enforcement
Counsel

Exhibit # 17

CONFIDENTIAL

ATTACHMENT C

Additional Special Conditions Specific to PA Gaming Ventures:

1) Special Condition associated with PCBC's Board of Directors:

- a. Prior to the election or appointment of any additional members to the Board of Directors, beyond the initial three member Board, each individual must apply for licensure and undergo a full background investigation by the Bureau of Investigations and Enforcement and be approved by the Board before they may conduct any activities on the PCBC Board.

Dated: February 7, 2014

Office of Enforcement
Counsel
Exhibit # 17B

CERTIFICATE OF SERVICE

I hereby certify that on this 11th day of February, 2014, I served a true and correct copy
of the foregoing upon the following:

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