

NEW JERSEY RACING COMMISSION
WEDNESDAY, JUNE 19, 2013
“COUNCIL ROOM”
GLOUCESTER TOWNSHIP MUNICIPAL BUILDING
1261 CHEWS LANDING ROAD
LAUREL SPRINGS, NEW JERSEY

A meeting of the New Jersey Racing Commission was held on Wednesday, June 19, 2013, in the Council Room of the Gloucester Township Municipal Building, located in Laurel Springs, New Jersey.

The following were present:

Anthony T. Abbatiello, Commissioner
Manny E. Aponte, Commissioner
Michael J. Arnone, Commissioner
Pamela J. Clyne, Commissioner
Francis X. Keegan, Jr., Commissioner
Frank Zanzuccki, Executive Director
DAG Julie Barnes

The following were absent:

Anthony R. Caputo, Commissioner
Peter J. Cofrancesco, III, Commissioner

Executive Director Frank Zanzuccki read the following statement:

“This meeting today conforms with Chapter 231, P.L. 1975, called the “Open Public Meeting Law,” and as per the requirements of the statute, notification of this meeting has been filed with the Secretary of State and with the following newspapers: Daily Racing Form, Bergen Record, Asbury Park Press, Courier-Post and the Newark Star Ledger.

WHEREAS in order to protect the personal privacy and to avoid situations wherein the public interest might be disserved, the Open Public Meetings Act permits bodies to exclude the public from that portion of a meeting at which certain matters are discussed.

NOW, THEREFORE, be it resolved that consistent with the provision of N.J.S.A. 10:4-12(b), the New Jersey Racing Commission will now adjourn to executive session to obtain legal advice protected from disclosure by the attorney-client privilege on the following matters:

1. Legal advice concerning the establishment of a deadline for submission of petitions, by permit holders subject to the Participation Agreement entered into prior to the effective date of P.L. 2011, c. 26, to show progress on an annual basis toward establishing its share of the 15 off-track wagering facilities authorized by N.J.S.A. 5:5-136;
2. Legal advice regarding the public hearing to consider the application of the New Jersey Sports and Exposition Authority and Freehold Raceway Off-Track Racing, LLC for an off-track wagering license for a facility to be sited in Gloucester Township, New Jersey.”

Commissioner Aponte motioned to adopt the resolution to adjourn. Commissioner Clyne seconded the motion. The Commission then adjourned to Executive Session.

The Commission ended the execution session and Commissioner Abbatiello moved to reconvene the public session. Commissioner Clyne seconded the motion and the Commission concurring, the public session resumed.

Executive Director Zanzuccki introduced Dr. Michael Arnone as new Racing Commissioner and welcomed him to the Commission.

CONSIDER APPROVAL OF THE BILLS

Commissioner Keegan motioned to table the bills because a suitable copy was not provided for the Commissioners’ review. Commissioner Abbatiello seconded the motion and all Commissioners voted to table the bills.

CONSIDER THE ESTABLISHMENT OF A DEADLINE FOR SUBMISSION OF PETITIONS BY PERMIT HOLDERS SUBJECT TO THE PARTICIPATION AGREEMENT ENTERED INTO PRIOR TO THE EFFECTIVE DATE OF P.L. 2011, C. 26, TO SHOW PROGRESS ON AN ANNUAL BASIS TOWARD ESTABLISHING ITS SHARE OF THE 15 OFF-TRACK WAGERING FACILITIES AUTHORIZED BY N.J.S.A. 5:5-136

The Executive Director stated that staff is recommending the Commission establish a deadline of August 1 for submission of petitions from eligible permit holders evidencing compliance with the benchmarks that are contained in the regulations. He stated that following the receipt of the petitions, the Commission will review the petitions and at a future meeting, it will decide and determine which permit holders have met those benchmarks in compliance with the statute and regulations.

Commissioner Aponte motioned to establish a deadline of August 1 for the submission of petitions. Commissioner Keegan seconded the motion and all Commissioners voted yes.

CONSIDER APPROVAL OF THE MEADOWLANDS/MOHAWK RACETRACK HANDICAPPING CHALLENGE ON JULY 20, 2013 AT THE NEW MEADOWLANDS

Commissioner Keegan motioned to approved the handicapping contest on July 20, 2013. Commissioner Abbatiello seconded the motion and all Commissioners voted yes.

STATUS OF RESTORING THE USE OF ACCOUNT WAGERING ACCESS CARDS TO ACCOUNT HOLDERS AT RACETRACKS AND OFF-TRACK WAGERING FACILITIES

Jeff Lowich, TVG Key Account Manager and New Jersey Project Manager, provided a presentation to the Commissioners concerning the status of restoring the use of account wagering access cards to account holders. The Commissioners were also provided with a hand-out that detailed the presentation. Mr. Lowich indicated that since the May 15, 2013 Commission meeting, a meeting of the TVG New Jersey stakeholders has taken place concerning this project and approval of the plan has been granted. Mr. Lowich stated that a launch date of July 16 has been determined in which the access cards will be available to the account holders. Mr. Lowich then provided a detail of the plan as outlined in the hand-out made available to the Commissioners.

Dave Viera, New Jersey Manager of Sportech Racing, indicated his agreement with the launch date and details of the plan as stated by Mr. Lowich. He indicated that Sportech will begin testing the card access system beginning Monday, June 24, 2013.

PUBLIC HEARING TO CONSIDER THE APPLICATION OF THE NEW JERSEY SPORTS AND EXPOSITION AUTHORITY AND FREEHOLD RACEWAY OFF-TRACK RACING, LLC FOR AN OFF-TRACK WAGERING LICENSE FOR A FACILITY TO BE SITED IN GLOUCESTER TOWNSHIP, CAMDEN COUNTY, NEW JERSEY

Executive Director Zanzuccki thanked Gloucester Township for their hospitality in providing their facilities to the Commission for the hearing. He also thanked the party applicants, the New Jersey Sports and Exposition Authority, known as the "Authority" and Freehold Raceway Off-Track, LLC, to be known as "FROT" for the level of cooperation they've displayed with the Racing Commission in its investigation of the applications to establish an off-track wagering facility in Gloucester Township.

The Executive Director read the following statement:

"The purpose of this hearing will be for the Racing Commission to consider the application of the Authority for the issuance to it of an off-track wagering license. At this hearing, subject to the determination that FROT is qualified to hold an off-track wagering license, the Racing Commission will also consider the Authority's and FROT's respective applications requesting the transfer to FROT of any off-track wagering license issued to the Authority. In the event the Authority is issued an off-track wagering license by the Racing Commission, which is then permitted by the Racing Commission to be transferred or assigned to FROT, FROT will be authorized to establish and operate an off-track wagering facility at a premises known as 1300 Blackwood-Clementon Road, Clementon, New Jersey. Additionally, FROT has asked that the Commission authorize it to utilize Penn NJ OTW, LLC to conduct or operate the proposed off-track wagering facility for it and to act as its agent in all off-track wagering matters approved by the Racing Commission.

The described matters to be considered by the Racing Commission are listed in the agenda for this meeting which is present in the room and incorporated into the record of these proceedings. The agenda lists five matters. The Racing Commission will act upon each matter in its final decision. The hearing today will proceed in a consolidated fashion as to those items. Any off-track wagering license issued pursuant to these applications shall be valid for a period of one year and the license shall be subject to renewal thereafter in accordance with law. The Racing Commission will make a final determination on the application no later than sixty days following the closing of the record of the public hearing. The Racing Commission will submit its final determination to the Attorney General for review and approval and a decision of the Attorney General will be deemed a final decision.

In anticipation of this hearing, each Racing Commissioner has been provided with materials compiled by staff. These materials which are incorporated into the record of these proceedings consist of off-track wagering applications of the parties and amendments thereto, supplemental filings of the parties in support of their applications, correspondence issued by the Racing Commission staff and the replies of the parties, the Racing Commission investigative results to date, any public commentary materials to the application prepared by staff, pertinent laws and advice of counsel, subject to the attorney-client privilege. While the Racing Commission's investigation into the application is substantially complete, with the applicant's cooperation, it continues in a limited way. In this regard, the Racing Commission is awaiting the receipt of supplemental information from FROT and Penn NJ OTW, LLC related to agenda item number five.

By letter, each applicant was advised of the format for this hearing. We request that each applicant present its own case using an attorney or representative of their choice to ask questions of witnesses it elects to present at this hearing. The Authority will present its case first. Prior to offering any witness, the Authority will be afforded opportunity to provide opening remarks. Following the Authority's witness presentation, the attorney or other representative of FROT will have the ability to question each witness offered by the Authority. Following the closing of the Authority's presentation, FROT will present its case. Prior to offering witnesses in support of the application, FROT will be afforded opportunity to provide opening remarks. Following FROT's witness presentation, the Authority will have the ability to question each witness offered by FROT. During the proceeding, the Racing Commission will have the ability to question any witness at any time or to call or recall any witness at its discretion. Following the presentation of all witnesses by the applicants, members of the public will be afforded an opportunity to be heard. Thereafter, the Authority and FROT will be afforded an opportunity to present additional testimony or evidence in their discretion. Each applicant will have an opportunity to make closing remarks with the Authority proceeding first. The burden shall rest with each applicant to establish consistent with law, that it is qualified regarding each aspect of the relief it seeks. Accordingly, we are ready now for the Authority's presentation."

The following is a transcript of the hearing:

Marra: Thank you. Good afternoon everybody. I'm Ralph Marra, the General Counsel to the Authority which filed the application in this case. First of all, I'd like to thank the Commission for all the hard work they did in getting this application to the point where it is now. As you know, this particular application is brought on behalf of Freehold Racing Off-Track or FROT as the Executive Director referred to it, which is also applicant "B" on this application and the Authority plans to

transfer the license to FROT on this particular application for this particular OTW. So the Authority fully supports FROT's application in this case and we have no witnesses and will be relying on the presentation of Freehold Racing Off-Track in this proceeding. But if you have any questions, I of course, will be here. Okay?

Zanzuccki: Any questions for Mr. Marra at this time?

Keegan: Nope. Thank you.

Zanzuccki: We're going to have to get a microphone. I think those are recording devices. Okay, next up is Freehold. Chris, I'm going to ask that you try to use the microphone because the audience cannot hear.

McErlean: Sure. Commissioners, my name is Chris McErlean. I am the President of Pennwood Racing, Inc. Pennwood Racing, Inc. is the parent company of Freehold Raceway Off-Track, LLC, which is an applicant tonight for the off-track wagering license and has submitted its application under the off-track wagering license Application "B." Freehold Raceway is the oldest racetrack in the State of New Jersey. We conduct 110 live racing dates, we are afforded under the participation agreement for off-track wagering licenses and of which one is already executed in Toms River, New Jersey. This would be the use of our second license and as everyone knows both at the Commission and the industry, the off-track wagering locations generate revenue for the horse racing industry for purses, for revenues for the racetracks to continue their operations. We therefore, are excited to go through this application process and hearing and feel that we will put forth all the requisite information required to get this application approved by the Racing Commission and get started on our off-track wagering facility which as you can see, we have tentatively named "Favorites at Gloucester Township."

Zanzuccki: Thank you Mr. McErlean. You can go forward now and present your application.

McErlean: We will start. First, I would like to take the opportunity to introduce Senator Donald Norcross of the Fifth Legislative District. Senator Norcross, although he doesn't represent where the location of the off-track wagering location will be, is a very big supporter of horse racing in the State of New Jersey, in fact, I believe worked at the former Garden State Park and he's been a champion of the New Jersey horse racing industry. He's come tonight to make a few

comments and we thank him for taking time out of his schedule to come here and speak on behalf of our application.

Norcross: Thank you and welcome to Gloucester Township. It's good to see you down here. Chris had mentioned, in my past life I worked many years at Garden State Park and have traveled through half the country to racetracks and it has been frustrating for many of us here in South Jersey since the closing of the racetrack that we have not had the facilities to go out as we are seeing here today. So, to Chris, to his organization, we certainly appreciate the fact that this is coming forward because this isn't just about the one facility. It's about keeping the horse racing industry alive for the next generation. I'd like to think that I'm one of the younger generation that still enjoys this, but it's my children, it's my grandchildren who now are the future and to have facilities like this that are convenient for the customer base, I think it's paramount. Certainly South Jersey, particularly in this side of the state, has had a lack of options short of going across the river. So when we can keep those betting dollars here in New Jersey, I think it's a plus and looking at the renderings before you, I think this is going to be a fabulous facility. Certainly, Gloucester Township is a great place to do business. You can certainly see that they care about what happens here, their Mayor is here tonight and certainly he and I have had conversations as this goes down the road. But, I'm just here to offer my support for this application and for those who love horse racing to have this opportunity. Thank you very much.

McErlean: Thank you Senator and I greatly appreciate your support and the support of the Legislature for horse racing in New Jersey. I would like to offer as our first witness the Mayor of Gloucester Township, David Mayer. I don't know if you have any other comments regarding the application.

Mayer: Sure. Thanks Chris and again welcome. It's great to have you here in Gloucester Township. I, too, offer my support for this application. When Chris approached us about seven months ago with this idea, I was immediately on board. This is an area along Blackwood- Clementon Road that I think is a perfect match for this type of facility. It is not only going to generate jobs, but I believe, will be a catalyst for further economic development along that corridor in our town. So, not only will it help stabilize that area in my opinion, but also it is taking over an abandoned property. A property that was a functioning restaurant here in Gloucester Township and now will breathe new life into that facility but also new life into Blackwood-Clementon Road. It not

only generates revenue but again, it creates jobs. It is something that will bring people to Gloucester Township so they will spend their money in our community and that is something that will help generate economic development again along that corridor. So, I certainly support this application as I mentioned in my opening remarks, and I thank Chris for their efforts and their professionalism.

McErlean: Do you want to keep that?

Mayer: Sure.

McErlean: I just have a couple questions for the Mayor to verify certain requirements in the statute that we are compliant. First, in regulation 13:74-2.1 subsection (j), subsection (4), there is a requirement that the proposed off-track wagering facility is sited in an appropriate location. To your knowledge, Mayor, do you know the zoning for the Stone Grill location where the off-track wagering location is proposed?

Mayer: Yep, it is zoned commercial.

McErlean: Okay, which is a requirement under the statute to be not sited in a residential area. Under 13:74 section 2.1(c) as well as N.J.S.A. 5:5-131 subsection (e), subsection (1), relating to a class C plenary retail consumption license for use of the facility. To your knowledge, Mayor, is there a class C plenary license for this location and is the proposed off-track wagering location in the process of a transfer of that liquor license?

Mayer: Yes, that is correct. The application has been made and has been reviewed as recently as today. The Chief of Police has signed off on that application, commented on how well that was put together. We are anticipating July 8 which is our first council meeting in July for that to be on the council's agenda for approval.

McErlean: I do have a copy which I will give to the Commission following the meeting, the exhibit which is the liquor license application and the agreement for the transfer of that liquor license. That's all I have for the Mayor in terms of questions. Again, we greatly appreciate his help, his work, all his officials have been great to work with and we look forward to opening up the establishment in Gloucester County as soon as possible.

Mayer: Great. Well thank you and likewise we look forward to having you. Again, thank you very much.

McErlean: Thank you. Next witness is Frank McDonnell. Could you state your name?

McDonnell: My name is Francis E. McDonnell, I'm assistant General Counsel for Greenwood Racing, Inc. and the subsidiary companies.

McErlean: And you also have responsibilities with Pennwood Racing, Inc.?

McDonnell: Yes. I am, I'm going to say General Counsel for Pennwood Racing, Inc. and also a Director and an Officer.

McErlean: Okay and Pennwood Racing, Inc. is as we mentioned earlier the parent company for Freehold Raceway Off-Track, LLC which is applying for this license?

McDonnell: Yes it is.

McErlean: You're familiar with the document called the Participation Agreement?

McDonnell: Yes I am.

McErlean: As part of the Application "B," we did submit the Participation Agreement. We have another copy here, a Master Off-Track Wagering Participation Agreement. Mr. McDonnell, one of the requirements is Commission regulation 13:74-2.1(j)(4) which asks whether we are in compliance with the Participation Agreement and the Participation Agreement meets the requirements of the Off-Track Wagering Act. Is that a true statement?

McDonnell: Yes, I believe we have been and continue to be compliant with the Participation Agreement.

McErlean: Just to clarify that cite it's actually (j) subsection (3). And why is the Participation Agreement important to Freehold Raceway Off-Track?

McDonnell: Well, the Participation Agreement's not only important for Freehold Raceway but it's also important for all the racetracks in the State because this Participation Agreement was created just to ensure stability. Stability of all the

racetracks. Stability of all the OTWs. Stability of the receipt and disbursement of the racing signals and just to avoid future differences of opinion and arguments and other problems inherent in several racetracks and OTWs being occupied in the State.

McErlean: And how long does the Participation Agreement last?

McDonnell: It's forty years.

McErlean: And again, just to verify Freehold Raceway Off-Track is a party to that agreement, correct?

McDonnell: Yes it is.

McErlean: The Racing Commission Chapter 13:74-2.1 subsection (h), there's two sections in here under subsection (h). Two which indicates that the applicant, permit holder, must show evidence of good character, honesty, competency and integrity. Can you tell us for Freehold Raceway Off-Track whether they meet that standard?

McDonnell: Yes, I believe they do. The applicant and all the companies related to the applicant have officers and directors who have unblemished records in the corporate world, have no criminal or other types of records or histories, the companies are financially stable and they've never had an issue with loss of licensure ever.

McErlean: To your knowledge with FROT, has FROT ever had any issues, sanctions, or any other blemishes in regards to its licensing in the State of New Jersey?

McDonnell: No it has not.

McErlean: And FROT has been licensed for an off-track wagering facility already in the State of New Jersey?

McDonnell: Yes it has.

McErlean: And where is that location?

McDonnell: Toms River.

McErlean: And they have filed annual renewals for that license?

McDonnell: Yes.

McErlean: Without any issues?

McDonnell: No issues.

McErlean: Subsection 3 of that same section indicates the applicant must also have the absence of a conviction for a crime involving fraud, dishonesty or moral turpitude. To your knowledge, does FROT meet that standard?

McDonnell: Yes it does.

McErlean: You are also a corporate officer, I believe, of Greenwood Racing? You are affiliated with Greenwood Racing?

McDonnell: Yeah, I'm an affiliate. I'm not an actual officer of the company, I'm just a....one of the attorneys.

McErlean: And Greenwood Racing is a partner with Penn National Gaming as joint owners of Pennwood Racing, Inc.?

McDonnell: Yes it is.

McErlean: In your position at Greenwood Racing, does Greenwood Racing meet the requirements of Section (h) subsections (2) and (3) regarding evidence of good character, honesty, competency and integrity as well as no convictions for a crime involving fraud, dishonesty or moral turpitude?

McDonnell: Yes it does.

McErlean: Mr. McDonnell, I appreciate your help. I have no other questions for you.

McDonnell: Thank you.

McErlean: I'd like to call Mr. Howard Bruno. Can you state your name?

Bruno: Howard Bruno, General Manager of Freehold Raceway.

McErlean: And Howard, you also have a position with FR Park Racing, LP?

Bruno: Yes, I'm the President of FR Park Racing, LP.

McErlean: And FR Park Racing, LP is the parent company for Freehold Raceway Off-Track, LLC?

Bruno: That's correct.

McErlean: And your position with Freehold Raceway Off-Track LLC?

Bruno: President.

McErlean: Okay. How long have you been with Freehold Raceway?

Bruno: Thirteen years.

McErlean: And Freehold Raceway also operates another off-track wagering location?

Bruno: That's correct. In Toms River.

McErlean: You are familiar, you have participated in the application process for the Toms River location?

Bruno: That's correct.

McErlean: Howard, are you familiar with Application "B" of the off-track wagering license applications?

Bruno: I am familiar with that and I have reviewed the application for Gloucester Township.

McErlean: Okay. The Racing Commission regulation 13:74-2.1 has several sections relating to the application. Would you be able to verify for us that the application did contain and I'll read this and you can indicate that it contained the information, physical plan, location, proposed hours of operation of the proposed off-track wagering facility, including space relationship between

wagering/non-wagering related amenities, number of jobs expected to be created at the facility, gross revenues to be generated by the facility, a fire evacuation plan for the facility, type of food and beverages to be available, which shall include provisions of first-class dining, and if alcoholic beverages are to be offered for this facility, documentation that the requirements of the Act have been satisfied. Is that information contained in the application?

Bruno: Yes, those items are all contained within the application.

McErlean: Subsection (d) of 13:74-2.1 indicates that the application shall have written internal controls setting forth the procedures to be implemented to effectively operate and manage the proposed off-track wagering facility and procedures to be implemented to effectively maintain integrity of wagering and the proceeds from wagering within the proposed off-track wagering facility. The internal controls should include a procedure to foster and ensure that the off-track wagering licensee complies with the requirements of the Act and creates a right of first refusal as to certain individuals for certain employment opportunities within the off-track wagering facility. Did the application contain that information?

Bruno: Yes it did.

McErlean: And subsection (e) is the initial application shall be accompanied by the certification signed and dated by the highest managerial agent of the Authority attesting to the disclosures within the application and the attachments are true and accurate. For Application "B," that certification did come from the highest managerial officer of FROT, did you sign that certification?

Bruno: I did. I reviewed the application and did sign it.

McErlean: Howard, I have no other questions.

Bruno: Thank you.

McErlean: The next witness is Karen Ashford. Can you state your name?

Ashford: Karen Ashford.

McErlean: And Karen, your position, title and company that you work for?

Ashford: I'm the Vice President of Legal and Business Affairs at Penn National Gaming, Inc.

McErlean: And your familiar with Pennwood Racing, Inc. as well as its subsidiary companies?

Ashford: Yes I am.

McErlean: As I asked Mr. McDonnell, the permit holder is required to qualify itself in certain areas. I asked Mr. McDonnell for both FROT and also for Greenwood Racing, giving Greenwood is the parent company and half owner of Freehold Raceway. Penn National Gaming is 50% owner of Freehold Raceway and its subsidiary companies. I would just like to ask you those same questions regarding Penn National Gaming for the record. Does Penn National Gaming evidence good character, honesty, competency, and integrity?

Ashford: Yes it does. Penn National Gaming is a company that owns and operates or has ownership interests in gaming and racing facilities in twenty-nine facilities in nineteen jurisdictions. And that includes, the jurisdictions of Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine Maryland, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, West Virginia and Ontario. Having racing and gaming facilities in these states, Penn National Gaming or its subsidiaries are regulated by sixteen different gaming regulatory bodies and nine different Racing Commissions. We are in good standing in all those jurisdictions.

McErlean: And of that same section number three, does Penn National have the absence of a conviction for a crime involving fraud, dishonesty or moral turpitude?

Ashford: Correct. There are no such convictions.

McErlean: As part of the Application "B," FROT submitted an agreement between FROT and it's parent companies, it's called an operating agreement and it was submitted as part of the application. Are you familiar with this operating agreement?

Ashford: I am.

McErlean: The operating agreement states several items including the desire for Penn

National Gaming to enter into an agreement with FROT to satisfy section 13:74-4.2 sections (a), (b), (c) (d) and (e) regarding the operation of an off-track wagering facility by person or entity other than the permit holder. Are you familiar with that section?

Ashford: Yes I am.

McErlean: And was the intent of that operating agreement to allow Penn National Gaming to qualify for that section?

Ashford: Correct.

McErlean: As one of the requirements of the regulations, proof of financial resources sufficient to enable the authority or permit holder to establish and conduct a quality off-track wagering facility or facilities with appropriately staffed to manage operations is a requirement of 13:74-2.1(h)(1). As part of the operating agreement between FROT and its parent companies and Penn National Gaming, was the financing for this proposed off-track wagering location to be the responsibility of Penn National Gaming?

Ashford: That is correct. Penn National Gaming will be funding the development of this off-track wagering facility. That is as set forth under the operating agreement and as part of the application process we have Addendum H which sets forth the financing commitment of Penn National Gaming which states, signed by Robert Ippolito the Vice President, Secretary, Treasurer of Penn National Gaming, stating that it will fully fund and capitalize all costs associated with the planning, construction, and opening of the off-track facility in Camden County area for FROT.

McErlean: That letter was part of the Application "B" and I do have a copy of that for the Commission, as well as one of the exhibits. Just, it's obviously a letter stating that fact. Is there any way to verify that Penn National Gaming does have the financial resources to back up that request letter?

Ashford: Yes, in the same Addendum H, we have referenced in the application a link to the 2012 Annual Report of Penn National Gaming. I have a hard copy here with me which I can hand over and in the Annual Report it talks about the financial strength of Penn National Gaming and sets forth that it basically has sufficient cash through both it's existing operations and through its credit

facility to fund the OTB development.

McErlean: As part of our process for FROT's process on the Application "A," a petition was submitted to the Racing Commission. Are you familiar with this petition?

Ashford: Yes I am.

McErlean: In that petition, did it ask for certain release from the Racing Commission in regards to the off-track wagering facility?

Ashford: Correct.

McErlean: The Commission does have a copy of the petition and we have an extra copy if necessary but we would like to make sure that that is entered as part of the overall record. That's all the questions I have for you Ms. Ashford. Thank you.

There's several other requirements of the statute that I would just like to put on the record for the Commission to show we are in compliance with the regulations and the statute. I'll go through those first and then go through the actual presentation of our layout of the facility as that does also meet some of the requirements of the statute and regulations. But, just to get some of this housekeeping out of the way, Racing Commission regulation 13:74-2.1(k) indicates that the off-track license shall only be issued if the permit holder can schedule at least the minimum number of race dates required by N.J.S.A. 5:5-156. I took the opportunity to check the Racing Commission website for the racing dates. It appears that the racing dates are in compliance under agreement with their horsemen organizations. There are minimum date requirements with reductions as approved by the horsemen's organizations. It is my understanding that those applications were approved for those reductions and that all the racetrack permit holders in the state are in compliance with that section.

Racing Commission regulation 13:74-2.1(g) indicates that in evaluating the application for the off-track wagering license, the Commission shall consider the proximity of the applicant's proposed site to other plans or existing off-track wagering facilities and the racetracks in the state. If, in the opinion of the Commission, the establishment of the facility at the proposed location would be inimical to the interests of other planned or established off-track

wagering facilities or to a state racetrack, the Commission shall reject the application and require the applicant to consider alternative sites. As you can see on the one map over here, our proposed location is the mailing address is Clementon, it's Gloucester Township, we're approximately ten to twelve miles from the City of Philadelphia, we are...the closest parimutuel wagering facility in New Jersey would be the Vineland off-track wagering location which is thirty-six miles away, map questing it's about a forty-two minute ride. The proximity to the next closest parimutuel facility in the State of New Jersey would probably be the Toms River facility which is well over eighty minutes away. So we feel that the proximity of this location will not be negative to any other facilities in the State of New Jersey. We have heard no other objections from any of the other permit holders regarding the location of the facility and in context neither off-track wagering locations and their proximity to racetracks and off-track wagering facilities, the relationship between here and Vineland is no closer than any other one. So we feel that the requirement has been met in terms of that section (g).

I'll take this opportunity right now to, Racing Commission section 13:74-2.1(j) subsection (1), lists that the plans for the proposed facility including size, seating, capacity, parking and services to be provided, reflects the appropriate standards of quality. For members of the public, there's pictures over here, and I have for the Commission the boards here. I'll go over in detail each board and what it represents. Just so the Commissioners know, we have engaged Architectural Concepts, Bruce Weinstein is here this evening. They have done numerous off-track wagering facilities and they've worked on Toms River, they've worked on Woodbridge I believe, they've worked on most of the Philadelphia Park and Penn National Gaming facilities in Pennsylvania, well versed in the architectural plans for the off-track wagering facilities. Also, we have Scott Bamford from Canuso Jorden here this evening. They are our general contractors overseeing the project. We have bids out on this project and we're chomping at the bit to get those contracts out to a lot of local businesses to get them involved in this project.

Just to go over the facility, I'm on the color-coded facility here, in terms of the size of the facility, the total square footage encompassing one single level here is just under 16,000 square feet. Just to give you a perspective, the facility that is in Toms River is 28,000 square feet so a little bit smaller, obviously the market size here is a little bit different here as well. Again, our thinking coming into this project given what we seen at the state of the business with

obviously a few facilities already open and seeing how business is, we thought a little bit smaller facility would work. It is an existing facility. It was called the Stone Grill prior. The current landlord is here Dimitrius Colvos who's been, I think, has had this facility since 2003 and had a very good establishment there and we think it's a great location in terms of the operation. It was an existing bar and restaurant. You can see on the layout, the bar seats roughly about 70 people. Our concept if you've been to Toms River, bring some TVs around the bar. We have existing seating and seating booths for dining. It is our intent to have waitress service dining full-time there and a menu requisite of the Commission standards in terms of full dinners. We will also offer bar and pub food as well. We will be taking this area called the theater, it's an existing dining area right now. We've basically made that carols, betting carols similar to a racebook. With this area across here being a very large video wall, probably about 45 televisions, 40 inch televisions showing the racing. As you well know, the name of the game is to show as many signals as you can. Everything in the facility will be wireless so we're going to push the concept of people with Tiny Tims, obviously I believe, New Jersey has adopted the wireless wagering which is smart phones, which we will certainly be able to do in this facility. The dark blue locations are the wagering locations. We have manned mutuel teller betting here with seven permanent locations. We also have in the dining areas here, here, here, here and here which will be self-service locations. We have a total, I believe, of 7 manned terminals and I believe 16 self-service terminals in the facility. This dining area is a separate room which we think will be a good overflow room, especially for weekends. It will be loose seating in that area. We can fit almost 100 people in there, across from the kitchen but this wall here will be again another video wall with approximately 24 televisions, 40 inch televisions. Large kitchen area, all our administrative offices will be right behind the kitchen with a secured entrance here. All our TV services, tote services, money room, everything will be in that secured administrative area and we do have a surveillance plan for the facility which I will put in as an exhibit to satisfy the requirements of the regulations. But we will obviously be ensuring that all the key areas, money handling areas will be covered as well as the key patron areas for safety of the customers.

The one unique feature of the facility that will be popular especially on days like tonight, it has an outdoor patio section, so it's almost like a tiki bar. Entrance from here, there's a bar and then another section out here, there's an open air patio also be a good area for people who still smoke or need to go

outside given the current laws in the State of New Jersey. So, from an interior capacity point of view, we feel that this facility is well suited for the marketplace for the demographics of this marketplace and it should give the appearance of you know slower days that it's going to be a little bit more compact so you're not going to have a big pattern in this facility that we have even in a couple of our current off-track wagering locations. So, we think that this template could be one, it could be the future of the off-track wagers in the State of New Jersey. Again, we feel it's right for this marketplace.

As I mentioned before, just in terms of location, I'm not sure how many of you are familiar with the location of the facility but it's right off Route 42 which is the main corridor going from Philadelphia down to the Atlantic City Expressway. We think it has great access. Blackwood- Clementon Road is a four lane road, like about 25-30,000 vehicles per day traffic-wise. Obviously 42 the artery in and out of Philadelphia, I think we're about 12 miles. Yes?

Abbatiello: Just out of curiosity, how far are you from Atlantic City Raceway?

McErlean: It's probably about 45 miles. Maybe even a little bit more on that but that would be down the Expressway. The other important component which obviously we know from our business, parking is a big issue at off-track wagering locations. One of the attractive features of this facility was the site plan. As you can see Blackwood-Clementon Road is right here, entrance to the facility here, there's a dinner-type restaurant here and in the main lot here there's 130 parking spaces. We also have access as part of the lease to utilize this parking area which is another 150 spaces. That will be good for weekend overflows and for also big events. So you're talking almost 200 parking spaces, good handicapped access in the front, so we think from a parking point of view, this more than meets the requirements of the regulations.

Zanzuccki: Chris, quick question, do you have any outside surveillance cameras around the site?

McErlean: We do plan to have outdoor surveillance which will cover the front, the sides and the back as well as the entrances. So the plan is to have both interior and exterior. The parking lot is also well lit as well so again, from a safety perspective, I think we're in good shape on that one. Just for the benefit of those who haven't seen the location, again, the entire building will be repainted with new signage. We're using the concept of the "Favorites" name

which is utilized at most of the OTWs, "Favorites of Gloucester Township." We really want to brand this area and that was something that the Mayor really thought was a good hook as well to brand this area. As you can see, it's an existing, was an existing bar and restaurant. You can see the front views, the sides, it's in very good condition, so again the attractiveness of this area was that we could come into a facility and hopefully turn it around rather quickly once we get our approvals and do it at the right costing to get that done. We also, you can see from a furnishings point of view, we are using some of the existing furnishings but you can see sort of the pallets here of the quality of materials that will be used in the colors, the wallpapers, on the tiles that are being done, again from Architectural Concepts who has done great work in the past regarding these facilities.

Copies of all of these have been given to the Commissioners as well. You can see the interiors here, the existing bar. Again, nothing has been done to the facility yet but this will give you an idea of how this actually looks here. The cap, the dining area here, which we plan to have televisions at the tables for wagering, the bar again, almost two rings of large screen TVs for the bar area. Again, this is that overflow dining area. This is actually the area where the betting carols will be and this is the outside tiki bar and the patio. The facility is in good shape and we expect, hopefully, about a three-month construction period to get the facility up and running once the approvals are received.

Under the Commission Chapter 13:74-2.1(c) we have indicated some of this information already but I will put it on the record. We do propose that the hours of operation will normally be between noon and midnight. That could change depending on special events or possible on weekends that may require some additional hours of operations but that will be pretty much the norm and I think that is the norm at most of the OTWs. You can see the space relationship between the wagering areas and non-wagering areas. The number of jobs in the facility, obviously we will have a core management team there managing the facility. We will have employee food and beverage individuals. We will be meeting the requirements of the statute N.J.S.A. 5:5-155(a) regarding the right for secusal for mutuel clerks from FROT, the permit holder, Bob Liguori is here from Local 137. We have given him assurances that requirement will be upheld. The number of jobs total, we're anticipating about 40-50 jobs at the facility both full and part time and again, depending on the day of the week, that can vary. Weekends are our busiest day of the week, Fridays, Saturdays and Sundays.

Gross revenues for the facility, we anticipate again, given the current market area, current demographics, the trends in racing, we think total revenue the first full year of operation will be roughly about 4.5 million dollars. The majority of that probably 90% will be parimutuel based revenues. The rest food and beverage and similar revenues like programs, things like that. There is no charge for the OTW. There is no charge for parking as well.

The one thing we would want to stress that the benefit for the horse racing industry through wagering at this facility based on our projections, will be roughly 1.2 million dollars a year that we project will go to purses for the racetracks in the State of New Jersey. Under the current number of racing dates, that's about \$5,000 per day for the purse account at each for each racing day. So, we think the facility will be making an instant contribution to the benefit of the horse racing industry.

Zanzuccki: Chris, what do you project the annual handle to be at the facility?

McErlean: Right now, the handle we anticipate is somewhere between mid 20 million, about 22-25 million dollars and we think that that's a fair estimate and we have been considerably ...

Zanzuccki: And that's what your estimates are based on in terms of revenue, etc.?

McErlean: Yes. That is correct. Just for perspective, I think Vineland's about 13 million now and Toms River is in the low 30 million dollar range. This is sort of in between Toms River and Vineland in terms of handle. We have as a matter of the record, with the Application "B" submitted a fire evacuation plan with the submission. And again, I would take this opportunity that we would enter for the record the entire Application "B" and any prior submitted materials be put on the record as already submitted to the Commission. Again, the requirement on the dining, we feel we have satisfied that requirement in terms of offering waitress service full time. I would expect our food and beverage hours to be roughly the same as the hours of operation of the facility and it's actually a rather large kitchen. The office area is actually a second kitchen, that's how big the kitchen areas were so there's a lot to work with there and we think we will be employing people in-house and we think that will be a good component to the overall operation.

Under 13:74-6.11, the requirement is for a secured money room and surveillance equipment in that money room. I do have, as part of our Application "B," and I will have another copy for the Commission, an outline of our surveillance plan and the camera locations of both interior and exterior.

The money room will be fully secured and alarmed and our internal controls spelled out the procedures that we used to ensure the flow of the wagering funds from transaction to the money room.

The Racing Commission regulation 13:74-6.1 again is really, a lot of the information I previously gave, it is for square footage amenity and safety requirements. And we feel that our proposed plan and presentation has met the requirements of the Commission, that an off-track wagering licensee shall establish and maintain an off-track wagering facility sufficient square footage to promote (1) the maximum comfort and safety for patrons and efficient operation of the facility. The viewing of simulcast horse races by the patrons in a comfortable manner which is not obtrusive to the additional amenities within the off-track wagering facility and dining and handicapping facilities as contemplated by the Act according to specifications approved by the Commission, as well as optimum security of the facility which shall include the installation and maintenance of security and surveillance equipment in public and non-public areas, to include closed circuit television equipment to enhance the safety and integrity of wagering, the integrity of the proceeds from wagering and according to the specifications approved by the Commission. The Commission shall have access to the system or the signal at the same extent that the employees of the off-track wagering licensee with the responsibility in such area. Our surveillance system will have the capability for remote access. So if the Commission chooses, they can actually view it at the Commission offices via a private VTM. So, again, we feel that through this presentation and submission of the prior information and with the exhibits here, we have met the requirements of 13:74-6.1 all the sections that are covered in that section.

The 13:74-2.1 section (j), indicates that the issuance of the license will not be inimical to the best interests of the public and horse racing industry in the state. We believe that we meet that threshold. This application and the issuance of this license will not be inimical to the best interests of the public and the horse racing industry in the state. As we stated earlier, we are investing several million dollars into this facility. The facility will bring economic development

to Gloucester Township. It will bring jobs to Gloucester Township. It will provide revenue for the horse racing industry through purses as we've indicated over a million dollars a year in purses after the first full year. It will generate revenue that hopefully will be reinvested back into the State. We will be bringing off-track wagering to the residents of Southern New Jersey–Southeastern New Jersey which has been something that Senator Norcross brought up, has been long-awaited and we're happy to be able to bring that to this region. And it's been well stated by the Commission, by the Legislature, by the horsemen and the racetracks as well, that the opening of the off-track wagering facilities is important. Business has changed somewhat, however, we have been wanting to get this done and we feel that this is the best opportunity to get this facility operational and we are very proud to have stated our case and submitted the information as required by the Commission. I'm certainly open to any questions the Commission may have, and any of the witnesses that we have brought up are free to be questioned by the Commission and we're happy to take your questions.

Zanzuccki: Any questions for Mr. McErlean at this point?

Aponte: How close is your nearest facility from across the river? That would be competing against this facility?

McErlean: There's several facilities now on the Pennsylvania side. Obviously you have Parks, the former Philadelphia Park, it's probably about...that's in Bensalem so it's probably about 35-40 miles away. South Philadelphia off-track wagering location probably is about 15 miles away, just over the bridge and then Harrah's Chester and racetrack in Chester the racetrack/casino is probably about 25-30 miles away. There's also an off-track wagering facility in downtown Philadelphia on Market Street and that's probably about 15 miles away as well.

Aponte: How did you come up with your performing numbers of the 20 million based upon this South Jersey market or overflow? How did you come up with your numbers?

McErlean: Well, obviously there were probably customers from New Jersey going to the Pennsylvania side so you know, we know that there's a market here. We do demographic studies. We have, you know, do mathing software and take a look at gaming age population within certain radiuses and based on that,

extract laid out certain wagering per capita numbers. So, we took into account the competition because again, there are a finite number of players out there. So we took into account the competition within 15, 30 and 60 mile radius and again, we were again I think somewhat conservative but realistic. So that's how we came up with the numbers.

Zanzuccki: Mr. Marra, do you have any, on behalf of the Sports Authority, do you have any questions for Mr. McErlean or any of the witnesses that he presented?

Marra: No, I don't.

Zanzuccki: At this time, now, thank you Mr. McErlean. At this time, we will now accept comment from the public. Anybody who wishes to be heard, please step to the microphone which will be put there in a few seconds. Please state your name and provide your comments. Yes, sir?

Bucceroni: Good evening ladies and gentlemen. My name is Kevin Bucceroni, I'm a 35-year resident of Gloucester Township, I live at 2 Dogwood Court. I'm here in favor of this application. I think it will be a tremendous anchor for Blackwood-Clementon Road. It will bring resources here that we don't have. Right now it's blight and empty buildings. This will bring out the restaurants, it will feed other businesses so please look favorable on this application. Thank you.

Zanzuccki: Thank you sir.

Hamer: Hey everybody it's William Hamer. I'd like to say that the speaker did an impeccable presentation. I was born across the street from the facility, at the horse farm. I've spent forty years at the racetracks and I've also worked at the casinos for about six years. I am trying to attach myself to this facility if it's approved and I'm just on their team and all for it and let's keep the business on this side of the river and not Philadelphia, you know Penn State. So look favorably on this situation. Thank you.

Zanzuccki: Thank you sir.

Crispi: Good evening. My name is Joe Crispi. I live at 9 Aferton Court in Gloucester Township. I'm about one mile, a little bit over a mile away from this facility and I'm here to also say that as a resident I think it's the best thing that could

happen to that area. To bring it into Gloucester Township, promote some jobs here and bring that area back to life again. I think it's a very good idea for them to come in. Thank you.

Abbatiello: Thank you.

Zanzuccki: Any other comment from the public?

Rosetti: My name is Richard Rosetti. I'm all for the off-track betting. I think it will bring money into the township and hopefully it will brighten up the place.

Zanzuccki: Thank you sir. Anybody else have any more comments regarding the presentation here today? Mr. Marra, on behalf of the Sport Authority do you wish to present any additional testimony at this time?

Marra: No thank you. I think the testimony has been complete.

Zanzuccki: Thank you sir. Mr. McErlean, on behalf of FROT?

McErlean: Sure. Thank you Frank and thank you all the Commissioners for your time and attention. I just, one other...one other housekeeping item just so we're checking off all the boxes. One of the requirements of 13:74-2.1(h) is subsection 4 is that the permit holder also meet all the requirements and considerations set forth in N.J.A.C. 13:74-5.8 which really goes back to the Commission refusing to issue a license based on the investigations or things like that. We have nothing to our knowledge that there's any issues that cause would be brought up. It hasn't been brought to our attention up to this point so we think just by not being notified that we are...that we meet the requirements of that section. I greatly appreciate the members of the public who came out in support tonight of the facility. We think that this will be a good economic development project for Gloucester Township. We think that this will be good for the horse racing industry in the State of New Jersey, something which again, many stakeholders in the industry have been pushing for very hard and we're glad to have this happen especially in Camden County which again, has been something that people have wanted for some time. FROT is glad to bring that to Camden County, we're glad in terms of the plan put together, we're glad in terms of how we've structured everything is regards to our application. We appreciate the Sports Authority working with us in the process on the application. We appreciate the Commission's staff and their

time and diligence in working with us and we appreciate again the Commission's attention to detail in this whole process. Thank you.

Zanzuccki: Mr. McErlean, I'll assume that your closing remarks today?

McErlean: That's it.

Zanzuccki: Mr. Marra, do you have any closing remarks?

Marra: I have nothing to add.

Zanzuccki: Thank you.

Aponte: Alright, we have a proposed Motion. On behalf of the Racing Commissioners I'd like to thank each person who offered testimony or comment today. We would also once again like to thank Gloucester Township for its cooperation in our conduct of this hearing. We, by law, are not authorized to render a decision or final determination on the application today. Pursuant to N.J.S.A. 5:5-133 and N.J.A.C. 13:74-3.1, we can issue a final determination no sooner than thirty (30) days, and no later than sixty (60) days, following the closing of the record on this hearing. As explained in the published newspaper advertisements of this proceeding, written comments may be filed with the Commission through June 26, 2013. As noted by the Executive Director in his opening remarks, our investigation into the applications continues in one very limited aspect. Accordingly, I proposed through this Motion that the record of these proceedings remain open to receive any written comments filed by June 26th, and as concerns the continuing investigation, that the record remain open subject to the Executive Director being satisfied that the applicant has provided the necessary information. Thereafter, the record will be closed.

Through this Motion, I further propose that the Racing Commission Executive Director then prepare a proposed written Final Determination in accordance with law and with appropriate proposed conditions for the consideration, review and signing as appropriate by each Racing Commissioner attending this hearing. I further propose that upon approval of the proposed Final Determination, by a majority of the Racing Commissioners at a regulatory convened Racing Commission meeting, to be held at our Trenton office or at a permitted racetrack facility, that such writing be considered the Final Determination of this Commission to be presented to the Attorney General for

approval or disapproval as required by law.

Zanzuccki: We have that in the form of a Motion. Do we have a second?

Keegan: I'll second.

Zanzuccki: Any further discussion on the Motion? Commissioner Abbatiello?

Abbatiello: Yes.

Zanzuccki: Commissioner Aponte?

Aponte: Yes.

Zanzuccki: Commissioner Arnone?

Arnone: Yes.

Zanzuccki: Commissioner Clyne?

Clyne: Yes.

Zanzuccki: Commissioner Keegan?

Keegan: Yes.

Zanzuccki: That concludes section C of the agenda. At this time we will entertain a motion to adjourn.

Abbatiello: So moved.

Keegan: Second.

Zanzuccki: All in favor?

Commissioners: I.

Zanzuccki: Opposed? Thank you all very much.

ATTEST:



Executive Director Frank Zanzuccki

