GAMBLING CONTROL BOARD MEETING
10/28/04
DPS Building, 45 Commerce Drive, Suite 3
Augusta, Maine
(207) 626-3900

Meeting Opened at 12:45 hrs.

Introductions of the Board and Staff

Board Members Present: Michael Peters, Jean Deighan, Peter Danton, Larry Hall and George McHale.

Staff Members Present: Commissioner Michael Cantara, Lt. Thomas Kelly, Lt. Timothy Doyle, A.A.G. Laura Y. Smith, A.A.G. Melissa O'Dea and Secretary Kathy Chamberlain

Review of Oct 12, 2004 minutes. Jean Deighan moved to accept the minutes, Mike Peters seconded. Unanimous vote by Board. Kathy will post minutes on the website.

Update on background check on Robert Welch: Lt. Kelly advised that a thorough background investigation has been done and has been completed at this time. Det. Don Armstrong has done numerous interviews with Mr. Welch's references as well as people that reside in the Bangor community, other people that have come in contact with Mr. Welch over the years as Deputy Chief of the Bangor Police Dept. and even citizens i.e. at Mom & Pop stores. Nothing adverse found. Excellent candidate. Worthwhile to go through and make sure that the integrity of any candidate is worthwhile. Recommendation by Lt. Kelly that conditional offer of employment become standing offer to Mr. Welch for employment. Mike Peters moved, Jean Deighan seconded. Unanimous Vote by Board.

Larry Hall made a motion that he would like to move the starting date of Mr. Welch to November 8th instead of original date of employment of November 29, 2004. Mike Peters seconded. Reasons cited for this include that there is a lot of work coming up, i.e. pending Penn application, legislative report due also in January etc. so need for Mr. Welch to get on board ASAP.

Jean Deighan agreed or seconded that she was in favor of this, bearing in mind that originally Nov 29th had been chosen for Mr. Welch to start, due to cost savings for the State of Maine. However, the need for Mr. Welch to start earlier than that is very important. Unanimous vote of the Board. Mr. Welch will start employment with the Gambling Control Board on November 8th. Welcome and congratulations to Mr. Welch who was in attendance, by Commissioner Cantara and the Board.

Report of Subcommittee for RFP Monitoring System: RFP Committee met to look over the questions that had been submitted on the RFP. It was determined that there was a need to solicit some feedback from our consultant GLI, the Division of Purchases and with Personnel. Dick Thompson, Chief Information Officer for the State of Maine, Lt. Tim Doyle, Tracy Poulin, grant specialist for DPS and Lt Kelly met to discuss questions raised both by Bidder's Conference and submitted directly. Questions were compiled, none were grouped together, all listed separately that were submitted - 72 questions and 72 answers. Also reviewed questions and responses with Melissa O'Dea and Laura Y. Smith from A.G.'s office. Responses to questions therefore are from all of those references.

Jean Deighan asked about Question #1 on Section 3.1.2 She said she needs more information to understand why the central monitoring system must be located within the State of Maine. She expressed concern that the response stressed the appearance of integrity over actual system integrity. She said that she thought that the people of Maine were sophisticated enough to be able to tell the difference between true system integrity and the appearance of it simply because it was physically located in Maine. So long as the people of Maine are given good information, they can distinguish. She pointed out that very few potential vendors or applicants currently have a presence in the State of Maine. She said she was concerned that we truly competitive bidding process since cost is important. She said that we've certainly heard from the (people of the) State of Maine, via the recent hotly contested citizen's initiatives, that cost control is very important.

Lt. Kelly – 3.1.2 refers to location of the primary Central Site Monitoring System. Board met with Todd Elsassur from Gaming Labs on September 8th and decided that they wanted to be able to look, touch, feel, control and the integrity of whatever system we have or who wins the bid. This is not at all intended to limit bidders.

Jean Deighan remembers the question to be whether it should be on site or at a closet in Penn National? Doesn't recall us having a discussion of whether or not the system had to be located in Maine. In her own business, she receives daily downloads of custodial data from an Orlando, FL location. Moreover, given her experience as an attorney, she believes that jurisdictions can co-operate on jurisdictional matters should Maine law enforcement officers need to physically go to a site. Again, to limit the bidders to an in State site could result in a big cost issue.

Lt. Doyle advised that one discussion during confirmation hearing, legislature expressed some desire to have system in state. Subsequent Board meetings discussed whether should be in state or out of State. Discussed with Mr. Elsassur if it would make any difference as far as technology standpoint (where it should be located) and the answer to that was no. Feeling was that it didn't matter, could still offer the same type of integrity wherever it was based. But ability to have Board or Exec Dir over to see it would not be there. So, it was really a Policy decision on the Board's part. Potential bidder doesn't have to have an existing location in Maine. Any vendor could offer a solution to the housing of it in Maine.

Mike Peters: Understand why Public Safety would like this facility located in Maine. Recall certain company that did give an unfair advantage in the bidding process to one company over another. Agreed with Jean about integrity of system needs to be looked at more carefully. Gtech runs NH lottery out of Seabrook.

Peter Danton advised that all lotteries, ME, NH, VT all run by Scientific Games (in Gardiner, Maine). Monitoring system is with Scientific Games for Powerball.

Mr. Peters continued that if it's a secure situation in a state like NH, secured by NH State Police 24/7 manned, maybe Jean has a point. Where is the integrity question?

Chairman McHale: Table for now, come back after break, and think on it.

Lt. Doyle reminded the board that no matter what decision they've made or make is going to give some competitive edge to one person or another. Having it in a data center gives a competitive edge over a company that

doesn't offer a solution that would have it in a data center. Locating in Maine might give an advantage or an edge to company that already has a facility in Maine, but no intent by DPS staff to write it this way, this is consistent with discussions the Board has had at previous meetings, to give any Maine company an edge.

Jean: It is important to not underestimate ourselves and the people of Maine in our ability to decipher between appearances vs. reality. We need to shake off the lingering "Beans of Egypt Maine" image that we cannot grasp sophisticated issues. We can embrace the realities of technology and understand what is required for real system integrity.

Mike Peters advised that he does not feel "this" was done intentionally by Staff. If someone already has a data center up and running 24/7, already paying rent, have the equipment and paying all the people and they're in Maine, and can utilize same people to do this same function; wouldn't it follow that they would have a distinct advantage over a company that had to come to Maine and start a data center in Maine? If we put it in a data center that's already running 24/7, who would have priority for those people's attention? Existing situation or Racino situation?

Lt. Doyle: Believe RFP was written with the intent of being open enough for all bidders to submit an RFP. Believes Board is making assumptions that aren't there.

Peter Danton asked if someone, during the break, could call the Lottery and ask them if they are done primarily in Seabrook, NH or with Scientific Games in Gardiner? Advised that we would take care of that.

George: Primary could be in state, secondary could be anywhere? The way it's written right now? Lt. Doyle advised that was correct.

Peter Danton moved to table this discussion on RFP Question #1 until after break. Larry Peters seconded. Unanimous Board vote to table until then.

Mike Peters advised that that same question as #1 appears again on Pg 5. (#16).

Lt. Kelly advised that the questions were compiled from the Bidder's Conference. Then bidders went back and submitted them in a formal

capacity, and therefore some submitted twice……also more than one potential vendor asked the same question. Questions were not grouped together. Some questions prompted an Addendum, if there was a significant change to the section it was referring to, which was created with Dept of Purchases and our legal representatives.

Mike Peters asked about Question 30, pg 9 of 21 Does Board have specific requirements for backup CSMS site such as minimum hardware or location? Answer: No, vendors shall outline proposed solution. So that takes care of discussion about the backup system. Primary is only one left open for discussion? Correct.

Chairman McHale: Tabled until after break to come back to for discussion.

Final Rules Adoption: Lt. Doyle – Board will recall going thru each comment to the Rules, one by one? He then went back into the Rules and the MICS document consistent with Board's direction, and changed them accordingly Lt. Doyle wanted to highlight with the board - the issue of Credit Slips. Board to recall that we have a proposed rule that would prohibit the use of Credit at the facility. MICS document did not address coinless facility, as it should. Change was made. Tickets were called "credit slip" throughout the rules. Credit slip was therefore changed to "ticket" in both rules and MICS. Was defined in the definitions of the MICS. Removed definition of Credit Slip. Clarified Rules and the MICS that a coinless facility does not have to provide an internal controls for such things as coins, drop buckets etc. It can be ticket in ticket out or coinless. Rules and MICS are now clear.

Chairman McHale: Need motion to Adopt rules as amended. Mike Peters motioned, Peter Danton seconded. Unanimous vote by Board to accept rules as changed.

Lt. Doyle advised Chairman McHale that he will have to sign the Maine Administrative Procedures Act documents, which will be 44 times with his original signature. Finalized Rules will then go to A.G.'s office and then to Secretary of State, after which they will be effective. Should be done by December 17th deadline.

Laura Smith advised that the Board also needed to adopt Basis statements (for each chapter of the Rules). Lt. Doyle advised her that they were adopted last meeting. No changes to them.

Application from Penn Nat'l for Slot Operators License:
Lt. Doyle: Board received application from Penn National to be a Slot Operator, along with their application fee, sometime around Oct 18th. This was around the time they received their Harness Racing license. Our intention is to provide Report of our Investigation to date, along with Power Point Presentation. Have Chris Howard perhaps outline their purpose of being here today? Appropriate to call on either Mr. Howard or Mr. Snyder and purpose of having application here before us?

Steve Snyder introduced himself as Senior VP of Corporate Development for Penn Nat'l Gaming. On behalf of Penn Nat'l recently submitted to Board, a completed corporate license application for Slot Operator License in the State of Maine. Have recently had remaining condition on 2004 Harness Racing Application removed as result of background investigation that was conducted under a Memorandum of Understanding by the Maine State Police with the Maine Racing Commission. Immediately after condition on 2004 Harness license was removed, did submit to Staff with $200,000 fee and completed corporate application, with all questions relating to public information on Penn National completed. As discussed on 9/30, we have concern with certain pieces of information requested of our officers, our directors and certain questions relating to the Company and has of this juncture, not been able to submit those portions of Application that staff had asked for because of treatment of that information. This is information that Penn has submitted to every other jurisdiction in which they have been licensed. That is info through M.O.U. that State Police has had in the presence of Lt. Doyle and Det. Fowler that have been reviewed from Ontario and Colorado, but unfortunately have not reached the same level of comfort with that information that Penn can submit to this Board, pending as was discussed at the September 16th meeting, amendment to or modification of Legislation. Penn's hope is that through DPS and Commissioner Cantara to approach Legislature in January and ask for the treatment of this information to be treated consistent with other investigations on behalf of other Agencies and instrumentalities here in the State. So corporate and personnel information will be afforded the same level of comfort and protection that is afforded in other jurisdictions as Illinois, Colorado and Ontario. Condition for 2004 harness removed, will be submitting 2005

Harness Application and submitted to Gambling Control Board, the corporate application for slot operators license.

Laura Smith asked Mr. Snyder what Penn has done and what is their intent? Have completed corporate application. Some items requested not submitted.

Snyder: Info completed that is public through our Securities and Exchange Commissioner filings or is covered through other avenues as SEC 1934 security tech filing company.

Laura Smith: And….not completed or submitted Key Employee applications?

Steve Snyder responded that was correct and that as discussed with Board on September 16th, based on direction of Board to direct Commissioner to go to Legislature and seek legislative mechanism, pending that outcome they have not been able to submit that information.

Laura Smith advised Mr. Snyder that Penn were asked to and agreed, that upon submitting all information in application, that those areas would be marked that Penn felt should be confidential or should be and not public information.

Steve Snyder responded that based on experience with Harness Racing Commission, are not comfortable submitting the forms in a piecemeal fashion, but taken look at individual questionnaires and other than names, haven't found any questions in individual questionnaires that they are comfortable providing information for, until they feel the level of comfort of confidentiality is in place. Choice would be to submit application blank with the names or include them in the corporate application, which we did.

Commissioner Cantara asked if the questionnaires are similar to those that Penn filled out in other jurisdictions?

Steve Snyder advised that was correct and that members of the State Police had reviewed in those jurisdictions.

Commissioner Cantara Differences between Maine and other states is that they have explicit statutory laws governing confidentiality on certain information.

Steve Snyder advised that the facts that are gathered in those jurisdictions as a result of background investigations done by State Police and Gaming Boards and all of the information through that is treated confidentiality, not currently in existence in Maine laws.

Laura Smith asked then what to do with your application?

Steve Snyder advised that as was said in the September 16th meeting, they would submit an application for a slot operator license. Not comfortable as prospective applicant to make any requests of the Board other than the statement he had made other than they had submitted the application as thorough and complete as they could in light of provisions that exist in Maine statues, if Board deems that it's incomplete and would elect to return it, pending a submission of a complete application pursuant to conversation with Board on September 16th application submitted as best as they can, with fee, in light of Maine's statutory limitations.

Tim Doyle confirmed with Steve Snyder that Penn does not intend to operate slots until and unless they can give a complete submission to the Board for review and that would be after seeking a Legislative solution in the next session.

Steve Snyder advised that yes, they can't until licensed as a slot distributor in this State. Board needs to understand as Penn does as perspective operator here, that there are many hurdles on road to implementing 1820 and this industry in Maine. Crossed hurdle of harness racing license, now at hurdle of slot operator license. Hurdle of CSMS and slot distributor. Until machines licensed to be in State of Me, slot operators license one of many steps to be considered by Board, before final implementation, before Penn can open a slot machine facility in Bangor.

Jean Deighan: I remember at the 9/16th meeting distinctly, that Penn was only comfortable with name, rank and serial # in the Key Employee Applications. She asked: Is fair to say that names and ranks of the Key Employees that would have accompanied this application, had confidentiality assurances been in place, are in the corporate application?

Mr. Snyder advised yes. The Board understood that at the time.

Jean Deighan cont.: She further recalled that Penn Nat'l said it would entertain a conditional license such as Lt. Doyle outlined, and that Maine could accept the limited application information and consider a conditional license, but that no slots would be approved until a full license issued?

Steve Snyder: As stated on September 16th, Penn would welcome any step of progress throughout this process and recognizing that a slot operators license is one of the requisite steps, Penn would welcome that step in whatever form the Board is comfortable with. Are other steps that Board will need to take that will pre-empt the outcome.

Mike Peters stated that Penn wants us to issue a conditional license based on what has been talked about and not to allow slots until full license?

Laura Smith advised that she wanted to know from Penn exactly what they wanted to do, so she could properly advise the Board as to options. Until that's out on the table, can't properly advise the Board.

Mike Peters reiterated that his understanding from previous meetings is to issue them a conditional license based on things already talked about and not to ask us to allow slots until full license occurs.

Commissioner Cantara asked Mr. Snyder if that was still Penn's position?

Steve Snyder advised yes, that they would welcome every step forward.

Business Entity Application from Penn Nat'l. Lt. Doyle advised that Lt. Kelly had provided a cover sheet, which outlines what is not in there (in the application) based on Penn's confidentiality concerns. Do not have any Key Executive Application Forms. However, Lt. Doyle listed 15 people we see as key people. Memorandum given to Board outlines what he and staff have done. Gone to Colorado, reviewing what they have done, also discussed with other gaming jurisdictions where Penn is licensed. Have also asked for documentation that we have provided to Dept of Agriculture. We had compiled 7 binders of material during our investigation, given to the Dept. of Agriculture. Agriculture provided some form of confidentiality for some of those documents and DPS asked for those documents that are publicly available. Those have been submitted to DPS and have for Board to review.

With exception of additional documents from those binders, which Attorney for Penn National has asked for reconsideration by Commissioner of Agriculture for protection of those documents, we have not sought those additional documents pending decision by Commissioner of Agriculture.

Melissa O'Dea advised she has letter from Commissioner of Agriculture that those documents are public. Agriculture's intent is to give them to Gambling Control Board pending court order (from Penn) on Wed providing Penn with an opportunity.

Lt. Doyle advised that in reference to hurdles and continuing process, this was a new development as of this afternoon.

Laura Smith inquired from Mr. Snyder that Penn would welcome every step forward that would constitute a limited license. How so?

Steve Snyder advised that this continues momentum that is building. Had meeting with Planning Dept with Bangor yesterday. Development of facility is a piece of progress in this winding road in the move to bring this industry to the State of Maine, to regenerate harness racing in the State of Maine. Symbolic of the progress of this Board and this project with the City of Bangor - Moving to the implementation of this project in the City of Bangor. License with conditions outlined in 9/16 meeting is but one step of many. Until Board has Application for Slot Distributor and acts on that type of application, license to operate slot machines is but one small step.

Chairman McHale inquired if that would then allow Penn to see it in their plans to have your announced May 2005 groundbreaking?

Snyder replied "clearly," that it would be a one critical step in continuing to advance that process.

Mike Peters advised that the Application is two way process. Acceptance of their application is of comfort to them and that we are moving ahead to get legislative process.

Laura Smith advised she was comfortable now with it.

Chairman McHale advised should have a motion to go into Exec Session.

Moved and seconded. Executive Session for purposes of legal advice from counsel. Title 1, Sec 405 6-E. Unanimous vote to do so.

Board went into Executive Session at 1:45 hrs.

At 2:45 hrs – came out of Exec. Session. Peter Danton moved to come out of Exec Session. Larry Hall seconded. All in favor. Purpose to get legal advice as to what options are now that they have application from Penn National Gaming and how to conduct themselves now that they do have it.

Lt. Doyle advised that Maine does not have protections for confidentiality as of yet as do other jurisdictions. Power Point Presentation is an Overview of SP's background investigation of Penn Nat'l.

Power Point Presentation was then given on Penn National Gaming, by Lt Doyle. (Power Point Presentation document on file with Gambling Control Unit.)

Presentation done.

Chairman McHale: other than report you gave relative to Mr. Snyder, no other red flags?

Lt Doyle – there were none. Quite contrary, other facilities and jurisdictions were very complimentary. Advised Penn was very easy and cooperative company to work with.

Chairman McHale asked in relation to Mr. Snyder, all those litigations are completed and have been finalized? There is nothing pending with Mr. Snyder?

Lt. Doyle advised No. Everything has been settled.

Christian Smith Introduced – CPA and Certified Fraud Examiner, with Macdonald, Page, Schatz Fletcher & Co. Consulting engagement to determine financial responsibility of Penn Nat'l to make investment in proposed casino. Objective today is to discuss <u>if</u> PENN has financial ability to invest in Casino in Bangor. Investment total is $125 million dollars. They <u>do</u> have the financial ability to make in that investment. Report solely based

on public information available to Mr. Smith. (Report of Mr. Smith's on file with Gambling Control Unit.)

Chairman McHale: Penn National is currently in process of selling Poconos for $280 million, net is $187 million, pending approval of Penn Harness Racing Commission.

Steve Snyder advised that it is pending upon entering into binding contract with Mohican Tribal Gaming Authority, operator of Mohican Sun who are purchasing Poconos. He advised that as of 10/26/04 the press release from Penn National, advised that they had had their best third quarter ever.

Dr. Robert Strong, Prof of Finance at U of Me Business School Introduced. Was asked by Macdonald, Page Schatz Fletcher & Co. to do independent investigation of the financial liability of Penn Nat'l. Not asked to provide any recommendation beyond that. Looked at Penn financial capacity of the company. (Dr. Strong's Report can be referenced along with Christian Smith's Report in the booklet provided to the Board.)

Chairman Mchale inquired from Dr. Strong if what he understood Dr. Strong's report summary to say is that the management of Penn Nat'l Gaming needs to plan carefully to plan to manage the risk associated with long term debt and that the short-term look affirms that they have adequate liquidity to invest in new properties and to expand its existing profitable business lines? Probably a report guide of B or B+?

Dr. Strong confirmed, yes. His report was done independently of Mr. Smith's. He did come basically to same conclusion as Mr. Smith. Sale of Poconos Downs will help substantially improve the debt situation (of Penn's). Solvency and liquidity is certainly adequate. Debt level is somewhat above other companies, but definitely manageable and not any type of red flag. Just to be managed in the long run, again sale of Poconos will help with that.

Lt. Doyle urged Board to review the binder material from the 3 binders received from Dept. of Agriculture of Investigation on Penn. Advised the Board that Staff would get copies made of the binders and the Board would have them by next Tuesday, Nov 2. (Were delivered by S.P. weekend of Oct. 30/31).

Discussion ensued as to the Board to have time enough to digest the binder material, but to also move ahead and have a meeting ASAP to review Penn's application, suggestion made of meeting on Nov. 4th at 2:00 p.m. at the Gambling Control Unit Conference Room. All in favor. Chairman McHale reminded the Board that all material they had received at today's meeting as well as the binders that were forthcoming, were all public documents.

Commissioner reminded the Board as they go through materials, consider presentation given today, take a look at section 1016 of statute, LD 1820 that sets out minimum qualifications for licensure.

Chairman McHale: Returning to tabled item Question 1 of RFP question. Section 3.1.2.

Lt. Doyle advised that it had to be decided on today, so can't wait for another meeting. Have to send out tomorrow to all prospective bidders who asked questions. It will be in the mail to them tomorrow and emailed to them ASAP.

Jean Deighan advised she was still concerned with appearance of integrity being confused with the reality of integrity in terms of this section given what GLI has said to us about a secure system being able to be located outside of Maine with integrity. However, she thinks the central monitoring system should be located in United States for jurisdictional reasons.

Lt. Doyle advised that in reference to prior discussions of board and with conversations with Todd Elsassur of GLI that her thought was consistent with all of that. Mr. Elsassur advised that technically, it was not a problem to have it anywhere outside of Maine. Reminder of logistical problems of having to bring someone up from another state if there was a problem.

George McHale inquired "Does 1820 provide this control be inside State of Maine?"

Laura Smith advised that she didn't think so.

Lt. Doyle advised no, that Section 1004 talks about the requirements and then A through G which is what it has to do which is be fully operational, etc. None of those requirements say it has to be in State of Maine.

Laura Smith advised that she thought the concern is costs, interaction with staff. Regulatory authority concern, but there is a provision in RFP that the entity subject itself to the laws of Maine.

Mike Peters asked what if Board considered to limiting to states along eastern seaboard. Scoring process itself of RFP and in best interest for State of Maine would take care of any poor choice of site. If allow bid process to be open, that that would not be exclusion.

Lt. Doyle advised that he thought doing that would be getting into what the Board was trying to avoid.

Larry Hall advised that Section 1004 Pg 3 Paragraph 3 Board will take into consideration site location at lowest over-all cost.

Mike Peters: If site already up and running 24/7, expenses already built in. By going out of state, still reserve right to reject them. Lower costs would benefit everyone in the State of Maine.

Lt. Doyle: can't reject company just because out of state. The Evaluation Team would first have to look at the technology proposal as it exists, then evaluate it and score it. Then cost alternative gets 35% of the total score. Whether sits in Augusta or Arizona, is irrelevant based on technology proposal. Other ways to evaluate it like management etc. Based on technology, can't eliminate anyone out of state. Would you consider amending RFP to consider out of state location site and then answer question accordingly?

Jean Deighan moved that Board approve the RFP along with the written responses to the RFP questions and the RFP Addendum with one change: that Gambling Control Board and Selection Committee appointed by the Gambling Control Board will consider Central Monitoring sites located outside of Maine, so long as they are located within the continental United States of America.

Peter – we want to provide security, integrity in best interest for State of Maine, don't we?

Jean Deighan responded: Yes absolutely we want to provide security and integrity for the people of the State of Maine. However, we want to

distinguish between actual integrity and the appearance of integrity. I am just concerned that the appearance of integrity not be mistaken for actual integrity. The reason for opening up the bidding geographically is to allow cost to be fairly weighed. Lets see what bidders have to say.

Tim Doyle confirmed then that they will change 3.1.2 and strike out "limited to sites in Maine and change to "sites in continental United States." Changes to addendum as well. Larry Hall seconded.

Unanimous vote to accept motion.

Public comment:

Power Point Presentation by Penn Nat'l. Steve Snyder introduced Eric Shippers of Penn Nat'l. Public Relations and Community Affairs who provided presentation before Board considered their Application. (Document of Presentation on file with Gambling Control Unit.)

Summary for Board to understand what Penn's plans are for Bangor. Have met with Planning Board, are excited about this project which will include a nearly 75 million dollar investment, include gaming facility with up to 1500 slot machines, adjoined by parking garage which will accommodate 1500 parking spaces or guests and they expect when completed, will provide 4-500 new jobs. Hope to break ground in May of 2005 and believe it will be 12-18 months before completed – looking at opening ceremony in late spring/early summer of 2006. Hope to be part of the Bangor community, contributed in excess of $14,000 to United Cerebral Palsy Group in Bangor. Penn likes to think of themselves as responsible, corporate citizen, taking active role in community.

Chairman McHale inquired if all contractual agreements with the City of Bangor complete now?

Steve Snyder Yes. Completed by predecessors. Penn has assumed all contracts by predecessor and has maintained open active dialogue with the City.

Chairman McHale: any control by prior owner?

Steve Snyder advised none. Shared with S.P. full dialogue of acquisition agreement with prior owner of track. Have no influence at all relating to day-to-day operations of Bangor Historic Track. Nor do they have any activity for planning, implementation or development of the facility we have discussed.

Jean Deighan addressed Steve Snyder – I understand that it's important for a company to grow market share, and that there is great pressure to secure the market share before a competitor does. However, over focus on market growth can result in dangerously high debt very quickly. I am truly hoping that debt issues that Professor Bob Strong and Mr. Smith raised and their recommendation that your board monitor the company's debt level carefully are issues that will be held under close scrutiny in your company's boardroom. I was encouraged by both experts' observation that your debt level is manageable, and is reducing and it appeared that management was focused on this issue. Jean Deighan also took issue with some of the ratios and comparables featured by the PENN in its presentation, addressing Mr. Snyder: While I agree that cash flow is an important measure to manage debt, I disagree that stock price can be used as a reliable measure of the equity in a company. Thus, I think the ratio you featured in your presentation measuring the debt versus the stock price of the outstanding shares is no reliable measure of debt coverage because stock prices are ephemeral. There are companies whose names I shall not mention because their names are currently viewed as swear words in polite society who used similar measures to demonstrate their success. Their success was almost completely wiped away during the March 2000-March 2003 stock market slump. As for measuring yourself against only companies in your industry, again please be careful. Sprint measured itself against MCI and could not figure out how the latter grew so quickly and delivered such great earnings. In the end, Sprint leaned that it was an impossible measure because it was not a real measure and it brought an entire industry down. So! I am placing my confidence in the work of Professor Strong and Mr. Smith and also asking PENN to keep their eye on the debt level and to be careful in the magnitude and timing of their growth.

Steve Snyder assured that their business is recession resilient. Recreational dollars are the last thing that people cut out of their budgets. Has been shown that while other companies suffered after 9/11/01, that theirs improved and profited due to the fact that people were hopping into vehicles rather than

flying after 9/11. Is not concerned that a recession would pose a problem to their type of business. Eric Shippers mentioned that they would be focused on debt reduction with the sale of the Poconos.

Steve Snyder continued to advise they are not a sit back and harvest company. Always looking at acquisitions and opportunities to grow our business. Don't be surprised in future months with other acquisitions that took our debt up to where it was a year or so ago. Benchmark is what we've done since. Brought debt ratio back down to almost the best in the industry. We take aggressive steps forward, harvest the fruits and will continue to do so.

Eric Shippers will be here Nov 4th as well as Atty Chris Howard.
Adjourned at 4:15 p.m.