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THE COMMONWEALTH OF MASSACHUSETTS
MASSACHUSETTS GAMING COMMISSION
ADJUDICATORY HEARING

IN THE MATTER OF: APPLICATION OF RAYNHAM PARK,
LLC
FOR PHASE 1 SUITABILITY DETERMINATION FOR CATEGORY
2 GAMING LICENSE

July 26, 2013, 9:30 a.m. - 3:10 p.m.
BOSTON CONVENTION AND EXHIBITION CENTER
415 Summer Street, Room 102-B
Boston, Massachusetts 02210

1 APPEARANCES:

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3 MASSACHUSETTS GAMING COMMISSION

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1 P R O C E E D I N G S :

2

3 CHAIRMAN CROSBY: Okay. Ladies and
4 gentlemen, I'd like to call to order the 73rd
5 public meeting of Massachusetts Gaming Commission
6 on July 26, 2013. And we will have a brief
7 regular public meeting, and will then adjourn
8 briefly for some logistical changes, and we will
9 then convene our adjudicatory hearing on the
10 application of Raynham for a Category 2 license.

11 We only have one item on our normal
12 public meeting agenda, something that came up late
13 last week, and I would like to ask Ombudsman John
14 Ziemba if he would lead us through that
15 discussion.

16 MR. ZIEMBA: Thank you, Mr.
17 Chairman, members of the Commission. What you
18 have before you is the citizen notice for the Town
19 of Raynham. The Town of Raynham has exercised its
20 right to take advantage of the exception included
21 in our regulations to move forward with a
22 referendum in advance of suitability. And
23 consistent with our regulations, they've submitted
24 the citizen notice for the Commission's approval.

1 Both legal counsel and I have reviewed the citizen
2 notice, and it is consistent with the other ones
3 that we've approved. They used others as models,
4 and I recommend that for your consideration.

5 By way of background, Raynham has
6 its host community referendum scheduled for August
7 13th, and depending on how the proceedings go
8 today and the further reviews, we told the
9 community that we will be in touch with them. But
10 there's one thing that we would hope to avoid. If
11 indeed the Commission determines this applicant to
12 be suitable, we would not want a notice to go out
13 to the community, to go out to the citizens,
14 saying that they are about to be deemed suitable
15 or they may still be needed to have their
16 suitability determined.

17 So in conversations with the
18 community, we have said that a reasonable period
19 for the mailing of that notice prior to the
20 referendum would be basically if the community --
21 excuse me, if citizens receive it at least one
22 week prior to the referendum so that gives us a
23 little bit of time for the back and forth with the
24 community.

1 Obviously, there us some legwork
2 that the community would have to do to send out
3 the notice to its citizens, and there is an
4 expense. But to the degree that the Raynham
5 needed to be prepared to take advantage of the
6 exception, today's approval would allow that.

7 CHAIRMAN CROSBY: Okay. Any
8 questions or issues or discussion. We do have to
9 formally approve this, which is why we had to have
10 this special meeting. This is just a minor point,
11 but I don't know if the design of the flier is
12 still up for grabs, but the black shading behind
13 the gaming commission suitability criteria is so
14 dark, it's very hard to read. And this may be
15 just a duplication here, but it's important for
16 people to see those criteria. Even I have a hard
17 time reading it on this.

18 MR. ZIEMBA: Actually, one thing I
19 would suggest is to the degree that there are
20 immaterial changes to the notice, perhaps you
21 could vest the authority within the executive
22 director or general counsel, and we can move
23 forward on that applicant's...

24 CHAIRMAN CROSBY: Yes. That's

1 fine. That's fine. Anybody else?

2 COMMISSIONER ZUNIGA: No.

3 CHAIRMAN CROSBY: Do we have a
4 motion to do whatever is we need to technically do
5 here. Commissioner McHugh.

6 COMMISSIONER MCHUGH: So I would
7 move that we approve the Raynham application as
8 printed in the meeting materials and vest
9 authority for nonmaterial changes, formatting
10 changes, highlighting changes, and the like,
11 approval of those changes in the general counsel
12 and/or the executive director.

13 COMMISSIONER STEBBINS: Second.

14 CHAIRMAN CROSBY: Any further
15 discussion? All in favor of the motion as
16 presented, say "aye."

17 COMMISSIONER CAMERON: Aye.

18 COMMISSIONER MCHUGH: Aye.

19 COMMISSIONER ZUNIGA: Aye.

20 COMMISSIONER STEBBINS: Aye.

21 CHAIRMAN CROSBY: Aye.

22 All opposed?

23 The ayes have it unanimously.

24 MR. ZIEMBA: Thank you.

1 CHAIRMAN CROSBY: Thank you. Any
2 other business? And congratulations to Raynham
3 Park, LLC for the next step in the process. Any
4 other topics for discussion during our public
5 meeting? Do I have a motion to adjourn?

6 COMMISSIONER MCHUGH: So moved.

7 CHAIRMAN CROSBY: Second.

8 COMMISSIONER CAMERON: Second.

9 CHAIRMAN CROSBY: All in favor?

10 COMMISSIONER CAMERON: Aye.

11 COMMISSIONER MCHUGH: Aye.

12 COMMISSIONER ZUNIGA: Aye.

13 COMMISSIONER STEBBINS: Aye.

14 CHAIRMAN CROSBY: Aye.

15 All opposed?

16 The ayes have the adjournment
17 motion unanimously.

18 We will now take just a minute to
19 let the people who will testify come forward with
20 counsel. Everybody else kind of get ready. Do
21 you need to do any changing around of cameras or
22 anything, Janice, cameras, mics? Janice?

23 MS. REILLY: No. I think we're
24 good.

1 CHAIRMAN CROSBY: Counsel, are you
2 all set? Is everybody organized?

3 MS. LEE: If I could have one more
4 moment, Chairman.

5 CHAIRMAN CROSBY: Take your time.
6 All set.

7 MS. LEE: Chairman, yes. Good
8 afternoon, Chairman, Commissioners. Thank you
9 very much for your time today. As a preliminary
10 matter, I just wanted to confirm the protocol as
11 to exhibits that are identified and entered into
12 evidence are a matter of public record, but
13 documents that are referred to during the hearing
14 will not be a part of the public record, rather,
15 the testimony that flows from them will be part of
16 the public record. I want to confirm that, if
17 that is correct.

18 CHAIRMAN CROSBY: I believe that's
19 correct.

20 MR. MACKEY: I think that, Mr.
21 Chairman, that sounds like the protocol that we
22 agreed upon yesterday and that works fine for the
23 Bureau.

24 CHAIRMAN CROSBY: Right. We needed

1 some kind of identification so there's a context
2 for the reader of the transcript.

3 MS. LEE: Yes, Chairman. And
4 additionally, any references to documents are not
5 necessarily going to waive any confidentiality,
6 that is correct, and I just wanted to confirm
7 that. And if there's information that's elicited
8 that is confidential, they will -- myself,
9 counsel, or the witness will refer to the portion
10 of the record and exhibits that have been given to
11 the IEB and the Commission where that answer will
12 be or is.

13 COMMISSIONER MCHUGH: I'm sorry.

14 CHAIRMAN CROSBY: Go ahead.

15 COMMISSIONER MCHUGH: I didn't
16 understand that, Ms. Lee.

17 MS. LEE: If there's a question
18 that elicits confidential information, I just
19 wanted to inform the Commission, and if the
20 Commission is also all right with this, that
21 they're going to refer to that particular record
22 that's been submitted to the Commission, for
23 example, exhibits that are in the confidential
24 report that's not made public.

1 COMMISSIONER MCHUGH: In other
2 words, if somebody asks a question, the answer to
3 which calls for confidential information that's in
4 a document submitted to the IEB, the witness will
5 refer to that document instead of answering the
6 question?

7 MS. LEE: Yes, that is correct,
8 Commissioner.

9 COMMISSIONER MCHUGH: I would
10 recommend, Mr. Chairman, that we take that on a
11 case-by-case basis.

12 MS. LEE: That's fine.

13 CHAIRMAN CROSBY: That's fine.

14 COMMISSIONER MCHUGH: It's hard to
15 deal with that in the abstract.

16 MS. LEE: Thank you very much. I
17 don't have any additional preliminary matters. I
18 don't know if counsel has.

19 CHAIRMAN CROSBY: Let me start this
20 off in a more formal structure.

21 Good morning. Today is Friday,
22 July 26th, 2013. This is a Phase I suitability
23 hearing before the Massachusetts Gaming Commission
24 relative to the application of Raynham Park, LLC.

1 My name is Steve Crosby, and I'm
2 the chairman of the Commission. I'm joined today
3 by Commissioners Cameron, McHugh, Zuniga, and
4 Stebbins. The entire commission will preside over
5 the hearing and the decision of this matter.

6 This is an adjudicatory proceeding
7 which is convened in accordance with 205 CMR
8 115.04(3) and will be conducted pursuant to the
9 formal rules outlined in 801 CMR 1.01 subject to
10 the clarifications contained in -- clarifications
11 contained in 205 CMR 101.03 and Chapter 30A of the
12 general laws.

13 We will -- as a matter of courtesy
14 for everybody's notice, we will take a lunch break
15 if we're still running. We'll try to do it around
16 noon so people can plan, but we'll tie it to an
17 appropriate break in the conversation.

18 Before we begin, I'd like to
19 explain the procedural history that led us here as
20 well as the process that will govern this
21 proceeding. Raynham Park, LLC submitted a Phase I
22 application to the Commission. The Commission
23 then instructed the Investigation Enforcement
24 Bureau to commence an investigation into the

1 suitability of the applicant to hold a gaming
2 license in Massachusetts. The Bureau has
3 conducted such an investigation to the
4 qualifications and suitability of the applicant
5 and its qualifiers and generated an investigative
6 report of its findings, which it submitted to the
7 Commission. A copy of the report was provided to
8 the applicant by the Commission. Based on the
9 report, the Commission has scheduled this
10 proceeding on its own initiative.

11 I see that there are a number of
12 lawyers present today on behalf of both the
13 applicant and the Bureau. I would ask that you
14 each please identify yourself and advise the
15 Commission as to whom you represent.

16 MS. LEE: Yes, Chairman Crosby.
17 For the record, Grace Lee, L-e-e, on behalf of
18 Raynham Park, LLC.

19 MR. KOHLER: Alan Kohler,
20 K-o-h-l-e-r, from Eckert Seamans representing the
21 applicant.

22 MR. EVERETT: Terrence Everett,
23 E-v-e-r-e-t-t, of Carlsmith Ball, LLP representing
24 the Greenwood Group.

1 CHAIRMAN CROSBY: Others.

2 MR. SCHRIER: Good morning, Mr.
3 Chairman. Stephen D. Schrier, also representing
4 the applicant with the firm of Blank Rome.

5 CHAIRMAN CROSBY: Can you spell
6 Schrier.

7 MR. SCHRIER: S-c-h-r-i-e-r.

8 MR. KOZOL: Joel Kozol, Friedman &
9 Atherton. I represent George L. Carney, who is a
10 supposed witness, and with me...

11 MR. MORIZIO: Michael Morizio, also
12 of Friedman & Atherton.

13 CHAIRMAN CROSBY: How do you spell
14 your last name, sir?

15 MR. MORIZIO: M-o-r-i-z-i-o.

16 MR. KOZOL: And David Kozol,
17 K-o-z-o-l, also of Friedman & Atherton. Thank
18 you.

19 CHAIRMAN CROSBY: And for the
20 Bureau.

21 MR. MACKEY: Good morning, Mr.
22 Chairman, Commissioners. My name is David Mackey
23 from the law firm of Anderson Kreiger. With me is
24 Steve Anderson from Anderson Kreiger, and we will

1 be representing the Investigations and Enforcement
2 Bureau this morning.

3 MR. CARROLL: Good morning. Bob
4 Carroll, firm of Michael & Carroll.

5 MR. MICHAEL: Guy Michael, Michael
6 & Carroll.

7 MR. BOHRER: Michael Bohrer from
8 Michael & Carroll.

9 MR. MURPHY: Bernie Murphy from
10 Michael & Carroll.

11 CHAIRMAN CROSBY: Is that it?
12 Okay. Thank you, counselors.

13 At the conclusion of my opening
14 comments, this proceeding will commence with a
15 recitation and explanation of the investigative
16 report prepared by the Bureau. We will ask that
17 the Bureau outline the manner in which the
18 investigation was conducted and outline the
19 findings relative to each qualifier. The Bureau's
20 presentation will largely be made by Karen Wells
21 who is the director of the Bureau. Director Wells
22 is joined, as you know, by consultants from
23 Michael & Carroll who assisted in the conduct of
24 the investigation. We will allow the consultants

1 to offer any clarification or answer any questions
2 during Director Wells' presentation. Any
3 commissioner may ask a question of Director Wells
4 or a consultant at any point during or following
5 her presentation.

6 At the conclusion of the Bureau's
7 presentation, the applicant, through its counsel,
8 will be afforded an opportunity to cross-examine
9 Director Wells or a consultant relative to any
10 information contained in the investigative report
11 or to which they testified. The applicant may ray
12 reserve its right until the end of their own
13 presentation, if they so choose.

14 Next, the applicant will be given
15 an opportunity to present its case. The burden is
16 on the applicant to demonstrate by clear and
17 convincing evidence, both its affirmed and
18 qualification for licensure, and the absence of
19 any disqualification for licensure. To that end,
20 the applicant has already subjected itself to a
21 thorough background investigation, the results of
22 which are set out in the investigative report.

23 Those findings will be considered
24 in determining whether the burden has been

1 satisfied. For purposes of this proceeding,
2 however, the applicant may call any witnesses and
3 present any other evidence it desires in an effort
4 to satisfy its burden.

5 The Commission is directed that, at
6 a minimum, Robert Green, Watche Manoukian, and
7 George Carney, Jr. is to present testimony as to
8 the issues set forth in the notice of this hearing
9 that was provided to the applicant.

10 I understand that counsel for the
11 applicant had an opportunity to meet with counsel
12 for the Bureau and the Commission to discuss this
13 proceeding. The purpose of that meeting, in part,
14 was to clarify some of the issues that the
15 applicant should address in its presentation.
16 Those are primarily the issues that are set forth
17 in the written notice of this hearings.

18 Is that correct, Counsel?

19 MS. LEE: Yes, Chairman, that is
20 correct.

21 CHAIRMAN CROSBY: While those
22 issues should be included in the applicant's
23 presentation, it may certainly address any other
24 issues it believes may be relevant to its

1 suitability determination.

2 Similarly, the commissioners may
3 certainly inquire into any issue that is of
4 interest to the Commission. At the conclusion of
5 each witnesses's direct testimony, counsel for the
6 Bureau will be provided an opportunity to conduct
7 cross-examination of the witness. Then each
8 commissioner will be afforded an opportunity to
9 ask questions of the witness. Any commissioner
10 may, however, ask any question of any witness at
11 any time during examination or at the conclusion
12 of the examinations. We will allow very limited
13 redirect and recross of a witness if it's
14 absolutely necessary. Either party may raise any
15 objection they desire at any time, however, the
16 basis for all objections must be clearly stated.

17 Finally, at the conclusion of all
18 of the evidence, the applicant will be provided an
19 opportunity to make a closing statement summing up
20 why it believes it is suitable to be issued a
21 gaming license and should be allowed to proceed to
22 Phase II of the process.

23 Before we begin, I understand that
24 there are a number of premarked exhibits that have

1 been provided to the applicant in advance; is that
2 correct?

3 MS. LEE: That's correct, Chairman.

4 CHAIRMAN CROSBY: I'll now ask the
5 Bureau's counsel to introduce them.

6 MR. MACKEY: Mr. Chairman,
7 Commissioners. Counsel have agreed upon the
8 marking and introduction of exhibits -- Bureau
9 Exhibits 1 through 4. Exhibit 1 is the three-page
10 notice of the adjudicatory hearing. Exhibit 2 is
11 the cover letter dated July 3rd, 2013 from Director
12 Wells to the Commission. Exhibit 3 is the
13 seven-page executive summary relative to the -- to
14 Raynham Park, LLC. And Exhibit 4 is a redacted
15 copy of the 75-page investigative report relative
16 to Raynham Park, LLC. And I don't believe that
17 there are objections to any of the Bureau's
18 exhibits.

19 CHAIRMAN CROSBY: Are there any
20 objections to the exhibits?

21 MS. LEE: No objections, Chairman.

22 CHAIRMAN CROSBY: Thank you. If
23 either party plans on using additional documents,
24 I'd ask that it at least be noted for

1 identification if it is not ultimately introduced
2 into evidence as we discussed.

3 The administrative record in this
4 matter will include all of the testimony that is
5 provided, the exhibits that are taken into
6 evidence, as well as the un-redacted investigative
7 report and the accompanying materials that were
8 previously provided to the applicant.

9 The Commission anticipates that its
10 inquiry at this proceeding will be limited to the
11 matters addressed in the report. In the event
12 that a line of questioning conducted by the
13 Commission or by the Bureau moves into an area
14 that has not been included in the reports but that
15 is included as part of the investigative file and
16 is material to the suitability determination, the
17 applicant may request a recess in the proceeding
18 so as to review the issue. This will be an
19 unlikely happenstance, however, as the Commission
20 anticipates addressing solely issues covering the
21 investigative report.

22 No final decision will be made here
23 today. The matter will be taken under advisement
24 at the conclusion of the proceeding, and a written

1 decision will be issued. If, at any point, during
2 the commissions deliberations it determines that
3 further testimonial or documentary evidence is
4 desirable, it reserves the right to ask the
5 applicant to provide such evidence prior to the
6 suitability decision being made.

7 We will now swear all of the
8 witnesses in. Anyone who will be testifying at
9 this proceeding, please stand and raise your right
10 hand.

11 Do you solemnly swear that the
12 testimony you will provide before the Commission
13 at this proceeding will be the truth, the whole
14 truth, and nothing but the truth.

15
16 (Witnesses sworn.)

17
18 CHAIRMAN CROSBY: Has everybody
19 responded in the affirmative.

20
21 (Witnesses respond affirmatively.)

22
23 CHAIRMAN CROSBY: Thank you. All
24 have responded in the affirmative.

1 Before we begin, does counsel have
2 any other preliminary issues or objectives?

3 MS. LEE: I do not, Chairman.

4 CHAIRMAN CROSBY: Counsel Mackey.

5 MR. MACKEY: At this particular
6 time, I would like to ask Director Wells to give a
7 summary of the investigative report that has been
8 introduced into evidence.

9 DIRECTOR WELLS: Thank you very
10 much. Good morning, Commissioners.

11 COMMISSIONER CAMERON: Good
12 morning.

13 COMMISSIONER MCHUGH: Good morning.

14 DIRECTOR WELLS: As a preliminary
15 matter, as I did yesterday, I would like to thank
16 the consulting firm of Michael & Carroll for their
17 outstanding work on this project as well as the
18 Massachusetts State Police for their participation
19 in this investigation -- not only this
20 investigation, but all the investigations. The
21 entire team has worked tirelessly and done
22 outstanding work, and I'm extremely grateful for
23 all of their efforts.

24 The scope and methodology for the

1 investigations has already been reviewed by the
2 Commission. It's an incorporated movement cover
3 letter and the report, so I will not repeat a
4 description of the process. If any of the
5 commissioners would like further detail as I
6 proceed, please do not hesitate to interrupt me.

7 Before I get started on a summary
8 of the applicant, I would like to comment that
9 during this process, the IEB did find the
10 applicant to be cooperative and forthcoming during
11 the process, and we had no issues with respect to
12 providing information to us in that cooperative
13 nature of the investigation.

14 The applicant entity is Raynham
15 Park, LLC. They are seeking a Category 2 gaming
16 license. The applicant entity was created in
17 November of 2012 for the purpose of tendering this
18 application. If the applicant is successful in
19 obtaining a license, it intends to locate its
20 gaming facility at 1958 Broadway in Raynham. At
21 present, this is the site of a simulcast wagering
22 enterprise, former site of the Greyhound Raceway.

23 The applicant intends to operate
24 its slot machine gaming establishment in

1 conjunction with a pari-mutual simulcasting racing
2 facility. The site consists of two parcels of
3 land owned by the Massasoit Greyhound Association,
4 MGA, which, in turn, is owned by George Carney Jr.
5 and the Joseph F. Carney trust.

6 The trust was established by Joseph
7 Carney, the now deceased brother of George Carney,
8 for the benefit of his three sons. This applicant
9 basically consists of two ownership groups. There
10 is the Carney Family Group, LLC, a Massachusetts
11 LLC formed in December of 2012 and owned by
12 members of the Carney family. And this group will
13 provide the property and initial facility.

14 The other piece of the applicant in
15 Raynham Member, Incorporated, a Delaware
16 corporation owned by Greenwood Racing. It's
17 called the Greenwood Racing Side in the course of
18 my presentation. This is owned by a series of
19 holding companies that lead up to an investor
20 named Watche Manoukian, the ultimate owner. This
21 group will provide the financing and the
22 management, and they provide the gaming expertise
23 in this application.

24 As to the operating agreement, on

1 December 21st, 2012, the Carney Family Group and
2 Raynham Member executed an agreement creating
3 Raynham Park, LLC, the applicant for the
4 Massachusetts Category 2 license. The Carney
5 Family Group agreed to provide, in the event the
6 application is successful, the property and
7 existing facility. A specific value was
8 attributed to this property and that value
9 constitutes the Carney Family Group's capital
10 contribution to the venture.

11 Greenwood Racing agreed to
12 contribute up to a certain amount for the costs
13 attendant to and associated with the filing of the
14 application. Greenwood Racing further agreed to
15 contribute equity capital up to a given maximum
16 total.

17 In the event additional capital
18 funding is necessary, the parties agreed that
19 Raynham Park will explore the availability of
20 third-party financing. Should third-party
21 financing be unavailable or should the rates
22 available through third-party financing exceed a
23 certain amount, the agreement provides the parties
24 may make additional capital contributions.

1 Management of Raynham Park will
2 fall exclusively within the domain of Raynham
3 Member, another corporation. To this end, the
4 principals of Raynham Member and Greenwood Racing
5 have established a holding company, qualifier
6 Management Enterprises Holding, LLC.

7 This holding company has created
8 Management Enterprises, LLC, a Delaware Limited
9 Liability Company, which will serve as the manager
10 of the applicant, Raynham Park. The operating
11 agreement provides that the manager shall have the
12 exclusive right to supervise, direct, and control
13 management and operation of the project. The
14 agreement also sets forth the terms upon which
15 profits from Raynham Park are to be distributed.

16 On the Carney side, this is held by
17 the Carney Family Group, LLC. The entity owned is
18 owned by George Carney, his wife, Laetitia Carney,
19 and their nephew Timothy Carney. These are
20 longtime residents of Massachusetts.

21 Robert John Kelly, George's
22 son-in-law, is executive VP of the Carney Family
23 Group. The Carney Family Group has entered a
24 consulting agreement by which it will provide for

1 a consideration certain consulting services yet to
2 be defined.

3 As to those individuals on the
4 Carney side of the agreement, George Carney has
5 been the operator of Greyhound Racing and
6 simulcast wagering facilities as well as various
7 other related and unrelated businesses. Has been
8 involved in racing since he was 17. He can be
9 described as the patriarch of the Carney family.
10 He is the architect of the Carney Family Group's
11 involvement in this venture.

12 Laetitia Carney is his wife. While
13 she serves on the board of some of the family
14 businesses, she's not involved in operational
15 matters and does not intend to be involved in the
16 management of this project.

17 Timothy Carney is primarily
18 employed with the Carney family business, Carney
19 Brothers Trucking, and does not intend to be
20 involved in the management of the project.

21 Robert John Kelly is the son-in-law
22 of George Carney. He's the executive VP of the
23 Carney Family Group. And in conjunction with
24 George Carney, he will assume a management role in

1 the Carney Family's interest. He indicates his
2 role in the operation will be limited to serving
3 on Raynham Park advisory committee.

4 On the Greenwood Racing side,
5 Greenwood Racing was founded in 1989. Robert
6 Green and William Hogwood were two of the
7 co-founders, two of our qualifiers here today.
8 Prior to the creation of Greenwood, Green had been
9 the CEO of William Hill Organization, a division
10 of Grand Metropolitan PLC, GMet, at the time.

11 At the time, William Hill was one
12 of the largest wagering and legal bookmaking
13 organizations in the world with its primary
14 operations in Europe. In the late 1980s, William
15 Hill explored potential business opportunities in
16 the United States. One such opportunity presented
17 itself with the passage of legislation in
18 Pennsylvania permitting the introduction of
19 off-track wagering.

20 Through Green, William Hill
21 determined that this is a potentially lucrative
22 investment opportunity and began negotiating the
23 purchase of Philadelphia Park Racetrack. That
24 potential deal went by the wayside, and Green

1 resigned and began to negotiate independently,
2 thus the creation of Greenwood Racing.

3 Green was introduced to Watche
4 Manoukian by Richard Kendle. Manoukian ultimately
5 invested a substantial sum in the venture and
6 became a majority stakeholder. Manoukian's
7 ownership is through a series of holding
8 companies. These holding companies were created
9 by Manoukian to take advantage of then existing
10 tax treaties between the United States, the
11 Netherlands, and the Netherlands Antilles.

12 Manoukian advised the investigator that these tax
13 treaties were no longer in effect, and he intends
14 to streamline his ownership interests.

15 With Manoukian's financing,
16 Greenwood Racing formed and the Philadelphia Park
17 purchase took place.

18 Greenwood Racing has been generally
19 successful in other gaming endeavors. The
20 subsidiaries are licensed to operate and do
21 operate Parx Casino and Parx Racing, five
22 off-track betting locations in the metropolitan
23 Philadelphia area, and several other off-track
24 betting facilities and in New Jersey.

1 The major gaming operations
2 subsidiaries of Greenwood Racing are Green Racing
3 Management Company, employer of casino management
4 personnel; and Greenwood Gaming Services
5 Companies, employer of gaming operations
6 personnel. Food and beverage personnel are
7 employed by Racetrack Food Services for racing
8 operations and Casino Food Services for casino
9 operations.

10 Other subsidiary companies provide
11 corporate support in areas including IT and
12 financial and simulcast signal management
13 services. Greenwood Racing, also Greenwood G & E
14 Holding, Incorporated, which is the intermediary
15 company that, in turn, owns Greenwood Gaming and
16 Greenwood Entertainment, the Pennsylvania casino
17 licensee.

18 Greenwood Racing is also partnered
19 with Penn National Gaming and Pennwood Gaming,
20 operating Freehold Raceway in New Jersey and Toms
21 River Favorites in New Jersey. Pennwood,
22 Greenwood Racing, and Penn National are all
23 licensed by the New Jersey racing commission, and
24 the entities remain in good standing with their

1 regulatory -- with their respective regulatory
2 jurisdiction.

3 Greenwood Racing, through a
4 subsidiary, also owns Atlanta City Racetrack. The
5 facility is licensed and in good standing.
6 Greenwood Racing also owns Favorites at Vineland,
7 an off-track wagering facility in New Jersey, also
8 licensed and in good standing.

9 Greenwood Racing's board of
10 directors consist of seven members, all of whom
11 have been designated as qualifiers for applicant
12 Raynham Park. They are Robert Green, William
13 Hogwood, Terrence Everett, Richard Kendle, Anthony
14 Ricci, David Budd, and Thomas Bonner. Greenwood
15 Racing's officers, who are responsible for
16 implementing the orders and policies of the board
17 of directors, are Anthony Ricci, president, CEO,
18 and treasurer; Joseph Wilson, COO and also a
19 qualifier; and Thomas Bonner, secretary.

20 If capital infusion is required for
21 this project, Greenwood entities would be capable
22 of providing the funds.

23 Investors during the course of
24 looking at the applicant determined an example of

1 a recent suitability investigation that Greenwood
2 Racing went through. In 2005, Pennsylvania passed
3 legislation approving the introduction of slot
4 machine gaming at, among other locations, a
5 limited number of licensed horse racing
6 facilities. This category of licensure was
7 designated as a Category 1 slot machine license,
8 one that permits operation of slot machines at a
9 licensed racetrack.

10 Shortly after the passage of this
11 new law, Greenwood Racing applied for one of these
12 licenses. The Pennsylvania Gaming Control Board,
13 through its agents and designees, conducted an
14 investigation into the background and suitability
15 of Greenwood Racing. The investigation included a
16 review of the qualifications, integrity,
17 suitability, and good character of the owners, key
18 employees, and employees of Greenwood Racing. At
19 the conclusion of this investigation, they
20 received a recommendation of suitability, and the
21 board subsequently considered this recommendation
22 and awarded a temporary facility Category 1 Racino
23 license. And they then commenced operations in
24 late December 2006, and then Greenwood Racing

1 ultimately received its license in June of 2007.

2 As to the Greenwood Racing
3 operations, if the applicant receives a license,
4 Greenwood Racing will be responsible for operation
5 activities -- operational activities at the
6 facility. Therefore, investigators focused on the
7 prior gaming operating history of the entity and
8 its operating subsidiaries. A comprehensive
9 review of Greenwood Racing's compliance history
10 has been conducted. The objective of the
11 examination was to (1), identify the actual
12 compliance history of the several regulatory and
13 governmental agencies responsible for its
14 oversight; and (2), assess its corporate
15 sensitivity to the law and regulations.

16 With regard to Greenwood Racing's
17 history of compliance in non-gaming related
18 matters, our investigation revealed that the
19 company has been assessed a number of fines
20 resulting from revenue-related tax deficiencies
21 that were examined by this investigation, and they
22 were proven to be minor assessments, in some cases
23 as low as \$25. They did not demonstrate any
24 pattern of intentional or repetitive material

1 non-compliance. The aggregate amount of fines for
2 these violations was approximately \$24,000.

3 In light of the size and complexity
4 of Greenwood Racing's operations, the number of
5 complaints of this type and the fines paid, the
6 incidents do appear to the investigators in
7 conjunction with the consultants to be de minimus
8 as having not had a significant regulatory impact.
9 Investigators also discovered fines imposed
10 against their Philadelphia Turf Clubs location
11 since 2006, including a total of \$1,050 in fines
12 for a false alarm and one fire code violation in
13 2006 for \$800.

14 In the critical area of gaming
15 operations, our review identified 12 instances
16 from the commencement of its casino gaming
17 operations to the present in which the
18 complaints have been filed -- there have been
19 complaints filed against Greenwood Racing and
20 Entertainment, the subsidiary of Greenwood Racing
21 that holds the actual Pennsylvania casino license.

22 The gaming-related complaints
23 involve six charges of permitting underage gaming,
24 one instance of serving alcoholic beverages to

1 intoxicated patrons, three instances of using
2 unlicensed vendors, one instance of permitting a
3 person on the self-exclusion list to gamble, and
4 one case of a programming error on a slot machine
5 system enabling a patron to erroneously win a
6 jackpot.

7 The underage complaints are fairly
8 typical violations that result from the enormous
9 amount of traffic on a casino floor. The
10 inspection of the casino revealed designed that
11 Greenwood Racing designed its facility to minimize
12 available points of entry and staff those
13 locations with fixed-post employees. In the
14 consultants' view, this configuration, in
15 conjunction with the fixed-post assignment,
16 constitute the optimum design and deployment for a
17 facility of its size.

18 Ownership and top-level management
19 were interviewed specifically with regard to the
20 issue of underage gaming and alcohol consumption.
21 They all appeared to be both very knowledgeable
22 and sensitive to these issues. Toward this end,
23 they have instituted an ongoing identification
24 training program for all security and casino floor

1 employees.

2 In one of the unlicensed vendor
3 complaint matters, Greenwood Racing had conducted
4 business with one of its own, then unlicensed,
5 subsidiaries. In the other matter, the company
6 engaged a computer company that, at the time, been
7 on the Pennsylvania Gaming Control Board's
8 prohibited vendor list. In the former matter,
9 Greenwood advised they did not realize the
10 subsidiary required licensure. In the latter
11 case, they stated the company had failed to take
12 adequate measures to verify the vendor's status.
13 As a result of these incidents and complaints,
14 Greenwood Racing has completely revised its vendor
15 and purchasing operation procedures to ensure
16 future compliance with vendor regulations.

17 With regard to the erroneous
18 jackpot, it was determined this incident arose out
19 of an inadvertent mis-programing of a slot
20 machine. There did not appear to be any cheating
21 or any form of game manipulation involved.

22 As a result of the 12
23 gaming-related complaints that I've discussed,
24 Greenwood Racing has been fined and has paid the

1 aggregate sum of approximately \$204,000 to the
2 Pennsylvania authorities.

3 Lastly, Greenwood Racing was
4 engaged in a lengthy dispute with the Pennsylvania
5 Department of Environmental Protection, Clear
6 Water Fund, DEP. This dispute related to the
7 methods by which Greenwood Racing had been
8 disposing of the horse manure generated by the
9 approximately 1,400 racehorses residing at the
10 Philadelphia Park facility. Greenwood disputed
11 that its methods were in any way inappropriate.
12 Rather than continue to dispute and the expense
13 that it was engendering, Greenwood decided to
14 resolve the agreement by way of a consent
15 agreement signed on May 16, 2011. The agreement
16 required Greenwood Racing to take such remedial
17 action as necessary to minimize any potential
18 pollution and rainwater runoff. Moreover,
19 Greenwood agreed to pay a fine of \$387,000 to the
20 DEP Clean Water Fund and 22,700 to the Bucks
21 County Pennsylvania Conservation District
22 authorities.

23 In conclusion, we have reviewed all
24 the relevant gaming and non-gaming actions taken

1 against Greenwood Racing and its subsidiaries.
2 We've also conducted numerous interviews with key
3 qualifiers as well as representatives of both the
4 Pennsylvania Gaming Control Board and Pennsylvania
5 State Police. The on-site inspection of the Parx
6 Casino revealed the casino is designed to
7 facilitate maximum oversight by security for entry
8 onto the casino floor. The number of complaints
9 against that facility, in particular those that
10 involved action on the casino floor, do not appear
11 to establish either a systemic pattern of
12 regulatory violations or a lack of sensitivity to
13 regulatory oversight. In fact, considering the
14 volume of traffic on the casino floor, and the
15 size of Greenwood Racing's business, the number of
16 regulatory complaints filed is less in the
17 consultants' view than might be expected from a
18 similar operation of this size and scale.

19 Greenwood Racing was also the
20 subject of a routine United States IRS audit,
21 which identified no issues or concerns.

22 As to the Greenwood Racing
23 financing, in summary, the acquisition of the
24 Philadelphia Park by Greenwood Racing was financed

1 by equity and debt contributed by the shareholders
2 of Greenwood Racing and by a purchase money
3 mortgage from ITB, the seller. The purchase money
4 mortgage was subsequently paid off.

5 Greenwood Racing's financing
6 currently consists of both bank and shareholder
7 financing, a term loan, and a revolving credit
8 facility were issued to Greenwood Racing in
9 September of 2011 by a syndicate of major
10 financial institutions led by Bank of America. As
11 of December 31st, 2012, the term loan had amounts
12 outstanding, but nothing was outstanding on the
13 revolving credit facility. In addition, the
14 shareholders of Greenwood Racing or their
15 affiliates provided two shareholder loans to
16 Greenwood Racing, one in 2009 and one in 2010.
17 The shareholder loans are unsecured and
18 subordinated to the bank financing.

19 As with other applicants, if this
20 applicant is permitted to continue to the Phase II
21 stage, they should be required to demonstrate the
22 specific method, sources, and overall immediate
23 financial ability to complete the proposed project
24 in a timely manner.

1 As with the other investigations
2 that the IEB has conducted, they identified
3 through a scope of licensing, both entity and
4 individual qualifiers which would need to be
5 individually investigated and that was done in
6 this case as well.

7 The entity qualifiers, you know, as
8 I have referenced them in my presentation already,
9 I'll just go through the entities that were
10 investigated and found to be recommended to be
11 suitable as a result of the investigation.

12 It was Raynham Park, LLC. That's
13 the applicant entity. The Carney Family Group,
14 previously outlined as the land providers.
15 There's Raynham Manager. This business is
16 described as the entity intended to solely manage,
17 direct, and control the business entity, Raynham
18 Park, LLC in pursuing a Massachusetts Category 2
19 gaming license. The company is also identified as
20 managing the design, construction, and future
21 operation of the facility if granted a license.
22 That was created in 2012.

23 There's Raynham Member. That's
24 more for the purpose of developing the gaming

1 facility and that owns half of Raynham Park along
2 with the Carney Group.

3 There's Greenwood Racing, which I
4 described in detail, the owner of Raynham Member.

5 There's Management Enterprises, LLC
6 and Management Enterprises Holdings, LLC. They're
7 formed to manage the games.

8 ME, Management Enterprises, was
9 formed to manage the gaming facility for the
10 applicant, owned by Management Enterprises
11 Holdings. Those companies are not operational and
12 won't be unless or until the license is received.

13 There is International Turf
14 Investment Company, a significant owner of
15 Greenwood Racing.

16 There is ITIC/ITAC, another
17 connected company in the Manoukian string of
18 holding companies, along with Koorinal Holdings
19 B.V. and Koorinal Holdings Curacao, N.V. And
20 Rock Limited. That also has an ownership interest
21 in Greenwood Racing.

22 All of these companies were vetted
23 through an investigatory process as described in
24 the report and my cover letter, and no material

1 issues were discovered which would negatively
2 impact the suitability determination.

3 As to the individual person
4 qualifiers, let's start with the Carney Group.
5 George Carney, I've already reviewed his
6 involvement and some of his background. He's an
7 experienced businessman with a long history of
8 involvement in different entities as further
9 outlined in the report. George Carney's ownership
10 interests in dog racing, simulcasting, and
11 wagering, and alcoholic beverage businesses have
12 required that he and his entities be licensed or
13 qualified by the Massachusetts Gaming and Racing
14 Authorities and the Alcoholic Beverages Control
15 Commission, as well as the Town of Raynham and the
16 City of Brockton. The investigation reviewed and
17 evaluated the applicant's submitted materials,
18 database records and, where necessary,
19 confirmatory agency records related to these
20 licensing holdings. And the review disclosed no
21 material findings adverse to his suitability.

22 A 2010 issue regarding the
23 Massachusetts State Racing Commission inquiry into
24 certain delinquency of certain racings taxes and

1 fees at the Taunton dog track was investigated.
2 The matter was initially resolved by a payment
3 plan, but upon further review, the records show
4 that Raynham Park is current in all pari-mutual
5 obligations to the Commonwealth.

6 At this point, I just want to refer
7 there in the redacted -- pardon me, in the
8 un-redacted version of the report in Exhibit 1,
9 there's a reference to a tax matter. I'll just
10 refer to that and not get into detail because it
11 has been redacted for purposes of this hearing,
12 but I'll refer to that for the Commission's
13 consideration.

14 Generally, the applicant qualifier
15 passed muster with respect to the statutory
16 requirements, including financial integrity and
17 responsibility, integrity, honesty and good
18 character, and business ability. I will refer to
19 the -- at the end of my presentation to the
20 condition -- one of the conditions of --
21 recommended conditions of suitability as
22 recommended by the IEB.

23 Timothy Carney, part owner of the
24 Carney Family Group. He's primarily employed with

1 the Carney family business, Carney Brothers
2 Trucking. He does not intend to be involved in
3 the management of this project. He is currently
4 licensed by the Commonwealth of Massachusetts
5 State Racing Commission for dog racing simulcast,
6 and his license is in good standing with no
7 reported regulatory violations, credible
8 employment history, and, as with the other
9 individual qualifiers, no material issues were
10 found during the course of the information.

11 Laetitia Carney, as I said, was
12 part owner of the Carney Family Group and the wife
13 of Mr. George Carney. And while she serves on the
14 board of some of the family businesses, she's not
15 involved in the operational matters. She does not
16 intend to be involved in the management of the
17 project and has never been a holder of a gaming
18 license.

19 Robert John Kelly, the son-in-law
20 of George Carney, is the executive vice president
21 of the Carney Family Group. And in conjunction
22 with George Carney, he will assume a management
23 role in the Carney family's interest in the
24 project. He indicates his role in the operation

1 will be limited to serving on the Raynham Park
2 advisory committee. He is currently licensed by
3 and in good standing with 19 gaming authorities.
4 Six of those have renewals pending. Mr. Kelly is
5 licensed in those jurisdictions due to his
6 position as a member of the board of directors of
7 Gaming Partners, International Corporation. This
8 is a company that is a gaming vendor providing
9 chips, dice, card tables, layouts, and other
10 accessories to casinos. Kelly is therefore
11 licensed in the jurisdictions where the company
12 does business. Kelly has advised that the company
13 is not supplying and will not be supplying slot
14 entities.

15 As to the Greenwood Racing side of
16 the applicant entity before you here today, the
17 first individual discussed is Watche Manoukian.
18 He also goes by Robert or Bob Manoukian. He is a
19 very wealthy and successful businessman. He has
20 enjoyed considerable success investing in real
21 estate, both in the United Kingdom and the United
22 States. Through his many holding companies, he is
23 a substantial owner of Greenwood Racing, which, in
24 turn, owns Raynham Member.

1 He expects to be involved in the
2 construction of the facility, but not the
3 management. He indicates he is comfortable that
4 the applicant has assembled a first-rate
5 management team. Aside from businesses associated
6 with this application, he is actively involved in
7 many other business relationships. He sits on the
8 board of numerous charitable foundations. He
9 holds a key employee qualifier Pennsylvania gaming
10 license. He has not been personally cited for any
11 regulatory violations, and he has been found
12 suitable by the Maryland Racing Commission.

13 During the course of the
14 investigation, investigators checked into several
15 negative media reports regarding Mr. Manoukian.
16 There was an allegation that he was on the Royal
17 Canadian watch list, which was confirmed to be
18 false by the Canadian authorities. There were
19 media reports that he was systematically dodging
20 U.S. taxes through a series of offshore shelters.
21 Investigation confirmed that he, indeed, created a
22 complex ownership structure for his holdings in
23 Greenwood Racing that enabled him to take
24 advantage of the then-existing tax treaties

1 between the United States, the Netherlands
2 Antilles, and the Netherlands. In particular,
3 Manoukian's company is located in jurisdictions
4 where no taxes were assessed, took mortgages on
5 certain Greenwood Racing holdings often at
6 seemingly high interest rates. Therefore, the
7 interest portion of the mortgage payments made by
8 Greenwood to those entities was untaxed to the
9 entity that received the interest in the country
10 in which it was located. At the time, Greenwood
11 Racing deducted the interest payments from its
12 taxable income therefore creating appearance that
13 the U.S. based company, Greenwood, lowered its tax
14 while the foreign-based company paid no tax.

15 In fact, though, Greenwood, in
16 making the interest payment to the Manoukian
17 entity, withheld 30 percent of the interest
18 payment as tax assessed by the U.S. on a foreign
19 person or entity's U.S. source income.

20 Although Manoukian did not pay the
21 tax directly, he paid it indirectly in that the
22 amount of interest paid to him was reduced by 30
23 percent. Thereafter, Greenwood remitted the
24 withheld tax to the U.S. taxing authorities.

1 Therefore, having conducted a
2 review of the Manoukian's tax history, it is the
3 conclusion of the consultants and the
4 investigators that he complied with the existing
5 United States laws. I expect, however, that this
6 issue will be the subject of the Commission's
7 inquiry today, as there is a difference between
8 complying with the laws and tax avoidance, and I
9 think that's going to be some of the discussion
10 here today.

11 A 1989 seizure of his airplane was
12 also reported in the press, and there was some
13 negative media reports about that. It was
14 confirmed through the investigation that the
15 passengers on that plane had, indeed, been cleared
16 through immigration by customs officials, and the
17 seizure of the aircraft had been a mistake.

18 In addition, there was an
19 allegation that he was fined by Britain for tax
20 violations. The investigators confirmed that was,
21 in fact, untrue. He was never assessed any fines
22 for failure to pay his taxes.

23 The next member of the Greenwood
24 Racing is Robert Green, the chief operating

1 officer and part owner of Greenwood Racing. He's
2 a successful and experienced gaming executive.
3 Under his direction and control, Greenwood Racing
4 has been successful and has a good compliance
5 record. He is licensed by the Pennsylvania Gaming
6 Control Board, the Pennsylvania Horse Racing
7 Commission, the New Jersey Control Casino Control
8 Commission, New Jersey Racing Commission. He also
9 reports licenses from the Virginia Racing
10 Commission and the Oregon Racing Commission, but
11 inquires to those agencies were not returned as of
12 the date of the report.

13 There was one issue identified in
14 the report of significance, his relationship with
15 a business associate a friend -- and friend who
16 was convicted of money laundering, false
17 declaration in bankruptcy proceedings, and
18 concealment of assets in bankruptcy proceedings.

19 Initially, their relationship
20 involved friendly business competition, but
21 ultimately evolved into a personal friendship.
22 They engaged in a business relationship from 1989
23 through 1995. The matter was the subject of an
24 investigation by the New Jersey Division of Gaming

1 Enforcement in the late 1990s. A hearing was held
2 specifically regarding whether Green had acted
3 improperly in his associate's behalf in their
4 business dealings.

5 At the end of the hearing, the
6 division recommended that Green be found
7 qualified. The recommendation was later adopted
8 by the full commission.

9 Green indicated in his sworn
10 interview with our investigators that he has
11 infrequent contact with his associate, but still
12 considers him a friend and has seen one or two
13 times since his release from incarceration. This
14 issue, while reviewed thoroughly by New Jersey, is
15 certainly appropriate for inquiry by the
16 Massachusetts Gaming Commission given the serious
17 nature of concerns.

18 The next individual is William
19 Hogwood. He's the deputy chairman and director of
20 Greenwood Racing. He is licensed and in good
21 standing with a number of various gaming
22 authorities: The Pennsylvania Commission, the New
23 Jersey Control Commission, the Pennsylvania Horse
24 Racing Commission. Those are all current. He

1 also has an expired license from the Southampton
2 and New Forest Magistrate's court. He has a
3 credible history of managing successful businesses
4 and of regulatory compliance.

5 The next individual is Anthony
6 Ricci. He is the chief executive officer of
7 Greenwood Racing as well as Greenwood Gaming and
8 Entertainment. If the applicant is successful, he
9 will function as an officer and director in the
10 operations of Raynham Park. He's been employed by
11 Greenwood Racing since 1993 functioning in a
12 variety of positions. He would be the -- he would
13 be functioning in those same positions in
14 Greenwood -- from Greenwood Gaming since 2005.

15 He's licensed and in good standing
16 by the Pennsylvania Gaming Control Board, and the
17 Pennsylvania Horse Racing Commission, and the New
18 Jersey Racing Commission. He also, like the other
19 qualifiers here, has a credible history of
20 managing a successful business and regulatory
21 compliance.

22 The next qualifier is Joseph
23 Wilson. He's a chief operating officer of
24 Greenwood Racing. He will serve as a licensed key

1 gaming employee should the applicant get a
2 license. He's been employed by Greenwood Racing
3 since 1999 and served as the director of wagering
4 from 1999 to 2002. Subsequently, he was the vice
5 president of operations from 2002 to 2007. Wilson
6 has been the chief operating officer since 2007.
7 He's licensed and in good standing by the
8 Pennsylvania Horse Racing Commission and the New
9 Jersey Racing Commission.

10 The next individual is Thomas
11 Bonner. He's the vice president, secretary, and
12 director of Greenwood Gaming and Entertainment.
13 He holds the position of secretary with Greenwood
14 subsidiaries. If the license is obtained, he
15 would serve in the same capacity with the
16 applicant. He's licensed as an attorney in New
17 Jersey and Pennsylvania with no record of
18 disciplinary action in either state; however, he
19 was listed as a defendant in a malpractice suit in
20 1996 which was later dismissed. He's currently
21 licensed by and in good standing with the
22 Pennsylvania Gaming Control Board as a key
23 employee and has a casino key employee license in
24 New Jersey, which expired in the year 2000.

1 The next qualifier is Terrence
2 Everett, an attorney and partner in the firm of
3 Carlsmith Ball, LLP. He is also a director with
4 Greenwood Racing. If the applicant is successful,
5 he will serve as an operator and director in the
6 operations at Raynham Park. He's had a personal
7 and professional relationship with Mr. Manoukian
8 for 30 years. He's licensed and in good standing
9 with the Pennsylvania Gaming Control Board.

10 The next qualifier is Richard
11 Kendle, a director of Greenwood Racing. In
12 connection with his appointment as director,
13 Kendle advised that he meets with the board at
14 least six or seven times a year and serves on the
15 audit, compliance, and human resources committees.
16 He is part owner of Rock Limited, which, in turn,
17 is part owner of Greenwood Racing.

18 He started as an accountant and
19 worked his way up quickly through the ranks in the
20 industry. His role with Raynham Park is yet to be
21 determined. He currently holds a qualifier
22 license in good standing with the Pennsylvania
23 Gaming Control Board. Over the past several
24 decades, he has held numerous licenses, permits,

1 and certificates of consent from the British
2 gaming authorities and local magistrate's courts
3 to conduct casino gaming and legal bookmaking in
4 the United Kingdom. The investigation reviewed
5 and evaluated his submitted materials, database,
6 and, where necessary, confirmatory agency records
7 related to these license holdings, and the review
8 disclosed no material finding adverse to his
9 suitability.

10 The next qualifier is David Budd.
11 He's currently an outside director of Greenwood
12 Racing and Parx Casino, Philadelphia, PA since
13 August -- pardon me, October 2011. Prior to this,
14 he was employed with Hong Kong and Shanghai
15 Banking Corporation from 1972 through 2011. He's
16 described as a non-executive director with
17 Greenwood Racing. He's licensed and in good
18 standing with the Pennsylvania Gaming Control
19 Board, was also licensed in 2012 by the
20 Pennsylvania Racing Commission.

21 The next qualifier is James Lane,
22 an outside director of Greenwood Racing. He's
23 partial owner of Rock Limited. Plans to take no
24 role in Raynham Park if licensed. Currently,

1 besides Greenwood Racing, he's divested himself of
2 all his previously owned gaming related
3 enterprises. He owns and is involved in other
4 businesses. He's currently licensed by and in
5 good standing with the Pennsylvania Gaming Control
6 Board and the Pennsylvania state Racing
7 Commission.

8 Over the past several decades, he
9 has been granted and held numerous licenses,
10 permits, and certificates of consent from the
11 British Gaming authorities and local magistrates
12 court to conduct casino gaming and legal
13 bookmaking operations in the United Kingdom. The
14 investigation reviewed and evaluated the materials
15 and discovered no material findings adverse to his
16 suitability.

17 The next individual is Bryan
18 Bartlett. He is the CFO, VP of group finances for
19 Greenwood Racing. He's held that position since
20 2013, January, I believe, of this year. He was
21 previously employed in the financial department of
22 Aramark Corporation from 2000 until 2013. He
23 joined Greenwood Racing Group as a result of a job
24 search conducted for him by a headhunter.

1 Bartlett reported that he knows very little about
2 the gambling business, but sees the new position
3 as a challenge and a great opportunity. He serves
4 as the CFO for the Raynham Group as part of his
5 duties. He has never had a gaming license.

6 That's the list of the qualifiers
7 that were investigated as part of the suitability
8 determination. The investigation disclosed no
9 material issues with respect to good character,
10 honesty, integrity, and reputation, beyond what is
11 noted in the report. No criminal histories of any
12 of the qualifiers would prevent any finding of
13 suitability. Both the Greenwood side and the
14 Carney side have be licensed in other gaming
15 jurisdictions.

16 Greenwood with respect to both
17 racing and gaming, their regulatory records
18 demonstrate a sensitivity to and history of
19 compliance. There is no record of any prohibited
20 political contributions or civil litigation
21 history would be adverse to the qualifiers being
22 found suitable.

23 While the investigation did
24 disclose various instances of litigation, the

1 cases reviewed appear to be standard and
2 commonplace in the context of the business
3 activities the qualifiers conduct.

4 As to sufficient business ability
5 and experience, the applicant and its qualifiers
6 have long histories of successful business
7 activity. While it is certainly clear that
8 Raynham track has not, as of late, been lucrative,
9 this has been the fate of all tracks in the
10 Commonwealth. The track's financial difficulty
11 was, in part, the impetus for the passage of the
12 Expanded Gaming Act in the first place.

13 The investigation did not disclose
14 any evidence to support the notion that any
15 failures of the Raynham Track were the result of
16 inadequate and insufficient business ability on
17 the part of the owners and operators.

18 On the Greenwood side, the gaming
19 activities in which they are and have been engaged
20 have been very successful and illustrate the
21 business acumen of the owners and operators. Some
22 of the principals of the Greenwood entities,
23 especially Robert Green, began in the gaming
24 business in 1961 with legal bookmaking in England.

1 Greenwood, through various subsidiaries, operates
2 Parx Casino, Freehold Raceway, and Atlantic City
3 Rack Track in New Jersey, and other off-track
4 betting facilities in the Garden State.

5 The recommended conditions from the
6 IEB before the Commission -- before the Commission
7 would deem the applicant suitable are as noted in
8 my cover letter: The recommendation that Robert
9 Green be prohibited from transacting in further
10 business with the associate previously discussed.
11 I'll note that New Jersey has the same condition
12 imposed. George Carney pay any outstanding tax
13 obligations. I'll refer to the confidential part
14 of the Exhibit No. 1. The applicant present
15 evidence at the hearing as to Mr. Green's
16 suitability, particularly regarding his
17 association with that other individual. And the
18 applicant present evidence at this hearing that
19 Mr. Manoukian's business practices are consistent
20 with statutory mandates here in the Commonwealth.

21 So that concludes my summary of the
22 report.

23 CHAIRMAN CROSBY: Thank you,
24 Director Wells.

1 COMMISSIONER CAMERON: Thank you.

2 CHAIRMAN CROSBY: Counselor, do you
3 have a cross -- I mean any direct
4 cross-examination.

5 MS. LEE: We'd like to reserve our
6 right until we actually present our case, if that
7 would be agreeable with you, Chairman.

8 CHAIRMAN CROSBY: That's fine.
9 Commissioners, any question?

10 COMMISSIONER MCHUGH: No questions.

11 CHAIRMAN CROSBY: Okay. I think
12 it's your turn.

13 MS. LEE: Thank you. Before we
14 start, I did want to take a moment to thank the
15 Commission and its staff, especially Director
16 Wells and the IEB unit, Michael Carroll, the state
17 police, and Anderson and Kreiger. A lot of things
18 had to happen in order for us to be present here
19 and articulate. The staff and the Commission as
20 well has been exceedingly accommodating,
21 professional, cooperative, and I just wanted to
22 acknowledge how helpful that has been for our
23 process even prior to preparing for this
24 proceeding. The commission and the staff have

1 been extraordinarily generous with their time and
2 patience. So thank you very much for your
3 commitment and public service. I appreciate it.

4 I want, if anyone's watching on the
5 live stream, to recognize that long after the
6 hours that most people go home, I get returned
7 calls from your staff very late at night still at
8 work. So thank you very much for that. And I
9 know it's because they're really committed to the
10 process, the Commission, and the Commonwealth. So
11 thank you.

12 CHAIRMAN CROSBY: Thank you.

13 MS. LEE: And as committed as you
14 are, as are we. And today we're here to present
15 clear and convincing evidence, and we thank you
16 for that opportunity.

17 We not only thank you for that
18 opportunity, we embrace it, and our team
19 collectively has been very enthusiastic about
20 preparing. Off the top of my head when I did the
21 math, collectively, I think our team traveled 59
22 hours, albeit Mr. Manoukian did 36 himself. And I
23 say that because we are very appreciative, and we
24 do want to take advantage, and we don't -- of this

1 time, and we don't take it lightly.

2 So with that being said, I'm going
3 to hand it over to my co-counsel to present our
4 witnesses. Thank you, Chairman. Thank you,
5 Commissioners.

6 MR. KOHLER: Alan Kohler, chair --

7 CHAIRMAN CROSBY: Just make sure
8 the mic is...

9 MR. KOHLER: Alan Kohler, Chairman
10 Crosby. We're going to present five witnesses for
11 you today in the following order. The first
12 witness will be Anthony Ricci. He's to my left.
13 He's the chief executive officer of Greenwood
14 Racing. The second witness will be Thomas Bonner,
15 who's the vice president and general counsel of
16 Greenwood Racing. The third witness will be
17 Watche Manoukian, who's the majority shareholder
18 of Greenwood Racing. The fourth witness will be
19 Robert Green, who's chairman of the board of
20 Greenwood Racing. And the final witness of the
21 day will be George Carney Jr., who's the majority
22 equity holder of the Carney Family Group.

23 Consistent with the discussion at
24 the prehearing conference, we're going to have --

1 I understand that you want to hear from -- more
2 from the witnesses and less from the attorneys, so
3 we're going to try to do this in a presentation
4 format rather than examination format. And I and
5 the other lawyers will only speak as necessary.
6 And we hope that format will accommodate your
7 needs.

8 With that, I'm going to turn it
9 over to Mr. Ricci for the first presentation of
10 the morning.

11 MR. RICCI: Good morning,
12 Commissioners.

13 CHAIRMAN CROSBY: Good morning.

14 COMMISSIONER MCHUGH: Good morning.

15 MR. RICCI: And thank you for
16 allowing us to appear today before you to discuss
17 what is truly a game-changing opportunity for both
18 the Commonwealth of Massachusetts and the Town of
19 Raynham. I'm the chief executive officer of
20 Greenwood Racing, Incorporated, which is the
21 parent company of Parx Casino and Racetrack, which
22 happens to be the number one most successful
23 casino in the State of Pennsylvania. The State of
24 Pennsylvania is the top tax gaming revenue

1 producing state in the country. So we know a
2 little bit about generating tax revenue.

3 I joined the company as chief
4 financial officer in 1993, and I was appointed
5 chief executive officer in January 2012.

6 When we learned that Massachusetts
7 had authorized casino gaming, we looked for an
8 opportunity where we could best replicate our
9 success of Parx. We were immediately drawn to
10 Raynham Park as the best location for a slot
11 casino in the Commonwealth. There were so many
12 parallels to our success at Parx. This, too, is
13 an existing gaming facility that has enjoyed a
14 long, cooperative relationship with its town and a
15 location that produced what was once the number
16 one dog track in the world.

17 The property as excellent highway
18 access and a beautiful town that offers an
19 attractive destination for customers and an
20 impressive community that provides a strong labor
21 pool. We were also impressed with George Carney
22 and his fine team with extensive experience in the
23 racing business and enjoyed an outstanding
24 reputation.

1 It was a feeling of déjà vu on our
2 first visit, and we decided to look no further
3 even though we could have been on our own in
4 another location. We knew from our own experience
5 that there was no better location for a slot
6 license in the Commonwealth.

7 The Commission can be confident in
8 the fact that our team has successfully completed
9 this task before. We are proud of our legacy as a
10 successful racetrack operator since 1990 and a
11 casino operator since 2006. We received our
12 casino gaming license in September 2006, and
13 within three months, opened our temporary casino
14 in the racetrack grandstand in December 2006.

15 The grandstand casino was
16 subsequently expanded due to heavy customer demand
17 while we simultaneously developed a new, permanent
18 casino that rivals the look and feel of a Las
19 Vegas casino.

20 I would like to refer the
21 Commission to our Exhibit 1, which you can peruse
22 at your convenience. It includes several
23 photographs of our property, and these serve to
24 validate this claim.

1 The key to our success is our
2 outstanding team, which is the best in the
3 business. We hire the best talent, we train them
4 well in best practices and ensure they are highly
5 motivated and engaged. We are deeply committed to
6 first-class customer service, along with community
7 outreach, social responsibility, and, of course,
8 compliance with regulations. None of these goals
9 can be achieved without a talented, highly
10 motivated, and well-trained team.

11 Our track record in this area is
12 unsurpassed. Our business approach is
13 straightforward. We start with a beautiful
14 property, make sure it is well maintained, clean,
15 and safe, then provide the latest and best games
16 with first-class service to ensure that every
17 customer has an experience that creates not only
18 satisfaction, but long-term loyalty.

19 This success has created a
20 substantial increase in new jobs, 80 percent of
21 which are for local residents, and we have given
22 preference to local vendors for services.

23 The significant increase in the tax
24 base, along with the increase in direct jobs and

1 local business have all dramatically improved the
2 economic fortunes of our town. There's no doubt
3 that our state and local community are in a better
4 position thanks to the expansion of gaming on our
5 property.

6 There's also no doubt that the Parx
7 team will accomplish the objectives of enabling
8 legislation here in Massachusetts in maximizing
9 job creation, tax revenue for the Commonwealth,
10 while conducting ourself in a way that reflects
11 favorably on the industry just as we have in
12 Pennsylvania.

13 Our company is highly respected in
14 the banking company for sound financial
15 management, and our balance sheet is among the
16 best in the gaming industry. We have a capital
17 structure that consists of two tranches, term
18 loans from a group of major banks, and a long-term
19 subordinated notes from our shareholders. These
20 notes were created in late 2009 when we required
21 additional funding to expand our facility and pay
22 a license fee in conjunction with the addition of
23 table games in Pennsylvania.

24 At that time, our credit facility,

1 which had been completed in 2006, carried an
2 interest rate that was substantially below what
3 was then a thawing, but significantly higher,
4 price market falling the collapse of the credit
5 markets in late 2008 and into 2009. Furthermore,
6 that credit facility included a provision that
7 required the entire loan to be repriced to the new
8 higher levels if any new debt was added. The only
9 exclusion from this provision was if the
10 shareholders were to add additional subordinated
11 debt.

12 Therefore, it was much less
13 expensive overall for the company and offered
14 significantly greater financial flexibility to
15 borrow money directly from its shareholders.

16 Our credit facility was
17 subsequently refinanced with our existing bank
18 group in 2011, as Director Wells said, and we were
19 able to lower our overall interest expense and
20 provide additional financial flexibility offered
21 in the lower cost bank market by keeping the
22 shareholder notes in place.

23 The Internal Revenue Service has
24 reviewed and approved the priority of this

1 structure in its most recent routine audit that
2 covered through the year 2010.

3 I would also like to note that
4 there were no adjustments proposed as a result of
5 this audit. Furthermore, I would like to point
6 out that taxes are withheld at the mandated rate
7 of 30 percent for all interest payments made to
8 Kooringal as required by law. Our company's
9 record as a taxpayer is impeccable. In fact, we
10 paid almost 300 million in various taxes in 2012
11 alone, and almost 1.3 billion in taxes over the
12 past five years. This information is detailed in
13 our Exhibit 2, which, again, you can peruse at
14 your convenience.

15 In short, we're a tax revenue
16 generating machine, which is what we intend to
17 replicate here in Massachusetts.

18 I would now like to refer the
19 Commission to Exhibit 3, which I would like to
20 review with you, which reviews the proposed
21 capital structure for Raynham Park, LLC.

22 CHAIRMAN CROSBY: Perhaps we can
23 formulate --

24 MR. MACKEY: Chairman, it's not

1 obvious to me that the commissioners have these
2 exhibits in front of them, and I don't think
3 they've been moved into evidence.

4 MR. KOHLER: Yeah. We noticed
5 that. We were waiting. We didn't want to
6 interrupt Mr. Ricci's flow. At yesterday's
7 hearing, as we did, and you'll see, move the
8 commission exhibits into evidence. At yesterday's
9 hearing, as I watched it, the applicants exhibits
10 were also moved into evidence at the beginning of
11 the hearing. I assume we need to repeat that
12 process here so that...

13 CHAIRMAN CROSBY: That's fine.

14 MR. MACKEY: And we have no
15 objections to the admission of those, of their
16 proposed exhibits.

17 CHAIRMAN CROSBY: Do you have extra
18 copies of it just for simplicity?

19 COMMISSIONER CAMERON: I think we
20 have them, Steve, right after the report.

21 MR. KOHLER: We do have extra
22 copies, but my understanding was they had been
23 previously circulated. Just Mr. Ricci's first
24 reference to Exhibit 1 was the pictures of the

1 Parx Casino in Bensalem. Exhibit 2, which was
2 also referenced, is a printout of the Pennsylvania
3 Gaming Control Board's website which shows not
4 only our gross terminal revenue and tax payments
5 for the last fiscal year, but also those of all
6 the other casinos in Pennsylvania, if you wish to
7 compare. You'll hear us say we're the most
8 successful casino in Pennsylvania, and we think
9 Exhibit 2 proves that out.

10 Mr. Ricci's now going to move onto
11 Exhibit 3 and spend a little time on that exhibit
12 with you.

13 CHAIRMAN CROSBY: Hang on one
14 second. Okay. Got it. Okay.

15 MR. RICCI: Shall I proceeded?

16 CHAIRMAN CROSBY: Yes.

17 MR. RICCI: If Raynham Park, LLC is
18 awarded a Category 2 gaming license by the
19 Commission, the company will be capitalized in the
20 amount of up to \$181,000,000 to fund the
21 construction of the gaming facility and the
22 commencement of operations. Of that \$181,000,000,
23 it's contemplated that up to \$125,000,000 will be
24 funded by bank debt, with the remaining 56,000,000

1 funded by principal equity contributions. Of the
2 56,000,000 contribution, to up to \$45,000,000 will
3 be contributed by Greenwood Racing, and the
4 remaining \$11,000,000 will be contributed by the
5 Carney Group representing the value of the Raynham
6 Park land and business.

7 The Raynham Park capital structure
8 does not include any shareholder loans from
9 shareholders of Greenwood Racing or the Carney
10 Group. The equity contribution will be accounted
11 for in capital accounts established for Greenwood
12 Racing and the Carney Group. Both capital
13 accounts will accrue a preferred return at a rate
14 of 15 percent per annum. This preferred return
15 merely effects the distribution of excess cash
16 derived from profits after all taxes and all
17 expenses are paid of Raynham Park, LLC.

18 Unlike interest on a loan, the
19 preferred return is not tax deductible and does
20 not reduce the amount of taxable income or tax
21 obligations of Raynham Park, LLC.

22 In summary, the above structure
23 will assure the payment of all tax and operational
24 obligations and merely provides a mechanism of

1 distribution of excess equity to the principals.

2 That concludes my presentation.

3 I'm certainly available for any questions.

4 MR. KOHLER: I just have one
5 question for Mr. Ricci before cross-examination.

6 Mr. Ricci, you refer to the company
7 withholding for taxes interest paid to Kooringal,
8 and I know there was also references to Kooringal
9 in Ms. Well's testimony. Can you explain who
10 Kooringal is?

11 MR. RICCI: Kooringal is the entity
12 that represents Bob Manoukian's ultimate
13 beneficial ownership interest and is the lender of
14 record in the shareholder notes.

15 MR. KOHLER: With that, Mr. Ricci
16 has nothing further.

17 CHAIRMAN CROSBY: Okay. Counsel.

18 MR. MACKEY: I have no questions of
19 Mr. Ricci.

20 CHAIRMAN CROSBY: Questions from
21 the Commission.

22 COMMISSIONER MCHUGH: I have no
23 questions.

24 CHAIRMAN CROSBY: I just have one.

1 On page 21 of the report, it talks about some of
2 the issues that arose in your operations in
3 Pennsylvania. In the last couple of sentences on
4 that page say, "In the latter case, they stated
5 that they had failed to take adequate measures to
6 verify the vendor's status. As a result of these
7 incidents and complaints, Greenwood Racing has
8 completely revised its vendor and purchasing
9 operation procedures to ensure future compliance
10 with vendor regulations."

11 Sorry?

12 MR. KOHLER: Chairman Crosby, our
13 next witness is our compliance witness, and he
14 will -- that will be part of his presentation, and
15 he'll be glad to answer. If I hear where you're
16 going, he'll be glad to answer.

17 CHAIRMAN CROSBY: Well, I don't --
18 maybe he can speak to it as well, but as the CEO
19 --

20 MR. RICCI: I'm happy to.

21 CHAIRMAN CROSBY: -- what is --
22 You're an experienced operations. One of the
23 things you take credit in is running good
24 operations. Why would you have to shortly after

1 you open operations, what is it, completely revise
2 its vendor and purchasing operation procedures to
3 ensure compliance? What was wrong?

4 MR. RICCI: There were things
5 slipping through the cracks. So we had a racing
6 and a gaming operation, and Tom Bonner will go
7 into that in greater detail. I think as Director
8 Wells stated, we're not ever happy. We have zero
9 tolerance for these kind of issues. We want no
10 penalties, no fines, no infractions. Obviously, a
11 few things did slip through the cracks, and as
12 chairman -- as Director Wells said, they seem to
13 be small in scale given the scale of our
14 operation.

15 That being said, when we saw that
16 there were some issues there, we immediately
17 responded and corrected the problem. And we are
18 in full compliance today. Tom Bonner will
19 elaborate on that in his presentation.

20 CHAIRMAN CROSBY: Okay. Anybody
21 else?

22 COMMISSIONER CAMERON: I have one
23 question. You focused on the successfulness of
24 the slots operation. You did not mention the

1 racing. How is the thoroughbred racing faring?

2 MR. RICCI: Thoroughbred racing
3 across the country has been in a state of decline.
4 With that being said, the State of Pennsylvania is
5 probably in the strongest position of anyone
6 thanks to this legislation that was passed in 2004
7 that created significant subsidies for both the
8 horseman, the racetrack operators, and for the
9 breeders. The breeding industry has actually
10 grown dramatically in the last ten years; however,
11 the customer side of the business in terms of
12 handling and wagering has declined, a combination
13 of economic situation and, I think, competition
14 from expanded gaming in the state.

15 We already had Atlantic City within
16 our market area open in the late '70s and that did
17 cause significant issues for the racing operation
18 back in the '70s. And I'm sure George can speak
19 to this when Foxwoods and Mohegan opened in
20 Connecticut. We saw a significant decline in the
21 racing business in the Philadelphia market when
22 Atlantic City began. We had attendance of
23 approximately 25,000 people on a Saturday and that
24 presently is about 2,500 people.

1 CHAIRMAN CROSBY: Wow.

2 MR. RICCI: However, you know, the
3 customers seem to prefer casino gaming to horse
4 racing. However, our horse racing business
5 relative to the others have fared very, very well.
6 Decline certainly is less than anywhere else.

7 MR. KOHLER: Can you give the
8 commissioners a sense of the size of Greenwood's
9 -- comparative size of Greenwood's horse racing
10 operation?

11 MR. RICCI: Well, we have 1,400
12 horses on our property. We race year-around
13 basis. We don't close for more than 200 days a
14 year. And we've been doing that since I arrive in
15 1993 and Bob Green took over in 1990. It's
16 something that from a handle standpoint, we also
17 have five turf clubs in addition to the racetrack
18 operations throughout the Philadelphia market; a
19 telephone account wagering operation; and in New
20 Jersey, as Director Wells stated, we own Atlantic
21 City Racetrack, another turf club there; a joint
22 venture interest in Freehold Raceway; and a turf
23 club in Toms River New Jersey; and we have an
24 account wagering operation in Oregon.

1 Collectively, we are one of the
2 largest racing operators in the country, and we
3 are still profitable, but it is a challenging
4 environment.

5 COMMISSIONER CAMERON: Thank you.

6 MR. RICCI: Thank you.

7 CHAIRMAN CROSBY: All set.

8 Mr. Stebbins.

9 COMMISSIONER STEBBINS: Quick
10 question. And I just had a chance to look at the
11 numbers in terms of your comment that the Parx
12 Casino is the number one in Pennsylvania. Do you
13 base that on total revenue and total tax payable
14 to the Commonwealth of Pennsylvania?

15 MR. RICCI: Both. In both cases
16 we're number one.

17 COMMISSIONER STEBBINS: Okay. And
18 it's fair to say you have the largest number of
19 machines as compared to any of the other slots --

20 MR. RICCI: In the state, that's
21 right.

22 COMMISSIONER STEBBINS: Okay. Are
23 you -- is Greenwood currently competing for the
24 latest round of applications for a casino in

1 Philadelphia?

2 MR. RICCI: Yes, we are. Yes, we
3 are. We're in partnership with the Cordish Group
4 --

5 COMMISSIONER STEBBINS: Okay.

6 MR. RICCI: -- for a license in the
7 Philadelphia area.

8 COMMISSIONER STEBBINS: Thank you.

9 CHAIRMAN CROSBY: Anything else?
10 Thank you, Mr. Ricci.

11 MR. RICCI: Thank you very much.

12 CHAIRMAN CROSBY: Are we ready for
13 another one or do we want a break? How are you
14 doing?

15 THE COURT REPORTER: Okay.

16 CHAIRMAN CROSBY: Okay. All right.
17 Let's go ahead with Mr. Bonner.

18 MR. KOHLER: Chairman, we ask for
19 your patience. We are going to be rotating people
20 in and out, but we'll try to do it quickly and
21 seamlessly.

22 MR. BONNER: Good morning, Chairman
23 and Commissioners. Chairman, if you'd like, I can
24 address the question that you posed most recently

1 to Mr. Ricci.

2 The procedure that we had in place
3 before we made the change referred to in Director
4 Wells summary required that on the front end of a
5 purchase transaction, the purchasing department
6 would check the gaming control board website to
7 make sure that the entity or individual with whom
8 we were going to contract was either registered,
9 as required by the gaming board, or, at a minimum,
10 not on a prohibited list at the gaming control
11 board.

12 We had circumstances in which that
13 check was done at the time the contract was
14 originated, but by the time it came time to make
15 payment, things had changed at the gaming control
16 board, either a registration was required that
17 hadn't been filed yet, or somebody who was not on
18 the prohibited list was put on the prohibited list
19 by the time payment was due.

20 That was the situation with one of
21 the infractions that was mentioned in the report.

22 The way we revised that procedure
23 was to tighten up the front-end check done by the
24 purchasing department. Even though they had been

1 doing it, we have formalized that process with new
2 documentation that gets routed through several
3 documents. But the most significant change that
4 we made was to require the accounts payable
5 department, which actually cuts the checks, to do
6 its own check of the gaming control board website
7 before that check is processed to make sure that
8 the appropriate registration is in place and that
9 the entity being paid is not on the prohibited
10 list.

11 That was a significant change that
12 was made. And since that was put in place, we
13 have stopped several checks that, without that
14 process, would have been issued without that
15 check.

16 CHAIRMAN CROSBY: Okay. Thank you.
17 Just out of curiosity, why didn't you have that
18 same system in place already at all your other
19 facilities?

20 MR. BONNER: In hindsight -- Well,
21 the casino operation in Bensalem is the only
22 operation that is subject to those payment
23 requirements through the gaming control board.
24 They don't exist at the racing operations and the

1 turf clubs, so that would be the only location
2 where that kind of second check of the gaming
3 control site would be required.

4 In hindsight, it would have been
5 better to have it in place from the first day of
6 operations, but we caught up and put it in place
7 when we realized the deficiency.

8 CHAIRMAN CROSBY: Okay.

9 MR. BONNER: It's probably a good
10 segue to my comments, Commissioners. I think, as
11 has been noted in Director Wells' report, we at
12 Parx Casino take regulatory compliance very
13 seriously. It's a major focus of what we do at
14 Parx Casino.

15 CHAIRMAN CROSBY: Excuse me. So
16 you work just at Parx? You're responsible just
17 for Parx?

18 MR. BONNER: No. I'm responsible
19 for the entire operation. I'm general counsel for
20 the entire racing operation and gaming operation.
21 I am a board of -- I'm on the board of directors
22 for the parent and general counsel and secretary
23 for the major operations and subsidiaries.

24 CHAIRMAN CROSBY: For Greenwood.

1 Okay.

2 MR. BONNER: Yes, sir. We engage
3 in literally hundreds of thousands of regulated
4 transactions on the casino floor each day. Every
5 ticket redemption, every transaction at the cage,
6 every purchase of chips is a regulated
7 transaction. With approximately 20,000 people on
8 average in our casino in a given day, we have
9 many, many, many regulated transactions that
10 occur. Our objective is to get every one of them
11 right. And as you can see from the numbers
12 reported by Director Wells, we do a pretty good
13 job given the volume of transaction, but, of
14 course, we can do better and we want to get that
15 down to zero.

16 One of the ways that the company
17 focuses the entire operations on regulatory
18 compliance is through our compliance committee.
19 We have a three member compliance committee. All
20 members are outside directors. We have no inside
21 executive employee members of the audit committee.
22 They are all outside directors. We meet monthly
23 with the compliance committee, and the compliance
24 committee is extremely active in compliance

1 matters that grow out of our operations.

2 The monthly meetings of the
3 compliance committee are attended by staff members
4 from the legal department. I attend and one of
5 our assistant counsel attend. They are attended
6 by the director of internal audit, and they're
7 attended by the director of surveillance. The
8 internal audit and surveillance directors issue a
9 monthly report to the members in advance of the
10 meeting documenting certain status that the
11 committee has directed we document during the
12 month.

13 I personally write the minutes of
14 each of those meetings. They are detailed, and
15 they're filed with the gaming control board within
16 20 days of each meeting. The compliance committee
17 actually charts performance in certain compliance
18 areas and measures them at each monthly meeting
19 that we have with our staff.

20 We believe that that is a
21 significant factor in promoting the best
22 regulatory compliance that we can have. Director
23 Wells had mentioned our regulatory compliance
24 history in her comments, and we are extremely

1 proud of the history that we have developed since
2 2006. The director noted a dozen infractions that
3 are on the list where regulatory penalties were
4 imposed. We'd like to be zero in coming years,
5 and we continue to work towards that.

6 One of the main areas in which we
7 focus for compliance is the avoidance of underage
8 gaming. We know that's a significant focus of
9 this commission. That will continue to be a
10 significant focus of us in our operation at
11 Raynham, as it is down in Bensalem. We --

12 MR. KOHLER: If we could refer the
13 commissioners to Exhibit 5, you might be able to
14 follow along.

15 MR. BONNER: Sure. Exhibit 5
16 reflects specific activities and efforts that we
17 undertake in connection with underage gaming.
18 Director Wells had noted the physical layout of
19 our casino is about as well suited as you could
20 have a facility for purposes of controlling entry
21 into the casino.

22 Our security officers are stationed
23 at the entrances on a 24-hour, seven-day-a-week
24 basis. There are multiple officers there during

1 business times, which tend to be on the weekend
2 periods. But as indicated in Exhibit 5, in an
3 average month, we check identification of about
4 600,000 people. That's about 50,000 people a
5 month we actually stop.

6 We require them to produce
7 identification and either turn them away or allow
8 them in. Anyone who appears to be 30 years of age
9 or younger is stopped and required to produce
10 identification.

11 The identification that's required,
12 by the way, is either a state issued
13 identification such as a driver's license or an
14 I.D. card, military I.D., or a passport. We get
15 all types of identification, but most often, it's
16 a photo driver's I.D. license.

17 Persons that appear to be under the
18 age of 30, but who are over the age of 21 are then
19 issued a wristband and that wristband tells all of
20 our staff on the floor that this person has been
21 stopped and has been checked and is over 21 and
22 had the right type of identification. We change
23 the wristband color every day so that
24 counterfeiting is minimized among those who might

1 be trying to get in.

2 Also, anyone who has been issued a
3 wristband who possibly leaves the property and
4 then wants to get back in is again checked at the
5 entrances to make sure that that person didn't get
6 the wristband from someone else.

7 Any person who has an I.D. check
8 completed who has fake credentials is detained.
9 State police are called, and the state police then
10 take the matter, but those persons could be
11 subject to arrest at the discretion of the state
12 police.

13 Another procedure that we have in
14 place that greatly facilitates the prevention of
15 underage gaming is the fact that we empower and
16 encourage all employees on the floor and
17 front-of-house-customer-service positions to stop
18 and check people who appear to be under the age of
19 30 if they haven't been given a wristband. And
20 different people, I guess, think 30 looks
21 differently, but we have numerous occasions where
22 folks working on the gaming tables or folks
23 working in our environment services department or
24 security officers actually on the floor, not at

1 the entrances, will stop, ask people to produce
2 I.D., and verify that they are of the appropriate
3 age.

4 So just in summary, we think that
5 these procedures have been a significant
6 contributor to our relatively low incidence of
7 underage gaming incidents that have occurred, and
8 if you take a look at Exhibit 4, you'll see that
9 in recent years, there have been relatively fewer
10 underage infractions than in some of the earlier
11 years where we were learning to develop procedures
12 and learning from things that perhaps could have
13 been done a little bit better.

14 The final issue that I wanted to
15 discuss is the DEP consent agreement, which
16 Commissioner Wells had also referred to in her
17 report. Mr. Ricci had mentioned that we have a
18 huge horse population at our property, 1,400
19 horses. They make a lot of mess, as you can
20 imagine, and we have to deal with that literally
21 on a daily basis. We also have to keep in mind
22 that we have a 450 acre site, and the majority of
23 that acreage remains as open space. So we
24 preserve that open space, but it presents certain

1 challenges given the big population of horses that
2 we have.

3 The issue with DEP began in the mid
4 '90s with the consent agreement that was put in
5 place then, and over the 20 years that transpired
6 between then and now, regulations changed, things
7 became a little bit more stringent, and we found
8 ourselves struggling and working hard to comply.

9 The main problem was rainwater that
10 would mix with spent hay and straw that was manure
11 laden. The organics will mix and run into our
12 retention basins, and basins that were designed to
13 be traditional storm water retention basins became
14 organic laden basins that had relatively sewage in
15 them, which was creating problems. Because these
16 basins were designed, in heavy rains, to fill up
17 and then overflow the banks into an adjoining
18 stream, but the organic mixture in the basin
19 became a problem.

20 So ultimately, we came to an
21 agreement in 2011 with DEP where we agreed to pay
22 the civil penalty, but more importantly, that
23 consent agreement details a series of improvements
24 and best practices that we were required to put in

1 place in order to make the condition better. We
2 have done most of those things that are required.
3 We've done everything required on schedule. There
4 were some additional things that are scheduled to
5 be done in the coming years.

6 One of the most important things we
7 got in that agreement, and it was at our request,
8 was the opportunity to ask DEP to allow us to make
9 a change in one of our drainage basins that is now
10 connected to the sanitary sewer system. When we
11 accomplished certain things in that consent
12 agreement, we are permitted to go to the DEP and
13 ask for relief with respect to the sewer
14 connection.

15 We originally envisioned that that
16 would not happen until 2016, at the earliest.
17 We've done so well with these new procedures
18 we've put in place that we, just this week, filed
19 a request with DEP to terminate that sewer
20 connection because the water quality has improved,
21 we believe, to a point at which that will be
22 appropriate.

23 And that concludes the remarks that
24 I wanted to issue in respect to compliance or

1 regulatory matters, but I'll be happy to address
2 any questions.

3 MR. KOHLER: I just have one
4 additional question for Mr. Bonner.

5 Mr. Bonner, you indicated
6 emphatically that you're very proud of your
7 compliance record, and I know that's in part
8 because you, personally, and others put so much
9 effort into it. But I also know that you spent
10 some time reviewing comparative statistics of
11 compliance statistics of Pennsylvania casinos.
12 And do you view Parx as having a favorable
13 compliance history given their volumes as compared
14 to other Pennsylvania casinos?

15 MR. BONNER: We definitely do. We
16 -- on a raw dot line -- raw dollar basis, we have
17 paid less in gaming-related civil penalties than
18 some other operators have paid, yet our volumes
19 are such much higher than most other operators
20 because of the number of machines and the size of
21 our casino.

22 So I think on that basis and on any
23 other basis at which you'd look at, we have a very
24 favorable record compared to other operators in

1 the Commonwealth.

2 MR. KOHLER: Is it fair to say --
3 And I think you can see this from Exhibit 2. But
4 is it fair to say that Parx's volumes are, in some
5 cases, more than several Pennsylvania casinos
6 combined.

7 MR. BONNER: That is definitely
8 accurate.

9 MR. KOHLER: Thank you. That
10 concludes Mr. Bonner's testimony.

11 CHAIRMAN CROSBY: Bureau.

12 MR. MACKEY: The Bureau has no
13 questions of Mr. Bonner.

14 CHAIRMAN CROSBY: Commissioners.

15 COMMISSIONER MCHUGH: I have no
16 questions.

17 CHAIRMAN CROSBY: Commissioner
18 Stebbins.

19 COMMISSIONER STEBBINS: Quick
20 question. You talked about the three member
21 compliance committee. Without naming those
22 individuals, can you at least tell us what their
23 background work experience is or career
24 experience?

1 MR. BONNER: Sure.

2 COMMISSIONER STEBBINS: And
3 professions they come from.

4 MR. BONNER: One is a practicing
5 attorney from whom you'll hear today, Mr. Everett.
6 I can tell you who he is. I'll tell you who they
7 are. There's no confidentiality there.
8 Mr. Kendle, who has a long history in gaming in
9 the UK. And Mr. Budd, who has a long,
10 distinguished career in general business is the
11 third member of the committee, all of whom are
12 outside.

13 MR. KOHLER: And banking.

14 MR. BONNER: And banking and
15 regulatory as well, Mr. Budd. So he brings that
16 particular regulatory focus, although it's not
17 gaming, to the compliance committee, which is
18 extremely beneficial.

19 CHAIRMAN CROSBY: I was going to
20 ask the same question. So this is the compliance
21 committee of the board?

22 MR. BONNER: Correct.

23 CHAIRMAN CROSBY: Right. And it's
24 made up of three members of the board?

1 MR. BONNER: Yes, sir. They're all
2 directors of the board who serve on the compliance
3 committee.

4 CHAIRMAN CROSBY: And have you
5 thought about having members of the compliance
6 committee who or generally outside the orbit of
7 the organization.

8 MR. BONNER: I've not been involved
9 in those discussions.

10 CHAIRMAN CROSBY: Is that for Mr.
11 Green?

12 MR. BONNER: We certainly could
13 consider that, Chairman. We felt that the fact
14 that these members are all independent of
15 management and operations was a significant
16 enhancement to what otherwise might be if we had
17 employee or executive members on the committee.

18 CHAIRMAN CROSBY: Yes. That's
19 something I think worth thinking about.

20 MR. BONNER: Sure.

21 CHAIRMAN CROSBY: We've certainly
22 dealt with that in other contexts, you know. And
23 when difficult things happen, which occasionally
24 they do, having somebody who's not in the network

1 or a member of the board, not invested, doesn't
2 have any financial interest outside of some kind
3 of compensation, I think it's worth thinking
4 about.

5 MR. BONNER: I'll take that under
6 consideration, Chairman. Thank you.

7 CHAIRMAN CROSBY: Anybody else?
8 It's Mr. Manoukian is next?

9 MR. KOHLER: Yes.

10 CHAIRMAN CROSBY: Let's take a
11 15-minute break. We'll be back at quarter past or
12 20 past.

13

14 (Break taken.)

15

16 CHAIRMAN CROSBY: Excuse me. All
17 right. We're reconvening the adjudicatory
18 hearing. Counselor Lee.

19 MS. LEE: Thank you, chairman.
20 Thank you, Commissioners. Our next witness is
21 Mr. Manoukian. The examination is going to be
22 done by his counsel, Counselor Everett. So at
23 this time...

24 MR. EVERETT: As Alan Kohler had

1 mentioned, we're going to try to keep the
2 questions to a minimum and basically allow
3 Mr. Manoukian to give a statement and then open it
4 for question.

5 MR. MANOUKIAN: Thank you for
6 allowing me to come and address the Commission. I
7 wanted to give you some personal background on me.
8 I'm an Armenian. My parents are Armenian, and my
9 parents lived in London. My father always wanted
10 us to have an English education. It was a dream
11 of people in the Middle East to send their
12 children whenever they could and educate them.
13 And especially for Armenians, it's highly
14 important for the education of their children.

15 So he sent me to go to school at
16 university. After the university, as the
17 political situation was uncertain for Christians
18 in the Middle East, my father wanted me to stay in
19 England and start a family business so that the
20 family would have a place to go to if necessary.

21 I noticed during my years living in
22 England that housing quality in London was cruel,
23 five bedrooms, shared one bathroom. Office
24 buildings did not have adequate parking and were

1 antiquated. By renovating these kind of
2 properties, you could add substantial value, and I
3 saw that a perfect opportunity.

4 With my father's help, we acquired
5 the property which was renovated and, as a result,
6 it went up in value dramatically. This allowed
7 the family to purchase further properties which,
8 over time, proved to be successful and very
9 profitable.

10 We were lucky to catch London as it
11 begun to become an international center. We ended
12 up owning several properties in excellent
13 locations. Around 1982, we met the Sultan of
14 Brunei and his brother and became friends. He
15 visited my house socially many times. At that
16 time, Brunei was not independent, but was British
17 protected.

18 In 1984, Brunei became independent,
19 and so they were in charge of their country's oil
20 wealth for the first time. Immediately after
21 independence, to my surprise, the first thing they
22 asked me was if they could buy my house that I
23 lived in, which he visited many times, which I did
24 not want to sell, and I did not want to sell under

1 any circumstances. This was the house where my
2 children were there. This is where I lived.

3 They therefore asked me to come to
4 Brunei and help them build, furnish their family
5 huge family homes down to the kitchen utensils and
6 provide other luxury goods such as cars,
7 paintings, jewelry, et cetera. This decision was
8 very successful and resulted in the accumulation
9 of large wealth for my family and continued until
10 1994.

11 In the middle of our business in
12 Brunei in 1989, Bob Green and Richard Campbell
13 came to me, brought to me the opportunity to
14 purchase Philadelphia Park. I was very interested
15 by the large piece of land and its excellent
16 location, property being my forte, so to spoke.
17 Bob Green was the CEO for a large gaming company
18 in the UK and was present to me all the part to
19 run Philadelphia Park. This gave me tremendous
20 confidence and trust, and I was absolutely right.

21 He, Bill Hogwood, and Tony Ricci
22 managed to turn a loss making track into one of
23 the most successful in the USA, racing over 200
24 days a year, which it still does.

1 In 2005, we managed the slot
2 gaming. We went through regulatory investigation,
3 and we were found suitable and awarded the
4 license. We immediately started working on
5 converting the grandstand to a temporary casino to
6 start generating revenue as quickly as three
7 months.

8 Also at the same time, we started
9 planning the new casino which was opened in a
10 timely manner. In 2009, table games were
11 permitted by the Commonwealth, and we immediately
12 started work and installed table games.

13 The facility today still looks
14 brand new after three and a half years, as your
15 investigators have seen because, we are constantly
16 on top of it. We regularly shampoo wall hanging,
17 carpets, and we are always making sure that our
18 clients receive absolutely the finest service and,
19 at the same time, the facility being in tiptop
20 shape.

21 We are looking at potential further
22 expansion as we speak, including a showroom for
23 our customers. You can't stay stationary. If you
24 stay stationary, you go backwards. You have to

1 improve all of the time, make things better and
2 provide more amenities to our customers, and the
3 showroom we thought was an excellent expansion to
4 what we have there.

5 We have one of the most successful
6 casinos in the East Coast, which has paid 1.27
7 billion in taxes in the last five years alone, and
8 employ more than 2,500 people, and that figure is
9 going up by a hundred at a time, a hundred percent
10 as we add more and more facilities, more and more
11 amenities to our organization.

12 If we're fortunate enough to be
13 awarded a license at Raynham, we expect to repeat
14 that success here and generate significant revenue
15 for the Commonwealth.

16 As the last thing, in all my
17 dealings, I've always engaged topnotch counsel,
18 accountants, and the most fantastic team of
19 employees. When people ask me what's the secret
20 of your success. The secret of my success is by
21 given by God the ability to choose the right
22 people. If I decide to be 5,000 miles away, I
23 must have a phenomenal team of people that I can
24 sleep at night, rely that they will do a fantastic

1 job. And I've been proven right. Look at my
2 team.

3 Today, I feel proud of what you
4 heard so far. And that's what we will do again at
5 Raynham Park. We will take -- we've already --
6 even though we might not get our license, we've
7 already found and hired a topnotch man that we
8 will be able to put immediately if we are grant
9 license to move things forward.

10 We're taking a chance, but good men
11 are difficult to find. If you find them, you've
12 got to get them. If we're unsuccessful here,
13 we'll use him somewhere else because he is a good
14 man. To assure -- And I always assure that we
15 strictly comply with all legal and ethical
16 requirements.

17 For example, when I invested in
18 Greenwood, the direction that I gave management
19 and the underlying team to board members was that
20 we should operate the business in whiter than
21 white manner and that we should not operate in any
22 gray areas in any way whatsoever.

23 When Greenwood gained the gaming
24 license, we established a very active compliance

1 committee independent of management, hired
2 internal auditors to give -- consultants to give
3 compliance. We've already met the regulatory
4 requirements from bank and currency reporting to
5 gaining integrity and, certainly, compliance.

6 It is extremely important to me
7 that any business in which I'm involved and
8 carries my name or my family's name, it has to be
9 excellent. We are not in any other business than
10 that. And which complies within the law and in
11 good business practices.

12 Thank you for giving me this
13 opportunity. I'm sure you have questions to ask
14 and here I am. I've come a long way.

15 CHAIRMAN CROSBY: Thank you.

16 MR. MANOUKIAN: I've come a long
17 way to answer any questions that you have.

18 CHAIRMAN CROSBY: Counselor, have
19 you finished?

20 MR. EVERETT: I have no questions.

21 MR. MACKEY: I have just a few
22 questions.

23 CHAIRMAN CROSBY: Go ahead.

24 MR. MACKEY: Good morning,

1 Mr. Manoukian.

2 MR. MANOUKIAN: Good morning.

3 MR. MACKEY: I'm sure it wouldn't
4 surprise you that the gaming commission in
5 Massachusetts is statutorily obligated to review
6 how each gaming applicant proposes to achieve the
7 goals of maximizing tax revenues received by the
8 Commonwealth in connection with gaming operations.

9 MR. MANOUKIAN: Absolutely.

10 MR. MACKEY: And that's as a matter
11 of its -- you understand it's a matter of a
12 statutory matter?

13 MR. MANOUKIAN: Absolutely.

14 MR. MACKEY: And that on the gaming
15 commission website, it has a mission statement,
16 and one of the missions is providing the greatest
17 possible economic development opportunities, of
18 course, but also maximizing tax revenues for the
19 Commonwealth. You understand that as well?

20 MR. MANOUKIAN: Absolutely.

21 MR. MACKEY: So do you -- you
22 participated in an interview with the
23 investigative team here some months go. Do you
24 recall that?

1 MR. MANOUKIAN: I recall that.

2 MR. MACKEY: And I'm just going to
3 read for you a very brief quotation from your
4 interview and ask you if you can remember saying
5 that to the investigators. You were discussing
6 taxes. And you made a general comment, and I'm
7 quoting now. "We use all legal means to pay as
8 little as possible. And governments, they try to
9 get as much as possible." Do you remember saying
10 that?

11 MR. MANOUKIAN: Frankly, I don't
12 specifically remember that. In what content?

13 MR. MACKEY: Let me --

14 MR. EVERETT: If I could make a
15 comment. We have never -- Although we asked for
16 several times, we were never given a copy of the
17 testimony that was taken; although, I understand
18 other people have received it. So we've never
19 seen this testimony to be able to comment on it.

20 MR. MACKEY: I'm not aware there
21 was a request for Mr. Manoukian's sworn testimony,
22 and honestly, I don't think we need to belabor the
23 point. I think that will be the only provision of
24 Mr. Manoukian's testimony that I want to ask him

1 about.

2 MR. EVERETT: Sure.

3 MR. MACKEY: Let me ask it a
4 different way then.

5 Would it be fair to say that your
6 operation, Mr. Manoukian, uses all legal means to
7 pay as little tax as possible?

8 MR. MANOUKIAN: Well, as I said in
9 my short statement, you come to a new country, you
10 want to start. You are going to invest large sums
11 of money. The first thing you have to do is find
12 a lawyer and an accountant to set up from the
13 beginning in a proper, legal, correct manner.
14 Because you come from abroad, you have to idea
15 what the laws, for instance, in United States.

16 When we came here to buy Greenwood,
17 I hired one of the largest firms in Las Angeles,
18 which he is a member of. And we hired top English
19 accounting firm to advise us what is the best way
20 of investing in American, and we were told that in
21 99 percent of investments that are invested --
22 you're going back to 1990 -- use Netherlands
23 anti-treaty rules because this is a country which
24 has double taxation treaty with America. I don't

1 understand. I'm not an accountant, and I'm not a
2 lawyer either. And they said this is the
3 procedure which is followed.

4 And then they introduced this
5 highly complex structure which I, myself, find it
6 extremely complicated. But within a very short
7 period of time, the law was changed, the double
8 tax treaty was stopped. So it was all in vain,
9 and we were stuck with this complex structure
10 which was serving absolutely no purpose to anyone
11 in any way whatsoever. And we are stuck with it
12 today. It served absolutely no purpose.

13 We pay exactly the same American
14 taxes as any American company does. We have zero
15 advantage. We have been audited since 1990, 22
16 years, by the IRS. Their regulatory is done to
17 every large corporation every four, five, six
18 years. We get that audit. And the last one, it
19 was only lately, and we came out with flying
20 colors. With no adjustment for a company of our
21 size, our turnover, to come up with no adjustments
22 is a total -- I picked up the phone. I spoke to
23 Tony. I said congratulations, Tony, for running
24 such a tight ship. I rung up Tom Bonner, and I

1 thanked him.

2 Really, we have this huge turnover
3 in a very regulated environment. We cannot be
4 anything but whiter than white, because otherwise,
5 it will be perfectly right to criticize me, and we
6 have not --

7 MR. MACKEY: Mr. Manoukian, let me
8 -- Do you have a copy of the -- It's Exhibit No.
9 4, which is the report that was prepared by the
10 investigative team here.

11 MR. MANOUKIAN: Yes.

12 MR. MACKEY: And if you could flip
13 to page 51. I want to focus the discussion just a
14 bit on this tax issue.

15 MR. MANOUKIAN: Yes.

16 MR. MACKEY: And I'm -- Do you see
17 the paragraph, that first full paragraph beginning
18 on the page. I'll just read the first sentence
19 into the record, if that's okay. "Relative to the
20 so-called, quote, tax dodging, unquote, issue,
21 Manoukian indeed created a complex ownership
22 structure for his holdings in Greenwood Racing
23 that enabled him to take advantage of the
24 then-existing tax treaties between the United

1 States, the Netherlands Antilles, and the
2 Netherlands. Did I read that correctly?

3 MR. MANOUKIAN: Correct. Yes.
4 Absolutely.

5 MR. MACKEY: Do you -- And as I
6 understand it, the way that that works is there
7 are loans from these offshore companies in the --
8 there are loans from these offshore companies that
9 are made to your American businesses at a certain
10 rate, and the interest that's paid on those loans
11 is not taxed in the offshore jurisdiction.

12 MR. MANOUKIAN: Is not taxed in
13 Netherlands.

14 MR. MACKEY: Correct. And at the
15 same time, the business enterprise in the United
16 States, which is this borrower, is deducting that
17 interest expense --

18 MR. MANOUKIAN: Correct.

19 MR. MACKEY: -- from its own books?

20 MR. MANOUKIAN: Correct.

21 MR. MACKEY: So could you tell the
22 commission whether that's a financing structure
23 that you would intend to use for your --

24 MR. MANOUKIAN: No.

1 MR. MACKEY: -- for your operation
2 in Massachusetts here?

3 MR. MANOUKIAN: But it's not
4 correct. The interest that is paid to Kooringal
5 N.V., let's say Greenwood paid \$100 in interest to
6 Kooringal N.V. It is a tax deductible item. And
7 the \$100 that Kooringal receives, I pay 30 percent
8 U.S. tax before the money gets to Netherlands.
9 That is the tax.

10 MR. EVERETT: I think Mr. Mackey is
11 clarifying --

12 MR. MANOUKIAN: It's very simple.

13 MR. EVERETT: -- is clarifying --

14 MR. MANOUKIAN: I do pay 30 percent
15 tax on the interest that I get. So are you aware
16 of that, yes?

17 MR. EVERETT: The issue, I think --
18 I think, Mr. Mackey, I think Mr. Ricci addressed
19 this. If you take a look at the exhibit, which
20 was the exhibit on the capital structure of
21 Raynham, which was Exhibit 5 or Exhibit 33 in your
22 documents, we wanted to make it very clear because
23 of your concerns that there -- that Raynham Park
24 capital structure does not include any shareholder

1 loans from the shareholders of Greenwood,
2 etcetera.

3 So any financing is coming from
4 Greenwood, which is the U.S. company, and any
5 interest it's paid is completely taxable to
6 Greenwood as a U.S. company. It's not intended to
7 have any of these offshore companies make any
8 loans or put capital directly into the Raynham
9 Park capital shares.

10 So the fact that these companies
11 exist in no way affect the Raynham investment or
12 are going to be involved directly in making money
13 into it -- paying money into it. So I had thought
14 we covered that, but we can certainly cover it
15 again, if you like.

16 MR. MACKEY: Let me just ask. With
17 respect to, Mr. Manoukian, you referenced the 30
18 percent withholding --

19 MR. MANOUKIAN: Correct.

20 MR. MACKEY: That you -- that the
21 U.S. operation pays before it makes its interest
22 payments --

23 MR. MANOUKIAN: Correct.

24 MR. MACKEY: -- to the offshore

1 entity. What about with respect to state taxes,
2 how does that work?

3 MR. MANOUKIAN: State taxes?

4 MR. MACKEY: The Commonwealth of
5 the Massachusetts, for example.

6 MR. EVERETT: If you don't
7 understand, say you don't understand.

8 MR. MANOUKIAN: I don't know. All
9 I know is if I receive \$100 interest, \$30 goes to
10 the tax. That's all I -- And how the
11 technicalities work, I do not -- State taxes? No,
12 I don't know.

13 MS. LEE: I think maybe we can get
14 to the heart of where you're going, Mr. Mackey.

15 Mr. Manoukian, I think this was
16 covered, just to be abundantly clear. The
17 structure that you had in place referred to on
18 page 51, do you have any --

19 MR. MANOUKIAN: It's -- The
20 structure which was set up in --

21 MS. LEE: Do you have any intention
22 of structuring Raynham Park, LLC like this?

23 MR. MANOUKIAN: Absolutely -- You
24 can record it. It's recorded. Absolutely not,

1 categorically in any way whatsoever.

2 MS. LEE: Okay. I think that may
3 have been the point you were trying to get to,
4 Mr. Mackey.

5 MR. MANOUKIAN: Absolutely not.
6 The money will come from Greenwood, which is a
7 U.S. corporation. It will not come from my
8 holding company or me personally, clearly.

9 MR. EVERETT: If I could ask, if
10 you would, as a clarifying question. There was a
11 comment made or a question made about the desire
12 to minimize taxes. Well, I will tell you as an
13 individual of the United States, I like to
14 minimize my taxes. It's goal that I try to do if
15 I can lawfully do it.

16 But isn't it in your interest,
17 similar to what we have in Pennsylvania, where the
18 state is our partner, that to maximize the gaming
19 revenue because that maximizes the income to you
20 and it maximizes the tax revenue to the state?

21 MR. MANOUKIAN: Absolutely.

22 MR. EVERETT: Thank you.

23 MR. MANOUKIAN: Absolutely.

24 MR. MACKEY: I have no further

1 questions.

2 CHAIRMAN CROSBY: Commissioners.
3 Commissioner McHugh.

4 COMMISSIONER MCHUGH: Let me just
5 look a little more broadly, Mr. Manoukian. You've
6 obviously been very successful. Do you pay taxes
7 personally in any jurisdiction where you reside?

8 MR. MANOUKIAN: I pay taxes in any
9 jurisdiction that there are taxes due, yes, I do.

10 COMMISSIONER MCHUGH: That wasn't
11 quite my question.

12 MR. MANOUKIAN: I do pay taxes.

13 COMMISSIONER MCHUGH: And you pay
14 taxes, as you've described, to Pennsylvania
15 through the withholding on the --

16 MR. MANOUKIAN: Yes. Because I
17 don't draw salary. I --

18 COMMISSIONER MCHUGH: Right. So I
19 understand that. Do you pay taxes in any other
20 jurisdiction where you reside?

21 MR. MANOUKIAN: Yes, I do.

22 COMMISSIONER MCHUGH: Which one?

23 MR. MANOUKIAN: England, UK.

24 COMMISSIONER MCHUGH: And for how

1 long have you paid taxes in England?

2 MR. MANOUKIAN: Over the period
3 that I've been there.

4 COMMISSIONER MCHUGH: Did you read
5 the -- you read the report of the IEB, did you?

6 MR. MANOUKIAN: The IEB, this?

7 MS. LEE: That's right.

8 COMMISSIONER MCHUGH: The status
9 report that you did before.

10 MR. MANOUKIAN: Yes.

11 COMMISSIONER MCHUGH: And did you
12 observe in that report statements to the effect
13 that all of your companies are located in
14 jurisdictions where no taxes are due?

15 MR. MANOUKIAN: Yes.

16 COMMISSIONER MCHUGH: And is that
17 accurate?

18 MR. MANOUKIAN: It is accurate,
19 yes.

20 COMMISSIONER MCHUGH: All right.
21 So you have, as a personal approach to taxation,
22 chosen to locate your companies in jurisdictions
23 where they do not pay any taxes?

24 MR. MANOUKIAN: Correct.

1 COMMISSIONER MCHUGH: And of --

2 MR. MANOUKIAN: I mean, they do
3 pay. If it's due, we do pay it. I think
4 Kooringal tax accounts were submitted to you.
5 Haven't they?

6 MR. EVERETT: Just to clarify, for
7 example, all of the Greenwood operations,
8 etcetera, pay huge amount of taxes.

9 COMMISSIONER MCHUGH: I understand
10 that.

11 MR. EVERETT: There are taxes
12 payable in the Netherlands Antilles, there are
13 taxes payable in the Netherlands. They have a
14 different tax structure than the United States, so
15 they're not comparable. And the tax rates are not
16 as high, but there are taxes that are paid in
17 jurisdictions. Those returns have been submitted
18 to the staff, whatever the tax returns have been
19 filed in those jurisdictions, but there are a
20 number of jurisdictions that do not have income
21 taxes.

22 For example, Mr. Manoukian is a
23 citizen of Lebanon. It has no income tax. I wish
24 I was a citizen of a country that had no income

1 tax.

2 COMMISSIONER MCHUGH: All right.
3 What role do you intend to have, Mr. Manoukian, in
4 the operation of the entity at Raynham if the
5 Raynham entity is a successful applicant?

6 MR. MANOUKIAN: I will, myself, be
7 involved in every doorknob, every screw, the
8 quality of the workmanship. The way that -- time
9 and motion study to make things function
10 beautifully. I will be involved in all aspects of
11 that construction because I love it. It's my
12 hobby.

13 And as far as day-to-day operation,
14 none at all. I have the most fantastic team of
15 people. They are more educated than I am. They
16 are experts. I will let them get on with it.

17 COMMISSIONER MCHUGH: So you intend
18 to be involved heavily in the construction
19 operations, but not in the operations?

20 MR. MANOUKIAN: Not the operations,
21 no. I have none, no.

22 COMMISSIONER MCHUGH: What role do
23 you have in the operations of Greenwood Racing?

24 MR. MANOUKIAN: None at all. The

1 role I play, again -- It's a constant development
2 project. I'm now participating in the design of
3 showrooms, for instance. I love to do that.

4 It pays dividends. You know, we
5 came in as amateurs. MGM, Harrah's, they all
6 looked at us in Pennsylvania, who are these bunch
7 of jokers. They're going to eat off our plates.
8 We built a facility better than theirs. Go and
9 see Harrah's facility. We beat them every month.
10 You know why, because the people that I employ are
11 excellent, better than theirs. So I will be only
12 involved in construction.

13 COMMISSIONER MCHUGH: All right. I
14 have no further questions.

15 CHAIRMAN CROSBY: Commissioners.

16 COMMISSIONER ZUNIGA: I have a
17 question. The report mentions that the capital
18 structure and ownership structure that was put in
19 place to take -- that is not your intention to put
20 in place here in Massachusetts, was generally put
21 in place to take advantage of tax treaties that no
22 longer exist?

23 MR. MANOUKIAN: Absolutely.

24 COMMISSIONER ZUNIGA: It also --

1 The report also mentions that you have the
2 intention of streamlining those structures. Could
3 you speak a little bit about that?

4 MR. MANOUKIAN: Ask him. Ask him.
5 The lawyers write the law, they make the rules,
6 and they complicate things as much as they can.

7 MS. LEE: As he's surrounded by
8 them.

9 COMMISSIONER ZUNIGA: They bill by
10 the hour.

11 MR. MANOUKIAN: You know, you have
12 to be -- Sorry, too many lawyers here. I'm very
13 sorry guys. I mean, they write the law and they
14 execute it, and what bothers me worst of all, they
15 write me eleven-page letters, and they ask me, can
16 I have your opinion. I say, if I could give the
17 opinions, why would I need you. Nowadays, they
18 give an opinion, and they want a way out as well.
19 So, I mean, I've got used to that.

20 MR. EVERETT: Maybe to answer your
21 question, I can get to it. That the structure was
22 developed at a time when everybody was using that
23 structure back in the 1990s. In '94, the treaty
24 was renegotiated, and any benefit it would have

1 had was removed.

2 Unfortunately, we're stuck in those
3 countries. In order to get out, it would take
4 multiple years and would be very costly to change
5 what we have right now with no benefit. You know,
6 it's of no benefit to us, but it's of no
7 detriment.

8 So, you know, it isn't going to be
9 involved in any of the Raynham Park. It's not
10 going to loan money to Raynham Park or anyone
11 else, and if it was, it would be no different than
12 Mr. Manoukian or any other company lending who
13 would be subject to paying tax. There's no
14 benefit for it anymore. I hope that answers your
15 question.

16 MR. MANOUKIAN: I need two lawyers
17 to verify what he said. And I will not make a
18 millimeter of progress, I can assure you.
19 Unfortunately, we are stuck with it. I agree with
20 the way with what he said. It's an unnecessary
21 complication and difficult to understand it. I
22 agree with you totally. You know, it's very
23 difficult to answer. But it is what it is. I'm
24 stuck with it.

1 CHAIRMAN CROSBY: Commissioner, any
2 other questions?

3 COMMISSIONER ZUNIGA: I'm finished
4 now.

5 COMMISSIONER STEBBINS: I have a
6 couple quickly.

7 Mr. Manoukian, just a quick
8 question. You've referenced the fact that you
9 have identified a person. I don't think you've
10 hired them yet, but you've identified a topnotch
11 person to manage the facility in Raynham, and then
12 subsequently you just talked about you hire good
13 people. So is --

14 MR. MANOUKIAN: Yes.

15 COMMISSIONER STEBBINS: I mean, I
16 compliment you for being that far along in that
17 you've identified somebody to run the facility
18 even prior to being awarded the license. But it
19 would lead me to believe you're also interested in
20 the hiring and -- of your management. So it goes
21 a little bit beyond the construction of the
22 facilities. It sounds like you still want to have
23 a hand in who the people are.

24 MR. MANOUKIAN: My topnotch people,

1 I like to look at them in the eye. I want to see
2 them myself personally. I've chosen to be away
3 long periods of time. I have to pick up people
4 with great integrity and honesty.

5 This is a very, very, very
6 important business. If you don't have absolute
7 top people, you can get yourself into all sorts of
8 trouble, and I don't intend at this stage in my
9 life to have a hairline, something bad that
10 carries our name.

11 And I'd like to say, in fact, we
12 have hired a person, haven't we?

13 MR. RICCI: Yes, we did.

14 MR. MANOUKIAN: We've actually
15 hired. And when did he start?

16 MR. RICCI: July 8th.

17 MR. MANOUKIAN: July 8th. And he's
18 West Point graduate, Harvard business, and Wharton
19 Business School graduate.

20 MR. EVERETT: Just to clarify, if I
21 could. The person who was recruited and hired
22 when through management. Mr. Manoukian met him
23 after the fact and was very impressed with him.

24 COMMISSIONER STEBBINS: Okay.

1 MR. EVERETT: So he didn't actually
2 go out and recruit the person himself, nor did he
3 have the person appointed?

4 MR. MANOUKIAN: No. We go to a
5 firm that give us.

6 COMMISSIONER STEBBINS: Sure.

7 MR. MANOUKIAN: Okay.

8 COMMISSIONER STEBBINS: That's all
9 I have.

10 CHAIRMAN CROSBY: I just have two
11 quick questions.

12 Mr. Manoukian, have you been
13 charged with a law enforcement agency with illegal
14 tax avoidance?

15 MR. MANOUKIAN: Absolutely not.
16 Never.

17 CHAIRMAN CROSBY: Have you ever
18 paid any significant penalties to tax agencies for
19 tax practices?

20 MR. MANOUKIAN: I have paid not a
21 single penny in penalties to any tax authority
22 anywhere in the world.

23 CHAIRMAN CROSBY: Thank you. Do we
24 have any redirect?

1 MS. LEE: No redirect.

2 CHAIRMAN CROSBY: Recross?

3 MR. MACKEY: No further questions
4 for the witness. I'd just asked on behalf of the
5 Bureau if we could have the name of the person who
6 was recently hired to determine whether or not
7 they need to be qualified.

8 MR. KOHLER: To sort of complete
9 the circle on that, that person has been hired to
10 work at Parx Casino. Then what they currently do,
11 they are --

12 MR. MANOUKIAN: We don't have any
13 --

14 MR. KOHLER: There certainly is no
15 -- as Mr. Manoukian described, there certainly is
16 an eye towards that person potentially running the
17 casino in -- or the slots parlor in Massachusetts,
18 if we were so lucky to get the license. But he is
19 not hired to run --

20 MR. MANOUKIAN: No. Because we
21 don't the company to hire him have to.

22 MR. KOHLER: -- a slot parlor in
23 Massachusetts. He is hired to work at Parx, and
24 he does work at Parx, just to clarify.

1 MR. MANOUKIAN: At the moment, he's
2 at Parx.

3 MR. MACKEY: That's fine then.
4 We'll withdraw.

5 COMMISSIONER ZUNIGA: One last
6 question, Mr. Manoukian.

7 Where do you call home, sir?

8 MR. MANOUKIAN: Well, you know, we
9 have homes in London, we have homes in Las
10 Angeles, we have homes in Lebanon. We are going
11 to be building a home in Armenia now that it is
12 independent. But psychologically, I consider home
13 to be England because that's where my children
14 were brought up. That's where they went to
15 school. I would say as a whole, I would say
16 London is my home.

17 COMMISSIONER ZUNIGA: Thank you.

18 MR. MANOUKIAN: But my children,
19 it's a different story what they're going to do in
20 the future.

21 COMMISSIONER ZUNIGA: Thank you.

22 CHAIRMAN CROSBY: Anybody else?
23 Thank you very much, Mr. Manoukian. Thank you for
24 making the trip.

1 MR. MANOUKIAN: Thank you. Thank
2 you for having me.

3 CHAIRMAN CROSBY: It being a few
4 minutes of 12:00, I think we will take -- Is 45
5 minutes enough -- take a 45 minute adjournment for
6 lunch and reconvene. Let's make it a quarter to
7 1:00.

8

9 (Break taken.)

10

11 CHAIRMAN CROSBY: Okay. Ladies and
12 gentlemen, I think we are ready to reconvene the
13 adjudicatory hearing on Raynham Park, LLC
14 application. And if there are no other comments,
15 I will pass the ball to counsel for Raynham.

16 MR. KOHLER: Chairman, the next
17 witness is Mr. Bob Green, and Stephen Schrier from
18 Blank and Rome will be handling the examination.

19 MR. SCHRIER: Good afternoon, Mr.
20 Chairman.

21 CHAIRMAN CROSBY: Mr. Schrier is
22 one of the lawyers about which Mr. Manoukian was
23 speaking?

24 MR. SCHRIER: One of the many

1 lawyers that is privileged to be a part of this
2 whole proceeding. And thank you all for having
3 me.

4 Before we begin, I'd just like to
5 advise the board to Mr. Green had a bout with
6 throat cancer about seven years ago, which he was
7 successful in defeating, but that does impact his
8 ability to speak a little bit. So he will
9 certainly speak as slowly as he can, but if you
10 have any questions about that or you want to let
11 him know that you can't understand him, certainly
12 let us know.

13 CHAIRMAN CROSBY: Thank you for the
14 heads up on that. We'll just be very
15 straightforward if there is any issue.

16 MR. SCHRIER: Mr. Green, can you
17 describe where you were born and tell us a little
18 bit about your background.

19 MR. GREEN: Yes. Good afternoon,
20 Mr. Chairman, Commissioners. Thank you for giving
21 me the privilege to address you. I was born in
22 Hartford just outside London. Essentially, that
23 was in 1941. And I lived in London from that
24 point of time until about 1989, when I moved

1 permanently to the U.S., apart from, obviously, a
2 few months when we were evacuated due to the war.
3 So other than that time, I lived permanently in
4 London.

5 MR. MACKEY: Can you describe --
6 Prior to coming to the U.S. in 1989, can you
7 describe your employment background?

8 MR. GREEN: Yes. I left school
9 after high school and went to work first at a bank
10 in the City of London. So StandardChartered it is
11 now, because it was known as the Bank of British
12 West Africa when there was still a British West
13 Africa. I worked there, and then in around 1960
14 and '61, the UK Parliament passed the Betting
15 Gaming and Lotteries Act which legalized offsite
16 wagering.

17 And I went into business or I
18 started to work in that business and worked in
19 probably one of the first retail betting outlets
20 in London in 1961. During that, I became a
21 director of a small family business and built that
22 business up to about 70 retail outlets.

23 That business was then acquired by
24 a company called Mecca. It was a public company.

1 And over a period of time, I developed that
2 business, and I was the chief executive officer
3 and chairman of that business until it became the
4 third largest operator in the UK.

5 After that, the -- we were then
6 part of Grand Metropolitan, which was a major
7 conglomerate, international conglomerate. And as
8 part of that, I bought the number two operator in
9 the UK, which merging the three operator, Mecca,
10 which was the number two operator, which was
11 William Hill, we sort of leapfrogged as becoming
12 the leading UK operator and probably the leading
13 wagering operator worldwide.

14 Also during that period, Grand
15 Metropolitan owned London Clubs, which was the
16 largest casino operator in the UK and Europe. And
17 I was the joint chairman of that company as well
18 as the chairman of the new William Hill. So that
19 really takes us up to 1989.

20 MR. SCHRIER: Okay. As I
21 understand it, William Hill, you said, was the
22 largest operator in the UK. I think it had some
23 2,000 betting outlets at the time and that
24 organization had betting and wagering facilities

1 in many countries; is that right?

2 MR. GREEN: Many -- Well, it was
3 principally in Great Britain, Ireland, and
4 certainly some in Belgium. Those were the main
5 areas.

6 MR. SCHRIER: Were you required to
7 be licensed in your capacity with William Hill for
8 each of those countries?

9 MR. GREEN: Yes. For each
10 division, one had to be licensed by the local --
11 what was known as the petty sessional division.
12 There were hundreds of those in which I had to be
13 licensed.

14 MR. SCHRIER: Can you briefly
15 describe the circumstances of what brought you
16 here to the United States in 1989?

17 MR. GREEN: After the takeover of
18 William Hill, because of the size of that
19 transaction, it went probably to the equivalent of
20 your antitrust mechanism, which was known as the
21 Mergers and Monopolies Commission. They operated
22 under the board of trade for approval. And the
23 commission approved the takeover, but informed me,
24 as the chairman, that we should no longer -- we

1 should not try anymore, we should not get any
2 bigger in the UK. And that was unfortunate, but
3 by the size of the company in that market, we were
4 number one. And we were told that, you know,
5 that's it.

6 So from a business strategic point
7 of view, I had to look outside the UK for
8 expansion, and essentially, I concentrated on the
9 U.S. and the Far East and began due diligence in
10 those areas to see where I thought we may expand
11 in the future.

12 Part of that look and due diligence
13 in the United States at that time were looking at
14 the states that had either introduced or were
15 about to introduce off-track wagering, and there
16 were only three or four in New York, Connecticut,
17 Pennsylvania. And I looked at those opportunities
18 and felt that the -- Pennsylvania and the location
19 of Philadelphia Park represented a very good
20 initial move into the U.S. for William Hill and
21 ran that.

22 MR. SCHRIER: Okay. I think we've
23 heard a little bit in the proceedings about how it
24 came about that the track was purchased in 1989

1 and how others, Mr. Manoukian, for example, were
2 involved in that transaction. I think probably as
3 part of the suitability report, I'd like to just
4 ask you that at one point in time, there was a
5 licensing process in New Jersey that involved some
6 of the track ownerships that you were involved
7 with, and at that hearing before the casino
8 control commission, there were questions that
9 arose about a relationship that you had with an
10 individual by the name of Robert Brennan in the
11 mid 1990s and that was part of what the director
12 had mentioned during her review of the suitability
13 report earlier today.

14 So I think for purposes of our
15 addressing the issues that were contained in the
16 report today, I'd ask you to identify Mr. Brennan,
17 if you could, and tell the Commission, if you
18 would, how it came about that you came to know
19 him.

20 MR. GREEN: When I first looked at
21 the opportunity I felt was there at Philadelphia
22 Park -- and bear in mind, we were still part of
23 William Hill and Grand Metropolitan at that
24 time -- I had arranged or my people in London

1 arranged that I would meet the chairman, who I
2 didn't know who it was, the chairman of
3 International Thoroughbred Breeders, which was a
4 publicly funded company. And accordingly, I went
5 there to Philadelphia Park and met the chairman
6 who was Mr. Bob Brennan. And we spoke about a
7 potential deal. I went back to Grand
8 Metropolitan. We spoke about it. Obviously,
9 because of the size and reputation of Grand
10 Metropolitan, we did a background check on ITB --
11 which we gave them an acronym -- and Bob Brennan.

12 As a result of that, it was decided
13 we knew that we were dealing with a very
14 flamboyant, controversial individual who was the
15 chairman of that company, but there was nothing to
16 suggest that we should not enter negotiations with
17 him nor should there be anything to prevent us
18 from doing a transaction with ITB.

19 Conglomerates being what they are,
20 that transaction never came to pass because
21 another element of Grand Metropolitan, the food
22 and drink division, was looking at the opportunity
23 to acquire Pillsbury. And obviously, we spoke
24 about this in London, and the view at Grand

1 Metropolitan at that time was that if Grand Met
2 was trying to pursue Pillsbury, which was a very
3 mom-and-pop brand company with doughboy, Green
4 Giant, Burger King at that time, it may not be
5 quite right timing for us to pursue a racetrack
6 and off-track wagering opportunity in a place like
7 Philadelphia. No reason not to, but the whole
8 thought was that knowing that the Pillsbury
9 takeover was going to be a hostile takeover -- as
10 it was, it was successful -- but that we should,
11 you know, leave the racetrack off-track side of
12 that for another year or so or a couple of years.

13 I had, you know, said I didn't
14 really want to click my heels for a couple of
15 years, and that, with their consent and their
16 blessing, I would leave the chairmanship of
17 William Hill and Grand Metropolitan and see if I
18 should pursue this opportunity myself as an
19 individual, which I did, and left Grand
20 Metropolitan on very amicable terms. In fact, I
21 continued to stay on a number of their boards.

22 And went back to ITB and said,
23 look, we're not doing the transaction as Grand
24 Metropolitan, but I would like to do exactly the

1 same transaction as was contemplated by Grand Met,
2 to do it myself. And over a period of probably a
3 year or so, I negotiated directly with Bob
4 Brennan, who was the chairman of ITB, and finally
5 consummated a transaction.

6 It took a while to put the equity
7 and the financing together, but in 1990, we
8 completed the acquisition of Philadelphia Park.
9 By which time I had known Bob Brennan for over a
10 year, and, obviously, it started off as purely a
11 business relationship, but, you know, I got to
12 know him socially over that period of time.
13 Knowing -- Obviously, it was well known that he
14 was, as I said, very wealthy, flamboyant, outsized
15 personality type of individual.

16 MR. SCHRIER: Okay. So you
17 acquired the track and, I assumed, continued to
18 operate the track and were licensed by the
19 authorities regarding racing in Pennsylvania at
20 that time?

21 MR. GREEN: Yes, we were. And
22 various other divisions that were necessary to be
23 licensed, yes, sir.

24 MR. SCHRIER: Okay. At some point

1 in time after you acquired the track and had met
2 Mr. Brennan and became socially acquainted with
3 him, did you become aware of the proceeding by the
4 Securities and Exchange Commission regarding Mr.
5 Brennan and his company, First Jersey Securities?

6 MR. GREEN: Well, we knew about
7 that, coming back to prior to the acquisition,
8 because there had been filings and, you know,
9 various issues that had been brought by the SEC
10 going back to the early 1980s.

11 So from our perspective, it was a
12 continuation of masses that had occurred over the
13 last 10 or 12 years of which nothing had come of
14 them. You know, they had either been cleared or
15 not pursued. So it was nothing, if you'd like,
16 out of the ordinary.

17 MR. SCHRIER: Did there come a time
18 when you became aware that he was actually
19 convicted of a securities violation in 1994?

20 MR. GREEN: Yes. I think it was
21 late '94 or '95, somewhere in that arena, which
22 was a civil case that dated back about ten years
23 earlier.

24 MR. SCHRIER: Were you or any of

1 the companies that you were associated with ever
2 involved in any way with any of the alleged
3 activities that resulted in those charges or that
4 conviction?

5 MR. GREEN: No, sir. No.

6 MR. SCHRIER: Did you ever engage
7 in any personal business dealings with Mr.
8 Brennan?

9 MR. GREEN: Yes. There were, over
10 a period -- Well, there may have been one or two,
11 but there were -- certainly, we -- or I had
12 dealings with a trust that he had set up for his
13 three children, and there were a number of
14 transactions that I did with the trust for
15 probably a period of 15, 18 months.

16 MR. SCHRIER: Okay. And during
17 that period of time, were you aware that Mr.
18 Brennan had been convicted of the offense that we
19 talked about earlier?

20 MR. GREEN: Yes. I spoke with him
21 about that. His position was that it was similar
22 to -- similar civil matters that had been brought
23 against him; that he'd always been successful in
24 defending; and that he had made an appeal against

1 that particular filing; and that the -- he was
2 confident that he would be exonerated on appeal.
3 He was very convincing about that. In fact, I
4 asked to see the brief of that appeal that was
5 prepared by probably one of the leading jurist at
6 the time, a Judge Higginbotham. I read it, and
7 from my perspective, I thought that there was
8 every likelihood that that appeal would be
9 successful.

10 MR. SCHRIER: So you indicated that
11 the business dealings that you were talking about
12 with him personally, they weren't actually with
13 him; they were with an organization or an entity
14 that he was a part of; is that right?

15 MR. GREEN: Yeah. He was a 25
16 percent owner of the trust. The 75 percent were
17 owned by his three children, grown-up children.

18 MR. SCHRIER: Did there come a time
19 when your business dealings with him ended?

20 MR. GREEN: Yes. The investment
21 vehicle that I had personally -- that had some
22 businesses with the trust that, after his appeal
23 was unsuccessful, I immediately informed him that
24 in that light, that, you know, there would be no

1 further transactions, and there were no further
2 transactions that took place between me and/or the
3 trust.

4 MR. SCHRIER: In that period of
5 time when you were doing business, to your
6 knowledge, were any of the business transactions
7 that you engaged in with the trust or related to
8 any other entities of Mr. Brennan during that
9 period of time improper or illegal, to your
10 knowledge?

11 MR. GREEN: None whatsoever, no.

12 MR. SCHRIER: We talked briefly at
13 the beginning of your testimony about the fact
14 that you had a hearing before the New Jersey
15 Casino Control Commission and an investigation
16 that was done by the New Jersey Division of Gaming
17 Enforcement. Were all the activities that you
18 just described that you engaged in with Mr.
19 Brennan a subject of the hearing that was held
20 before the casino control commission?

21 MR. GREEN: Yes. For all hearings.

22 MR. SCHRIER: And to your
23 knowledge, were all of the business and personal
24 relationships that you had with Mr. Brennan

1 explored in detail at that hearing?

2 MR. GREEN: Yes. Very much so.

3 MR. SCHRIER: Can you tell the
4 Commissioners what the outcome of that hearing
5 was?

6 MR. GREEN: The outcome of the
7 hearing was that I was found as suitable and
8 qualified and that there was two requirements of
9 me. One was that I would keep the commission
10 updated about the bankruptcy proceedings involving
11 Mr. Brennan of which, you know, there were
12 hundreds of named people in those proceedings, and
13 I was one of them and that I would keep the
14 commission updated on that proceeding; and, two,
15 that I would have no further business dealings
16 with Mr. Brennan.

17 MR. SCHRIER: Just for purposes of
18 the record, I believe as an attachment to the
19 Raynham Park suitability report, you'll find
20 Exhibit 17, which is the order and determination
21 by Chairman Hurley of the casino control
22 commission.

23 So these conditions were imposed
24 upon you. Did you follow both of those

1 conditions, Mr. Green?

2 MR. GREEN: Yes, sir.

3 MR. SCHRIER: Okay. You mentioned
4 that one of the conditions required that you
5 report on a regular basis to the New Jersey
6 regulatory authorities at the New Jersey Division
7 of Gaming Enforcement and the casino control
8 commission regarding the proceedings in a
9 bankruptcy involving Mr. Brennan where you were
10 named as a defendant along with, I think, 23
11 others, correct?

12 MR. GREEN: Yes, sir.

13 MR. SCHRIER: Can you describe that
14 bankruptcy proceeding and what the proceedings
15 were about and what happened in that bankruptcy?

16 MR. GREEN: Yeah. The trustee who
17 was appointed to deal with this matter filed a
18 complaint and certain restrictions. I think that
19 is the word.

20 MR. SCHRIER: Restraints.

21 MR. GREEN: Restraints, which was
22 challenged and took to court, and they were
23 removed. And there was no further action by the
24 trustee until about a year later when another

1 complaint was filed which we challenged and
2 defended in court and were successful, and we -- I
3 think we, in fact, got summary judgment against
4 the trustee.

5 They, the trustee, then appealed
6 that decision, and then at the -- sorry, the
7 trustee then asked for reconsideration of that
8 decision. At the reconsideration, then I was
9 successful in that case. Further in that, the
10 trustee then appealed the reconsideration. And we
11 had, if you like, won or I had won every case
12 involving the trustee, but the legal bill was, in
13 terms of continuing to have to defend what I
14 considered a frivolous action, was just -- which
15 the trustee had unlimited funds, by disposing the
16 various assets that Mr. Brennan owned, had
17 unlimited funds to continue this legal process,
18 and at the end, I agreed that we would settle the
19 matter. I think it was for a settlement of
20 \$200,000, because that was a lot less expensive to
21 me than going through another bout of legal
22 proceedings.

23 So after being successful three
24 times and having to spend a significant amount in

1 legal fees, I felt it was just much more
2 economical to get the thing out of the way and
3 settle it, which I did.

4 MR. SCHRIER: Commissioners, just
5 for the record, Raynham Exhibit 10, which I
6 believe you have in your packet, is one order from
7 the bankruptcy proceeding whereby Mr. Green was
8 granted summary judgment by the bankruptcy courts.
9 And the settlement agreement, I believe, is
10 your --

11 MR. KOHLER: It's actually eight.

12 MR. SCHRIER: Eight. Okay. And
13 the settlement agreement, I believe, is Raynham
14 Exhibit 9. Is that correct?

15 MR. KOHLER: Um-hmm.

16 MR. SCHRIER: Okay. Mr. Green,
17 that settlement that you spoke about in the
18 bankruptcy proceeding, did that conclude your
19 dealings, so to speak, in relationship with Mr.
20 Brennan at that point in time? Was that sort of
21 the last vestige of the issues that you were
22 dealing with?

23 MR. GREEN: No. The last vestige
24 was in 1996, which was when his appeal was

1 unsuccessful. So the bankruptcy issue was four
2 years after that.

3 MR. SCHRIER: Right. After you
4 settled the bankruptcy proceeding, did you notify
5 the New Jersey regulators about the fact of your
6 settlement and the outcome of the settlement?

7 MR. GREEN: Yes, sir.

8 MR. SCHRIER: And to your
9 knowledge, have those notices to the regulators
10 and the orders from the court been provided to the
11 investigators from IEB?

12 MR. GREEN: Yes, sir, they have.

13 MR. SCHRIER: When they were
14 notified about the outcome of these events shortly
15 after they occurred, did any of the regulators of
16 the casino control commission division of gaming
17 enforcement raise any concerns about the
18 settlement as it pertained to your ongoing
19 suitability to continue to participate in the New
20 Jersey casino industry?

21 MR. GREEN: No, sir.

22 MR. SCHRIER: Let's move ahead a
23 little bit from there. In the past 17 years, have
24 you had any business dealings with Mr. Brennan?

1 MR. GREEN: No, sir.

2 MR. SCHRIER: You were involved in
3 gaming in Pennsylvania as well, and I think,
4 involved in promoting passage of that activity in
5 Pennsylvania; is that right?

6 MR. GREEN: Yes, sir.

7 MR. SCHRIER: Can you describe your
8 role in that capacity?

9 MR. GREEN: Well, for -- Obviously,
10 my background is in the racing and wagering and
11 gaming business, and I was concerned from
12 Pennsylvania's position that various states,
13 including West Virginia and Delaware, had moved
14 towards allowing expanded gaming, and so I
15 mounted, over a period of eight or nine years, a
16 campaign to see if we could, in fact, bring
17 expanded gaming into Pennsylvania.

18 And eventually, an act was passed
19 in 2004. It didn't really take effect until the
20 early part of 2006, but that campaign proved to be
21 successful, and gaming in Pennsylvania has proved
22 successful.

23 MR. SCHRIER: Mr. Green, you were
24 licensed in Pennsylvania as a key employee; is

1 that correct?

2 MR. GREEN: Yes, sir.

3 MR. SCHRIER: And is that the
4 highest and most stringent form of license you can
5 obtain under the Pennsylvania Gaming Act?

6 MR. GREEN: Yes, sir.

7 MR. SCHRIER: Was the information
8 regarding your relationship with Robert Brennan
9 that you've described earlier that was contained
10 in the suitability report here the subject of the
11 investigation that occurred in Pennsylvania in
12 2006?

13 MR. GREEN: Yes, sir.

14 MR. SCHRIER: Have you had any
15 suitability proceedings or license proceedings
16 against you in Pennsylvania since you've been
17 licensed there in 2006?

18 MR. GREEN: No, sir.

19 MR. SCHRIER: In the over 50 years
20 that you've been involved in the legal gaming and
21 wagering business in various countries, but most
22 recently, obviously, in the United States, have
23 you ever had your license denied, revoked, or
24 suspended by any regulatory or law enforcement

1 authority?

2 MR. GREEN: No, sir.

3 MR. SCHRIER: Did you hear today
4 the condition that the director mentioned was
5 suggested in the report to the Commission, that
6 you agree not to have any business dealings with
7 Robert Brennan?

8 MR. GREEN: Yes. And I'm already
9 under that obligation from 17 years ago. So, yes,
10 I'm aware of that.

11 MR. SCHRIER: And I would ask you
12 if you're willing to agree to that condition?

13 MR. GREEN: Yes, of course.

14 MR. SCHRIER: I have nothing
15 further at this time. I'd reserve the right to
16 redirect though.

17 CHAIRMAN CROSBY: Counsel.

18 MR. MACKEY: Yes. Good afternoon,
19 Mr. Green.

20 MR. GREEN: Good afternoon.

21 MR. MACKEY: I just want to
22 clarify, to the extent I can for the Commission,
23 some of the relationship that's been described
24 this afternoon that you had with Robert Brennan.

1 MR. GREEN: Yes.

2 MR. MACKEY: And just to -- you
3 know, by way of background, I understand that you
4 first met Mr. Brennan in 1988. Was that when you
5 were --

6 MR. GREEN: Around that time, yes.

7 MR. MACKEY: Okay. And you were --
8 In 1988, you were the chairman and the CEO, I
9 understand, of the William Hill organization?

10 MR. GREEN: Yes.

11 MR. MACKEY: Which was, as I
12 understand it, one of the largest wagering
13 organizations in the world at the time?

14 MR. GREEN: Yes, it was.

15 MR. MACKEY: Okay. And William
16 Hill was a division of Grand GMet, is that what
17 you called it?

18 MR. GREEN: Grand Metropolitan.
19 It's now Diazeo, D-i-a-z-e-o, which is the largest
20 branded group company worldwide.

21 MR. MACKEY: Okay. Thank you. And
22 when you met Mr. Brennan around 1988, he, at that
23 time, was chairman of an entity called ITB which
24 owned the Philadelphia Parks --

1 MR. GREEN: Yes.

2 MR. MACKEY: -- facility?

3 Okay. And then as I understand,
4 and you testified earlier, in early 1989, you, Mr.
5 Green, on behalf of Grand Metropolitan and Mr.
6 Brennan on behalf of ITB were negotiating an
7 arrangement to purchase Philadelphia?

8 MR. GREEN: Correct.

9 MR. MACKEY: And it was a big
10 transaction, it was \$75,000,000 --

11 MR. GREEN: Yes.

12 MR. MACKEY: -- I think was the
13 price you were talking about?

14 And I take it, and you mentioned
15 this in your direct, that Grand Metropolitan did a
16 pretty significant amount of due diligence, as you
17 referred to it as background checking --

18 MR. GREEN: Yes.

19 MR. MACKEY: -- on ITB, but also on
20 Mr. Brennan --

21 MR. GREEN: Yes. Indeed.

22 MR. MACKEY: -- at that point in
23 time?

24 Were you involved in the due

1 diligence exercise?

2 MR. GREEN: Yes.

3 MR. MACKEY: Okay. And you
4 indicated that -- And I -- This, I know, is
5 reflected in the casino control commission
6 document from New Jersey, that GMet and, I
7 presume, you learned that Mr. Brennan was
8 something of a controversial figure because of
9 some activities he'd been engaged in at First
10 Jersey Securities?

11 MR. GREEN: Yes.

12 MR. MACKEY: Okay. Now, would you
13 agree with me, Mr. Green, that even, you know, at
14 this earlier point in time, there was already a
15 fairly significant amount of material available in
16 the public record about some SEC issues that Mr.
17 Brennan was having at the time of this
18 transaction?

19 MR. GREEN: Yes.

20 MR. MACKEY: Okay. And you
21 indicated that it was your understanding from Mr.
22 Brennan that, you know, nothing had really come of
23 that earlier set of activity. I think nothing had
24 come of it was your statement.

1 MR. GREEN: Yes.

2 MR. MACKEY: Okay. But as it turns
3 out, even at that point in time, that's not really
4 true, is it, that nothing had come of it?

5 MR. GREEN: Not that I'm aware of.
6 I mean, he had --

7 MR. SCHRIER: Well, not that you're
8 aware of. Okay.

9 So just so I could drill down a bit
10 there. Were you aware at that time that in 1974,
11 Mr. Brennan had already been suspended for a
12 period of time by the SEC for appropriate trading
13 practices?

14 MR. GREEN: Yes. That was part of
15 the report from Grand Met.

16 MR. MACKEY: Okay. So --

17 MR. GREEN: What I meant in terms
18 of nothing had really happened, he had not been
19 indicted or charged. You know, he had been
20 slapped over the wrists by the regulators. Yes,
21 we were aware of that.

22 MR. MACKEY: I mentioned that he
23 had been suspended in 1974. It sounds like you
24 were aware of that. In fact, in 1978, he was sued

1 again by the SEC, and he agreed to the entry of a
2 consent decree following that lawsuit. Do you
3 recall that?

4 MR. GREEN: I don't recall it, but
5 -- Not specifically I don't recall that, no.

6 MR. MACKEY: Okay. And then I
7 think you referenced in your direct testimony that
8 another lawsuit by the SEC in 1985, that's the one
9 that seemed to have dragged on for awhile, but was
10 resolved later in 1995?

11 MR. GREEN: Yes.

12 MR. MACKEY: Okay. And there was
13 more, though.

14 Are you aware that in 1986, Mr.
15 Brennan settled a federal court case with the
16 National Association of Security Dealers in which
17 he was censored and fined for securities
18 violations?

19 MR. GREEN: I can't remember it
20 specifically, but I'm sure that came up in the due
21 diligence.

22 MR. MACKEY: Okay. If it was a
23 matter of public record, it's likely it would have
24 come up in this process?

1 MR. GREEN: Yes.

2 MR. MACKEY: Okay. And then he
3 settled another federal securities fraud class
4 action lawsuit in 1987?

5 MR. GREEN: Yes.

6 MR. MACKEY: And then he settled
7 another securities case with the National
8 Association of Securities Dealers in 1990?

9 MR. GREEN: Right.

10 MR. MACKEY: Okay. So ultimately,
11 you testified that the transaction that -- the
12 specific transaction that you had been negotiating
13 on behalf of Grand Metropolitan didn't work out
14 because of the situation with Pillsbury that
15 developed?

16 MR. GREEN: Correct.

17 MR. MACKEY: Now, it is it your
18 testimony that the Grand Metropolitan transaction
19 with ITB fell apart for reasons that are
20 completely independent of Mr. Brennan's --

21 MR. GREEN: Absolutely.

22 MR. MACKEY: -- situation?

23 MR. GREEN: Absolutely.

24 MR. MACKEY: Absolutely

1 independent?

2 MR. GREEN: Yes.

3 MR. MACKEY: Okay. And it related
4 more toward Grand Metropolitan's efforts to
5 perform the hostile take over of Pillsbury?

6 MR. GREEN: Yes.

7 MR. MACKEY: Okay. So once that
8 deal fell through, you then created GRI on your
9 own, left Grand Metropolitan, and then you
10 approached Mr. Brennan about doing the same deal,
11 but doing it on your own as opposed to doing it
12 through --

13 MR. GREEN: Yes.

14 MR. MACKEY: -- through Grand
15 Metropolitan? Okay.

16 And ultimately, that deal closed in
17 1990?

18 MR. GREEN: Yes.

19 MR. MACKEY: Okay. Now, I
20 described to you a series of federal court actions
21 involving security fraud allegations against Mr.
22 Brennan that seemed to extend from 1974, was the
23 first, up until 1990. So do you recall that?

24 MR. GREEN: Yes.

1 MR. MACKEY: Okay. And then it
2 would be fair to say that there was another period
3 of time following that, 1994 to 1996, which were
4 also pretty rough years for Mr. Brennan on the
5 legal front with the SEC and others? Let me be
6 specific about it.

7 In 1994, there was a 40-day trial
8 of Mr. Brennan on security charges that stemmed
9 from the 1985 complaint that had been filed.
10 You're aware of that?

11 MR. GREEN: Yes.

12 MR. MACKEY: Okay. And then in
13 June of 1995, the federal district court judge,
14 following this 40-day bench trial, issued a final
15 judgment in the case finding Mr. Brennan
16 personally responsible for widespread securities
17 fraud at First Jersey. Are you aware of that?

18 MR. GREEN: Yes.

19 MR. MACKEY: And you've read that
20 opinion?

21 MR. GREEN: Yes.

22 MR. MACKEY: Okay. Now, there are
23 just a couple of provisions of this opinion. And
24 I think this opinion's not in evidence. I think

1 the Commission can take judicial notice of it.
2 It's 890 -- for the record 890 F. Supp. 1185. The
3 judge, if you've read the opinion, carefully makes
4 a number of factual findings in the opinion.

5 MR. GREEN: Yes. I read that about
6 the time. I haven't read it subsequently, so I'm
7 not...

8 MR. MACKEY: One of the findings
9 that the judge makes, and this is on page 22 of
10 the opinion, is, "Defendant Brennan, who's
11 completely without remorse for the violations
12 proven in this case, professing at trial there is
13 nothing wrong with First Jersey's pricing of the
14 subject securities, and instead complaining that
15 the prosecution of this action is, quote, in a
16 sick way comical, unquote, and is, quote, rooted
17 in a malice envenom on the part of some people at
18 the commission, unquote." Do you recall that
19 provision of the opinion?

20 MR. GREEN: No.

21 MR. MACKEY: Then there's a further
22 reference by the judge, and this is footnote 33.
23 And I'll just read that into the record, too.
24 "These comments" -- And that's referencing the

1 comments that I just read. "These comments by
2 Brennan on the witness stand before me, however,
3 pale compared to his remarks televised at a First
4 Jersey staff dinner following the filing of this
5 complaint" -- this is presumed to go back to 1985
6 -- "containing threats to SEC staff members and
7 any of his own organization who turned against
8 him." And then the opinion goes on from there to
9 recite the threats that have been identified.
10 Actually, they quote them.

11 Do you recall reading either --

12 MR. GREEN: No.

13 MR. MACKEY: -- of those provisions
14 at the time that you read this when it came out?

15 MR. GREEN: No.

16 MR. MACKEY: Okay. So I understand
17 you don't specifically recall parts of the opinion
18 when it came out when you read it. Would you
19 agree with me that the opinion is pretty rough on
20 Mr. Brennan?

21 MR. GREEN: Yes.

22 MR. MACKEY: Okay. So then the
23 next thing that happens in, you know, following
24 this 40-day trial in 1994 and then the civil

1 judgment in 19 -- and the judgment in 1995, in
2 December 2006, the United States Court of Appeals
3 affirms the fraud judgment in the SEC case.

4 MR. GREEN: Yes.

5 MR. MACKEY: Okay. So for the
6 period of time from 1994 to 1996, Brennan is
7 tried, found personally liable for fraudulent
8 securities trading activity, and then the fraud
9 judgment is affirmed by the United States Court of
10 Appeals.

11 MR. GREEN: Yeah. His appeal was
12 unsuccessful. I think it was the beginning of
13 December 1996.

14 MR. MACKEY: That's correct,
15 December 1996.

16 So during this period of time from
17 1994 to 1996, Mr. Brennan's legal issues were, it
18 sounds like, pretty well known to you; you were
19 generally familiar with them?

20 MR. GREEN: Yes.

21 MR. MACKEY: Okay. Yet, during
22 this exact period of time, it turns out that you
23 also engaged in a number of transactions with Mr.
24 Brennan?

1 MR. GREEN: With the trust, one or
2 two individual transactions, but specifically with
3 the trust that he set up for his children, yes.

4 MR. MACKEY: Well, and actually, it
5 might be helpful at this point. Do you have a
6 copy of Exhibit 17 handy?

7 MR. SCHRIER: I do.

8 MR. MACKEY: This is the casino
9 control commission consent. I'm just going to
10 allude to a couple of parts of that opinion
11 because I want to make sure we have some of the
12 facts straight here.

13 MR. SCHRIER: Would you like the
14 witness to have a copy in front of him?

15 MR. MACKEY: That would be great.
16 I'm just going to ask him a series of questions,
17 and if he's having a problem recalling, this will
18 draw his attention back to that document.

19 COMMISSIONER ZUNIGA: I don't think
20 we have 17.

21 CHAIRMAN CROSBY: I don't have a 17
22 I don't think.

23 MR. MACKEY: Oh.

24 (Multiple speakers.)

1 THE COURT REPORTER: I'm sorry, I
2 can't hear. One at a time, please.

3 COMMISSIONER MCHUGH: It was
4 Exhibit 17 to the IEB report and was attached to
5 the version of the IEB report that was circulated.

6 CHAIRMAN CROSBY: All right. So we
7 don't have that.

8 COMMISSIONER MCHUGH: It may not be
9 in the book.

10 MR. MACKEY: Okay. We'll ensure
11 you're provided with a copy. I don't think there
12 was any -- It's attach to the confidential report,
13 but it's not a confidential document. In fact, I
14 believe it's completely a public record.

15 So let me just draw your attention,
16 Mr. Green, to pages 6 and 7 of the opinion by the
17 New Jersey Casino Control Commission. And on page
18 7 in particular, the first paragraph on page 7
19 begins "in late 1994," do you see that?

20 MR. GREEN: Yes.

21 MR. MACKEY: Okay. Now, to
22 summarize -- Well, let me just ask you a series of
23 questions.

24 In 1994, you, Mr. Green, personally

1 bought a company called UK Food Products and
2 Investments?

3 MR. GREEN: Yes.

4 MR. MACKEY: Okay. And we'll just
5 refer to the company as UK Food -- UK Foods. The
6 last sentence of that paragraph reflects that even
7 though you bought UK Foods with your own funds,
8 the last sentence of that paragraph says, "There
9 is no dispute, however, that from November 1995 to
10 November 1996, UK Food was used exclusively as an
11 investment vehicle for Brennan." Did I read that
12 correctly?

13 MR. GREEN: You read it correctly.
14 Yes. That is not correct in the sense that the
15 investment -- any investments were made were made
16 in respect to Pirate or the trust that was set up
17 that was owned 75 percent by his children, but
18 there were other investments that were made that
19 were not part of that. So I --

20 MR. MACKEY: Okay. Well, just --

21 MR. GREEN: I would just correct
22 the word "exclusively" and I would correct the
23 word "Brennan."

24 MR. MACKEY: Okay. You mentioned

1 this trust, Pirates. That is the name of --

2 MR. GREEN: Yes.

3 MR. MACKEY: 75 percent owned by
4 Brennan's three adult children, and 25 percent
5 owned by Brennan himself?

6 MR. GREEN: Yes.

7 MR. MACKEY: Okay. So the -- How
8 this came about that UK Foods was used exclusively
9 for this investment vehicle for this trust owned
10 by his three children and himself is that -- And
11 I'm referring to page 8 of the opinion now. It
12 sounds like Mr. Brennan approached you, said he
13 was having trouble making investments because of
14 his problems with the SEC, and that he wanted to,
15 quote, put a layer between himself and his
16 investments. Is that a fair characterization of
17 what that opinion says?

18 MR. GREEN: That's what it says. I
19 wouldn't have characterized it in that way, but
20 that's what it says, yes.

21 MR. MACKEY: Well, put it in your
22 own words for the Commission, Mr. Green. How did
23 this come about that you bought a company, and
24 then it seems to have been used exclusively by the

1 trust controlled by Mr. Brennan's three children
2 and Mr. Brennan?

3 MR. GREEN: As I said, not
4 exclusively. There were investments that I had in
5 that. I think the -- the way I would characterize
6 it, and I have to -- you know, I think you need to
7 put it into context. That by this time, I had
8 known Bob Brennan for six or seven years; that we
9 had, through the purchase of Philadelphia Park and
10 a subsequent purchase of the Moses note that was
11 part of that, that I'd been involved in
12 approximately \$100,000,000 worth of transactions
13 that involved Mr. Brennan. And there was nothing
14 in those transactions that was -- in my mind, they
15 were all proper. He's always from, my
16 perspective, conducted himself -- Although, he
17 was, as I say and as you have seen, a very
18 flamboyant character. And so I had, from my
19 perspective, notwithstanding the fact that he had
20 this background of run-ins with the SEC, that in
21 any of my dealings with him, they were all above
22 board.

23 You know, before he even -- before
24 I even knew him, we had a due diligence from a

1 major public company and the people they employee
2 that we could, in fact, do business with ITB and
3 we could do business with Mr. Brennan.

4 Within that context -- and I knew
5 Mr. Brennan -- he said should there be a situation
6 where his trust lent money and my own -- through
7 an investment vehicle that was mine, and I said
8 provided the investments we're making pay the
9 interest and there is no recourse.

10 And his view for actually me was,
11 as you have said, that because of the current
12 problems that he was experiencing, anything that
13 was directly related to him could have a negative
14 effect.

15 And you know, in retrospect, would
16 I have been so, you know, accommodating, no, I
17 wouldn't. But I think you have to put it in the
18 context that I'd known this individual for, you
19 know, seven years. We had done major transactions
20 together at that time. ITB still owned, for
21 example, Garden State Park. It still owned
22 Freehold Raceway.

23 And I was also anxious to preserve
24 that relationship because I felt that at some

1 point in time, it would be helpful from
2 Greenwood's perspective that we would be able to
3 acquire Garden State Park, which we didn't. We
4 subsequently acquired the license and good will of
5 the racetrack, that we made the agent who would
6 buy Freehold Raceway, which we did, in conjunction
7 with Penn National.

8 So there were issues in the back of
9 my mind as well, and I did not see, you know, at
10 that time anything that would not allow me to be
11 accommodating in that respect. In --

12 MR. MACKEY: Okay. And you used
13 that word -- Let me just ask a question, Mr.
14 Green.

15 MR. GREEN: Let me just finish.
16 From my perspective, that had to come to an end
17 the moment that his appeal was unsuccessful, and
18 so any of those arrangements were unwound and
19 terminated.

20 MR. MACKEY: Following the
21 December --

22 MR. GREEN: Yes.

23 MR. MACKEY: -- 1996 appeal?

24 MR. GREEN: Yes.

1 MR. MACKEY: Okay. You used the
2 words you were accommodating your friend. And I
3 -- Just drawing your attention to page 8, the
4 casino control commission uses that same language.
5 The first full paragraph of the page ends with
6 "Applicant said he agreed to this proposal as an
7 accommodation to his friend." Do you see that?

8 MR. GREEN: Yes.

9 MR. MACKEY: Okay. And you were
10 accommodating your friend to help him work around
11 some of the legal restrictions that had been
12 imposed on him because of the SEC action?

13 MR. GREEN: No. They were not to
14 get around any legal restrictions. His
15 characterization was that while he was under the
16 cloud of this appeal, you know, his -- any
17 investment activity or anything that he had would
18 be, you know, in some way regarded as negative.

19 MR. MACKEY: So it wasn't a legal
20 issue; it was a reputational issue --

21 MR. GREEN: Yes.

22 MR. MACKEY: -- in a way? Okay.
23 That's helpful.

24 As I understand the way the

1 arrangement works, you purchased this company, UK
2 Foods, with your own -- with your own funds, and
3 Brennan made the investments by loaning UK Foods
4 money?

5 MR. GREEN: No. The trust.

6 MR. MACKEY: I'm sorry. Okay. The
7 trust. The trust would loan UK Foods money, Mr.
8 Brennan then personally would direct the purchase
9 of particular securities with the money he lent,
10 correct?

11 MR. GREEN: Some of them.

12 MR. MACKEY: Some of them.

13 MR. GREEN: Some of them, yes.

14 MR. MACKEY: And then the only
15 recourse that he had with respect to that loan was
16 the value of the securities that had been
17 purchased?

18 MR. GREEN: Yes.

19 MR. MACKEY: Okay. And ultimately,
20 the arrangement was such that Mr. Brennan would
21 receive the benefit of those investments if they
22 appreciated in value?

23 MR. GREEN: Yes.

24 MR. MACKEY: That's the point of an

1 investment, I guess.

2 MR. GREEN: Yes.

3 MR. MACKEY: So there was also a
4 transaction -- a similar kind of transaction
5 involving a company called CareAdvantage, Inc.?

6 MR. GREEN: Yes.

7 MR. MACKEY: Okay. And as I
8 understand that transaction, please correct me if
9 I'm wrong, CareAd -- senior executives --
10 principals at CareAd were desirous of having Mr.
11 Brennan divest the shares he owned in CareAd,
12 again, because of this reputational issue that
13 you've described; is that fair to say?

14 MR. GREEN: This is 17 years ago,
15 so I'm not absolutely clear as to all of the
16 circumstances, but as I understand it, Mr. Brennan
17 was a major shareholder in CareAd, which was a
18 California health-based company who -- whose
19 primary contact, I believe, was -- or contract was
20 with Blue Horizon and that Blue Horizon had
21 expressed concern of Mr. Brennan's -- because of
22 the case, his ownership of the stock, and what Mr.
23 Brennan, if I recall, was that the -- he divested
24 of the stock principally to the two doctors who

1 were -- Actually, one was a CEO. Something like
2 Chiarello, I think his name was, and the chief
3 operating officer, and also, not significant, but
4 a certain amount of the stock to UK Food.

5 MR. MACKEY: Okay. Let me just try
6 to put a fine point on that. Page 9 of the
7 opinion, first full paragraph, the second sentence
8 reads: "According to applicant," and you're the
9 applicant in this circumstance, correct, Mr.
10 Green?

11 MR. GREEN: Yes.

12 MR. MACKEY: "According to
13 applicant, Brennan had been requested by the
14 principal officer of the company to divest his
15 shares because third parties were refusing to deal
16 with CareAd while Brennan was the owner. Brennan
17 had become a liability to the firm." Did I read
18 that correctly?

19 MR. GREEN: Yes.

20 MR. MACKEY: So, Mr. Brennan
21 approached you and you -- and you ultimately
22 purchased approximately two million shares of
23 CareAd stock, correct?

24 MR. GREEN: According to this. I

1 can't remember, but it was 1.3.

2 MR. MACKEY: Okay.

3 MR. GREEN: Not 2 million.

4 Okay. Sorry. I'm in the wrong
5 paragraph.

6 MR. MACKEY: Yes. It's 2 million
7 shares of CareAdvantage, and I believe you're
8 referring to the next transaction we're going to
9 talk about.

10 And this deal was structured in a
11 similar way. The purchase was accomplished -- of
12 these shares was accomplished in return for a
13 note, correct, not cash, but a note?

14 MR. GREEN: Yes.

15 MR. MACKEY: And this was, again,
16 the note was nonrecourse, except for the stock
17 itself, correct?

18 MR. GREEN: Correct.

19 MR. MACKEY: And so, again, here,
20 Mr. Brennan would presumably reap the value of
21 the -- of any increased value in the stock if the
22 stock were sold, correct?

23 MR. GREEN: Correct.

24 MR. MACKEY: Okay. And, again,

1 would it be fair to say this was done like the UK
2 Foods transaction we described before, as an
3 accommodation to your friend?

4 MR. GREEN: Yes.

5 MR. MACKEY: Okay. And then very
6 briefly, the next transaction, the Sanyo
7 transaction, very similar. Again, here, the
8 principal shareholder of Sanyo wanted Mr. Brennan
9 to divest his ownership interest in his interest
10 in the company?

11 MR. GREEN: Yes.

12 MR. MACKEY: And so you bought,
13 again -- Well, here, you bought 1.3 million shares
14 of stock, again, for a note, correct?

15 MR. GREEN: Yes.

16 MR. MACKEY: Okay. And again, as
17 in the previous transaction, the purchase was
18 structured to enable the lenders, Mr. Brennan in
19 this case, to reap a benefit if there was an
20 increase in the stock value?

21 MR. GREEN: Again, I think --
22 Essentially, yes.

23 MR. MACKEY: Okay. And like the
24 CareAd transaction, the UK Foods transaction was

1 done as an accommodation to your friend, correct?

2 MR. GREEN: Correct.

3 MR. MACKEY: Okay. And there were
4 other transactions as well during this period of
5 time between '94 and '96 involving Mr. Brennan's
6 ITB stock?

7 MR. GREEN: Yes. Between 1995 and
8 '96. Yes.

9 MR. MACKEY: There was a consulting
10 relationship with -- that you had with Mr. Brennan
11 consulting for an entity known as LVEN; is that
12 correct?

13 MR. MANOUKIAN: I can't recall if
14 that was ever consummated or not. I don't believe
15 it was, but I can't recall.

16 MR. MACKEY: Now, you testified
17 earlier, Mr. Green, that you were aware and, in
18 fact, you read the 1995 district court judgment
19 involving First Jersey Securities and Mr. Brennan?

20 MR. GREEN: Yeah. I read that and
21 the appeal brief as well.

22 MR. MACKEY: Okay. And there's
23 reference in the casino control commission report
24 that not only did you read the appeals brief, but

1 you -- well, it sounds like you talked to Mr.
2 Brennan about it. I think you testified to that.
3 And he seemed very bullish on his chances on
4 appeal; would that be fair to say?

5 MR. GREEN: Yes.

6 MR. MACKEY: Okay. And actually,
7 this opinion referenced a conversation with Mr.
8 Brennan's lawyer as well. Do you recall that?

9 MR. GREEN: What page is that?

10 MR. MACKEY: Page -- I'm sorry,
11 page 6. It's that paragraph beginning "applicant
12 was aware," and there's a reference there. It
13 says Brennan's counsel expressed confidence
14 regarding the outcome, but maybe that wasn't a
15 conversation, but it was some kind of
16 communication with his counsel?

17 MR. GREEN: Yes. I think his --
18 Yeah. His counsel was Mr. Riccio, who was the
19 dean of Seton Hall Law School, and I think I had a
20 conversation with him.

21 MR. MACKEY: So it would be fair to
22 say that from your conversations with Mr. Brennan
23 and your familiarity, you were generally familiar
24 with the arguments that Mr. Brennan was advancing

1 on appeal, correct?

2 MR. GREEN: Yes.

3 MR. MACKEY: Okay. Now, I'm going
4 to read you a sentence from the federal court
5 federal circuit court opinion affirming the 1995
6 order, and this is -- again, it's in the public
7 record, 101 F.3d 1450, and it's page 16 of the
8 opinion. "On appeal, defendants do not challenge
9 the court's factual findings as to First Jersey's
10 business practices."

11 Do you recall when you were talking
12 with Mr. Brennan, communicating with Mr. Brennan's
13 lawyer, reading the appeals brief, do you recall
14 any challenge to any of the factual findings that
15 had been made by the district court?

16 MR. GREEN: What was challenged,
17 and I forget the legal doctrine, was --

18 MR. MACKEY: Res judicata.

19 MR. GREEN: Thank you. That the
20 events that were recorded in the judgment were of
21 such unlike nature to other transactions whereby
22 he had not been found in any way on the wrong side
23 of those, that you could not continue to bring
24 like minded issues before the court. It wasn't a

1 question of challenging the fact of whether it was
2 selling short a stock, it was the fact that if you
3 had been -- had a complaint filed against you for
4 that and that complaint had been denied, you could
5 not keep finding similar examples and bringing
6 them to the court.

7 So from my memory, the whole basis
8 of that wasn't about the fact that somebody -- You
9 know, it was about the fact that you could not
10 continue to bring action of action on basically
11 the same premise.

12 MS. LEE: Can I object for just one
13 moment, only because we keep referring to this
14 opinion, and I appreciate it's a matter of public
15 record. I do not have a copy of it. I have not
16 reviewed it. I understand where the line of the
17 questioning is going, which is why I haven't
18 objected, but I think at some point, it's
19 inappropriate given that it's not an exhibit. We
20 don't have a copy of it. It's consistently been
21 referred to. Now we're getting to the legal
22 merits of that opinion, which clearly, Mr. Green
23 is not an attorney, so I think it's no longer
24 appropriate to keep referring to it, and it most

1 definitely disadvantages us from a legal
2 perspective as far as counsel is concerned. And
3 I'm not trying to be difficult, and I have been
4 very patient, so I apologize, but I just would ask
5 if we're going to keep referring to it, we should
6 have copies of it.

7 MR. MACKEY: And with all due
8 respect to Ms. Lee, the witness has identified in
9 direct testimony both careful review of the
10 district court opinion, understanding of the
11 appellate process, and an understanding of what
12 the court of appeals said. And I think it's a
13 perfectly appropriate for the Bureau's lawyers to
14 inquire as to his understanding of the issues that
15 were raised by the district court and by the court
16 of appeals.

17 MS. LEE: And I'm not disagreeing
18 that it may be appropriate. What I'm opining
19 about and objecting to is that, as counsel, I do
20 not have a copy. Had I known that it was going to
21 be addressed in length, I would have, you know,
22 liked the opportunity to review it.

23 CHAIRMAN CROSBY: Does this get
24 cured by creating another copy or two or however

1 many you need? Does that solve the problem?

2 MR. MACKEY: I --

3 MS. LEE: I still have the same --
4 Perhaps, he's -- Perhaps Mr. Mackey is not going
5 to go much farther, and it may be a moot issue,
6 but it just, at some point, we keep referring to a
7 document that I haven't reviewed.

8 MR. MACKEY: I'm done with the
9 opinion of the court of appeals.

10 MS. LEE: Thank you very much.

11 MR. MACKEY: And I referenced the
12 date change.

13 MS. LEE: Yes. And I have no
14 objections to that.

15 MR. MACKEY: I apologize for that.

16 So I -- the -- What I'm interested
17 in, Mr. Green, is that it sounds like you
18 understood because of your familiarity with the
19 arguments that were being made on appeal that they
20 were arguments that were, in many respects,
21 oriented around this res judicata point that you
22 very ably described, but you knew at the same time
23 that Mr. Brennan's appeal wasn't involved with
24 challenging the facts that were laid out in the

1 district court opinion.

2 MR. GREEN: That's true, actually,
3 about the opinion.

4 MR. MACKEY: That was your
5 understanding?

6 MR. GREEN: Yeah.

7 MR. MACKEY: The opinion comes out
8 in December 1996, and it sounds like that was sort
9 of a significant event in terms of your
10 relationship with Mr. Brennan?

11 MR. GREEN: Yes.

12 MR. MACKEY: Okay. Between
13 December 1996 and then the -- the time when the
14 New Jersey Casino Control Commission opinion came
15 out, which I think was March 2000, could you
16 describe for the Commission what your dealings
17 with Mr. Brennan were during this four-year period
18 of time.

19 MR. GREEN: No.

20 MR. MACKEY: Because there weren't
21 any?

22 MR. GREEN: Yes.

23 MR. MACKEY: Okay. So no personal?

24 MR. GREEN: No.

1 MR. MACKEY: Friendly visits or
2 anything like that?

3 MR. GREEN: Nope.

4 MR. MACKEY: Okay. No contact with
5 him?

6 MR. GREEN: Oh. No. I said no
7 business.

8 MR. MACKEY: No business. Okay.

9 MR. GREEN: Yeah. I met him on a
10 few occasions, yes.

11 MR. MACKEY: Okay. Could you
12 describe those occasions? What did they involve?

13 MR. GREEN: I think --

14 THE COURT REPORTER: Closer to the
15 mic, please.

16 MR. GREEN: Sorry. The -- a couple
17 of the conversations related to the purchase
18 originally contemplated by Greenwood for the
19 acquisition of Garden State Park and Freehold
20 Raceway, which was still owned by ITB. So
21 certainly, I had conversations with him about
22 those matters, yes.

23 MR. MACKEY: And that was during
24 this period of time '96 to --

1 MR. GREEN: I think it was in 19 --
2 I'm not quite sure of when the purchase was
3 completed, but I think it was in '98 or '99.

4 MR. MACKEY: In any case, following
5 the --

6 MR. GREEN: Yes.

7 MR. MACKEY: Okay. And then you
8 reference one of the conditions imposed on you by
9 the New Jersey Casino Control Commission. By that
10 opinion, that was to have no further contact with
11 Mr. Brennan?

12 MR. GREEN: No. It was one of the
13 condition was no further business relationship
14 with Mr. Brennan.

15 MR. MACKEY: Okay. All right. And
16 has there been any further business relationship
17 with Mr. Brennan since March of 2000?

18 MR. GREEN: No.

19 MR. MACKEY: Okay. And what about
20 personal contact, friendly contact since March
21 2000?

22 MR. GREEN: I -- When he was
23 incarcerated in Fort Dix, I went to visit him a
24 few times. And since his release from Fort Dix, I

1 think, two years ago, I've seen him on a couple of
2 occasions, one of which was when we were
3 separately invited guests at a function.

4 MR. MACKEY: Okay. Anything
5 further since?

6 MR. GREEN: No.

7 MR. MACKEY: Okay. There's been a
8 lot of reference to the New Jersey Casino Control
9 Commission report, which is in the -- in evidence.
10 When you -- Did you review that report when it
11 came out?

12 MR. SCHRIER: I'm just going to
13 ask, are you talking about --

14 MR. MACKEY: Exhibit 17.

15 MR. SCHRIER: Oh, Exhibit 17.

16 MR. MACKEY: Yeah. Sorry.

17 MR. SCHRIER: Okay.

18 MR. MACKEY: Did you review Exhibit
19 17, that opinion, when it came out?

20 MR. SCHRIER: This document.

21 MR. GREEN: Yes.

22 MR. MACKEY: Okay. And did you
23 dispute the findings in that opinion in any way?
24 Did you file an appeal for example? Did you

1 object to it?

2 MR. GREEN: Yeah. I think this is
3 the chairman of the commission's, if you like,
4 findings of. I wouldn't say I would agree with
5 every line, but the general characterization of
6 it, yes, I would agree with.

7 MR. MACKEY: Okay. And so you
8 didn't file any objections or appeal from that
9 opinion?

10 MR. GREEN: No.

11 MR. MACKEY: If you know. No.
12 Okay.

13 I have no further questions.

14 CHAIRMAN CROSBY: Commissioners.

15 COMMISSIONER CAMERON: Mr. Green, I
16 I'm just trying to understand your standards for
17 doing business with someone. If you were found
18 suitable and afforded a license here, you would
19 certainly have new business relationships, and I
20 was concerned or just interested in what your
21 standards are for doing business.

22 MR. GREEN: Well, I've done
23 business in this industry for 50 years. As you
24 can imagine, the number of transactions that takes

1 you from one licensed betting office in North
2 London to becoming the largest wagering business
3 worldwide, there are hundreds of transactions, and
4 you're dealing with hundreds of entities and
5 people.

6 All I can say in regard to this
7 affair, if you like, was that in the dealings that
8 I had, as I say, the acquisition of Philadelphia
9 Park, the acquisition of the Moses note, the
10 subsequent acquisition of Garden State Park and
11 Freehold, in none of those transactions was there
12 anything that would suggest, certainly from a
13 corporate point of view, that there was anything
14 wrong with those or I had any reason to doubt the
15 word of the person I was dealing with, who was, at
16 the time, a chairman of a public company.

17 So, you know, one, you know, sort
18 of treats people as one finds them, and generally,
19 you know, in the transactions that we have done
20 here in the U.S., I believe, speak for themselves.

21 COMMISSIONER CAMERON: I guess what
22 gives me pause is the fact that you said that you
23 were aware of lawsuits, allegations, suspensions,
24 and then, of course, we get into convictions, and

1 you still continue to do business. New Jersey
2 ordered you to stop doing business with this
3 individual. It just seems to me that --

4 MR. GREEN: Well, it --

5 COMMISSIONER CAMERON: It brings
6 three different gaming commissions, brings your
7 reputation in question, and I'm just...

8 MR. GREEN: Well, I think it was a
9 condition which, you know, there was no need for
10 that condition because the minute that appeal was
11 unsuccessful, I terminated any business
12 relationship anyway. So from the view of the New
13 Jersey commission or a condition 17 years ago was
14 one that had already -- was in place in any event.

15 So in that respect, the condition,
16 if you like, that had been suggested is a
17 condition that I've happily complied with for the
18 last 17 years.

19 COMMISSIONER CAMERON: If he had
20 been successful on appeal, you would have
21 continued to do business even though businesses
22 anywhere else had stopped doing business with this
23 individual?

24 MR. GREEN: No. I think that it

1 was, if you like, a turning point, but in any --
2 you know, if you like, I saw that that had to be
3 terminated, but in my view, that was going to
4 happen in any event over a period of time because
5 for the same reason, from a perception angle. You
6 know, in my view in retrospect, you know, I should
7 have been more appreciative of the fact that it
8 may have been perceived negatively, and so,
9 therefore, that would have ended in any event.

10 COMMISSIONER CAMERON: Thank you.

11 CHAIRMAN CROSBY: Commissioner
12 McHugh.

13 COMMISSIONER MCHUGH: You've been
14 very helpful in answering Mr. Mackey's questions,
15 and I don't want to go over those transactions in
16 any detail. I would just like to spend a couple
17 of minutes trying to put them in order to make
18 sure I understand the sequencing.

19 You bought Philadelphia Park in
20 late '89 or 1990; is that correct?

21 MR. GREEN: 1990, sir, yes.

22 COMMISSIONER MCHUGH: By that time,
23 during the due diligence, you discovered the
24 various SEC interactions, let's call them, with

1 Mr. Brennan that Mr. Mackey described to you in
2 the questions; is that right?

3 MR. GREEN: Yes. They mainly came
4 out of Grand Met's due diligence.

5 COMMISSIONER MCHUGH: Due
6 diligence, right.

7 In 19 -- And as part of that
8 transaction, ITB, from whom the track was
9 purchased, took back a purchased money mortgage;
10 is that right?

11 MR. GREEN: Correct.

12 COMMISSIONER MCHUGH: For about
13 \$56,000,000?

14 MR. GREEN: Yes.

15 COMMISSIONER MCHUGH: Something in
16 that vicinity.

17 And that had -- when was that
18 finally paid, or was it? Approximate time. I
19 don't need the exact.

20 MR. GREEN: I think it was three or
21 four years after that.

22 COMMISSIONER MCHUGH: All right.
23 In 1994, you were aware that this 40-day federal
24 court trial took place?

1 MR. GREEN: Yes.

2 COMMISSIONER MCHUGH: And you must
3 have discussed that a few times at least with Mr.
4 Brennan. A 40-day trial is an ordeal, isn't it?

5 MR. GREEN: I can't remember
6 specifically at that time because I would assume
7 that that took up all of his interest.

8 COMMISSIONER MCHUGH: But it was at
9 the end of 1994 that you purchased UK Foods; is
10 that right?

11 MR. GREEN: Yeah. I think it was
12 in the autumn of that year.

13 COMMISSIONER MCHUGH: Which was the
14 same year as the trial?

15 MR. GREEN: Yes.

16 COMMISSIONER MCHUGH: And it was in
17 early 1995 that you bought the shares of Sanyo --
18 Sanyo trust from the -- Sanyo from the trust?

19 MR. GREEN: Yes.

20 COMMISSIONER MCHUGH: And that, you
21 understood, was necessary because the owners of
22 Sanyo wanted the Brennan interests out of the
23 company?

24 MR. GREEN: That --

1 COMMISSIONER MCHUGH: The trust.

2 MR. GREEN: Yeah. I think -- I'm
3 not sure of where that information came from. I
4 think it was from the --

5 COMMISSIONER MCHUGH: From the New
6 Jersey hearing?

7 MR. GREEN: Yes. I'm certain --

8 MR. SCHRIER: I think he was
9 talking about the -- it was a different stock.

10 COMMISSIONER MCHUGH: Pardon me?

11 MR. SCHRIER: I think you may be
12 referring to a different stock that he testified
13 about. I don't think he testified about the
14 Sanyo.

15 COMMISSIONER MCHUGH: Well, then
16 let me ask about the Sanyo transaction. Did you,
17 in early 1995, buy shares of Sanyo from the trusts
18 for --

19 MR. GREEN: We got UK Food, yes.

20 COMMISSIONER MCHUGH: Yes. And you
21 bought those because, again, Mr. Brennan told you
22 that the owners of Sanyo wanted him out of the
23 country -- out of the company because of the
24 difficulties he was having in business?

1 MR. GREEN: That was supplied, I
2 think, by the accountants of ITB. I'm not sure of
3 their name, but -- or the partner who'd asked if
4 we were interested in, you know, having the
5 position in that stock. I can't remember the full
6 details, but I believe the company was in the
7 process of dividing into two halves. One was, I
8 think, an automotive division, and another was a
9 pure spare parts division. But I can't remember
10 that detail very clearly.

11 COMMISSIONER MCHUGH: Well, the
12 hearing examiner in Exhibit 17, and I don't have a
13 page reference, found that or said that you bought
14 that stock because you learned from Mr. Brennan
15 that the owner of Sanyo wanted you out of the
16 company -- wanted him out of the company because
17 of the controversy. Is that inconsistent with
18 your recollection?

19 MR. MACKEY: It's page 9 of Exhibit
20 17.

21 MR. GREEN: No.

22 COMMISSIONER MCHUGH: That's not
23 inconsistent with your --

24 MR. GREEN: No.

1 COMMISSIONER MCHUGH: All right.

2 And that was a non-recourse transaction in which
3 you paid with a note and the securities were the
4 only recourse for nonpayment of the note; is that
5 right?

6 MR. GREEN: Yes.

7 COMMISSIONER MCHUGH: And when the
8 securities were sold, the rise or gain or loss
9 would go to the trust?

10 MR. GREEN: Yes.

11 COMMISSIONER MCHUGH: Okay. You
12 became a shareholder ITB in April of 1995 as well,
13 right? That's the transaction involving the
14 interest in the Ireland property?

15 MR. GREEN: Yes.

16 COMMISSIONER MCHUGH: And you
17 remain as shareholder thereafter?

18 MR. GREEN: Yes.

19 COMMISSIONER MCHUGH: Until at
20 least after the appeal was decided; is that right?

21 MR. GREEN: Yes.

22 COMMISSIONER MCHUGH: You entered
23 into a consulting agreement with a company called
24 LVEN in May of 1995; is that right?

1 MR. GREEN: Yes. That was the one
2 referred to. I'm not sure if that agreement was
3 ever consummated. I remember it being discussed,
4 and I did some consulting work for a projected
5 venture in Nevada and -- but I can't recall, you
6 know, the full details of that today, whether it
7 was actually consummated or not, that particular
8 agreement.

9 COMMISSIONER MCHUGH: Do you recall
10 a transaction in -- whether it was this one or
11 not, and, again, my reference comes from the New
12 Jersey hearing and, again, I regret I don't have
13 the page number because I don't have the document
14 in front of me -- an agreement with an entity in
15 which you were to provide consulting services and
16 Mr. Brennan fund raising services?

17 MR. GREEN: That was the basis of
18 it, yes.

19 COMMISSIONER MCHUGH: Yes. And Mr.
20 Brennan negotiated the deal in return for 100,000
21 shares of stock, which would go to you with the
22 understanding that he'd get half of that?

23 MR. GREEN: I'm not sure the
24 details of that, but that sounds about --

1 COMMISSIONER MCHUGH: But his name
2 did not appear on any of the documents recording
3 and reflecting the transaction?

4 MR. GREEN: As I said, I can't
5 remember whether that was actually consummated or
6 not.

7 COMMISSIONER MCHUGH: Does that
8 kind of an arrangement sound familiar to you,
9 whether it was ultimately consummated or not?

10 MR. GREEN: It could be, yes.

11 COMMISSIONER MCHUGH: And then the
12 CareAd transaction took place a month later in
13 June of 1995?

14 MR. GREEN: Yes.

15 COMMISSIONER MCHUGH: And then in
16 that same month, the trial judge in the Securities
17 and Exchange Commission case issued his opinion?

18 MR. GREEN: In --

19 COMMISSIONER MCHUGH: June of '95.

20 MR. GREEN: In June, yes.

21 COMMISSIONER MCHUGH: And you read
22 the opinion?

23 MR. GREEN: Subsequently, yes.

24 COMMISSIONER MCHUGH: Yeah. So all

1 of these transactions that I've just described and
2 that Mr. Mackey went into with you in some detail
3 and that you were helpful in responding to him
4 with took place between the trial and the
5 judgment?

6 MR. GREEN: They took place, the
7 three that you've referred to, between, I believe,
8 January and June of 1995 or 6.

9 COMMISSIONER MCHUGH: Did it ever
10 occur to you at any time during that period that
11 Mr. Brennan was using your good offices as a
12 mechanism for hiding assets from -- in
13 anticipation of an adverse judgment?

14 MR. GREEN: No. My view was
15 that -- in fact, the dealings mainly were related
16 with the trust, and the ones that were with him
17 directly, he had made his position clear to me.
18 Would I have invested personally in those, no,
19 because it was a non-recourse situation. There
20 was a published note. Would I have, if you like,
21 looked more carefully at that situation with the
22 benefit of hindsight, yes, but from my
23 perspective, I didn't see anything specifically
24 improper in what he -- in his action.

1 COMMISSIONER MCHUGH: In 1996,
2 shortly before the appeals court judgment came
3 down, you were a shareholder still of ITB; is that
4 right?

5 MR. GREEN: I believe so, yes.

6 COMMISSIONER MCHUGH: And there was
7 -- in ITB, there had been in ITB a proposal by
8 some shareholders to create a shareholders' rights
9 plan. Do you recall that?

10 MR. GREEN: Vaguely, yes.

11 COMMISSIONER MCHUGH: And do you
12 recall that Mr. Brennan opposed that? He, too,
13 was still a shareholder -- That's two questions.

14 Mr. Brennan was still a shareholder
15 of ITB at that point; is that right?

16 MR. GREEN: I don't remember. I
17 assume he was. I don't know for sure.

18 COMMISSIONER MCHUGH: Do you recall
19 him being opposed to the shareholder rights plan.

20 MR. GREEN: Yes, I think I do.

21 COMMISSIONER MCHUGH: And do you
22 recall him seeking to remove the directors who had
23 proposed the shareholders' rights plan?

24 MR. GREEN: Yes.

1 COMMISSIONER MCHUGH: And do you
2 recall voting for the removal?

3 MR. GREEN: I think the majority of
4 shareholders voted against the shareholder rights
5 proposal.

6 COMMISSIONER MCHUGH: Right.
7 Including you?

8 MR. GREEN: Including me, yes.

9 COMMISSIONER MCHUGH: That's all I
10 have. Thank you. Thank you very much for your
11 help.

12 CHAIRMAN CROSBY: Commissioner.
13 Zuniga.

14 COMMISSIONER ZUNIGA: Just a couple
15 of questions.

16 On your early dealings with Mr.
17 Brennan, is it fair to say that you had a number
18 or a couple of successful and profitable
19 transactions with him?

20 MR. GREEN: Well, the most
21 significant transactions by far were the
22 acquisition of Philadelphia Park. I mean, it was
23 very significant, certainly for me, and my fellow
24 investors, including our major investor. There

1 were major transactions and, obviously, presented
2 a great deal -- you know, a significant amount of
3 risk. As Philadelphia Park, if memory required,
4 it was losing money as a racetrack, but we managed
5 to make it into a very profitable organization,
6 mainly with the development of the racetrack, the
7 off-track wagering facilities that were actually
8 our expertise, which were regarded as the best in
9 the U.S. And the development of the telephone
10 account wagering system, which was, again, a major
11 system in the U.S.

12 So coming back to your point,
13 sorry. I've rounded the houses. But that was
14 probably the most significant and profitable
15 transaction there.

16 Then was the re -- if you like,
17 repurchase of the mortgage which occurred. And
18 then there was the purchase of the lists and the
19 goodwill of Garden State Park Racetrack, which
20 proved very successful. And then there was the
21 joint venture with Penn National for the purchase
22 of the Freehold Raceway, which, although not as
23 successful as the others, was still a beneficial
24 transaction for us.

1 So certainly, in terms of overall,
2 you know, the panoply of transactions with ITB,
3 which probably added up to \$150,000,000, they were
4 all, in my view, very successful. Yes.

5 COMMISSIONER ZUNIGA: Would you say
6 you owe Mr. Brennan anything personally as a
7 result of those successes?

8 MR. GREEN: No, not at all. Not at
9 all.

10 COMMISSIONER ZUNIGA: Would you say
11 the reverse, that Mr. Brennan owes you?

12 MR. GREEN: No, I don't. You know,
13 I would not look at it -- You know, the
14 transaction was the transaction. And I go back to
15 the old adage from previous, that in a transaction
16 that is successful, both parties are slightly
17 dissatisfied.

18 COMMISSIONER ZUNIGA: Thank you.

19 CHAIRMAN CROSBY: Mr. Stebbins.

20 COMMISSIONER STEBBINS: Mr. Green.

21 MR. GREEN: Sir.

22 COMMISSIONER STEBBINS: As COO and
23 part owner of Greenwood Racing and part owner of
24 the applicant for Raynham Park, what do you see is

1 your -- potentially your day-in and day-out
2 involvement in the operation of a slots parlor at
3 the Raynham property?

4 MR. GREEN: I think the first thing
5 is you probably have gathered from the testimony
6 of our CEO, Mr. Ricci, and our counsel,
7 Mr. Bonner, and hopefully me, that we're
8 passionate about this business. We are committed
9 to it. We will, in the same way that we did with
10 Parx, we'll bring everything to that party. What
11 I contribute and believe I have contributed is a
12 sense of vision and strategy and a creative
13 element to how we maximize that business.

14 Clearly, a significant and major
15 partner in our business is the Commonwealth. So
16 -- In the same way as they are in Pennsylvania.
17 You know, we can say that the Commonwealth of
18 Pennsylvania is a 60 percent shareholder in that
19 business; that is, you know, without obviously any
20 capital investment or whatever, that we pay a very
21 significant amount of gross revenue directly to
22 the Commonwealth as we will to the Commonwealth of
23 Massachusetts.

24 So we are very excited about that

1 prospect. We're committed. We're passionate
2 about the business. As Mr. Bob Manoukian pointed
3 out, any business that we become involved in has
4 been successful, whether it's on the racing side,
5 the gaming side, the technology side, the export
6 of racing from here throughout the world via one
7 of our companies.

8 So my view is that I certainly
9 worked -- I have hope to bring to the business in
10 Massachusetts is the expertise and the knowledge
11 that we have learned from our business here and
12 also for the fact that I was the joint chairman of
13 casinos going back to the '70s and '80s in London.
14 So it's a business, we know and understand, and we
15 deliver.

16 COMMISSIONER STEBBINS: There is --
17 there is information that, and I probably could
18 have asked Mr. Bonner or Mr. Manoukian this
19 question, the creation of a Raynham Park advisory
20 board of which I only find at least one name of
21 one person being appointed to that advisory board.
22 Do you have thoughts or ideas or are there parties
23 you can mention who would be part of that advisory
24 board?

1 MR. GREEN: Not at the moment.
2 We're discussing that internally with our
3 partners, and I'm convinced that it will be an
4 appropriate group of people that will ensure the
5 success of Raynham. Undoubtedly, it will be.

6 COMMISSIONER STEBBINS: One final
7 question, and I know we've, obviously, had a lot
8 of dialog this afternoon about your relationship
9 with Mr. Brennan. Have you, in your business
10 dealings and business transactions, ever
11 approached a potential business partner who was
12 invited to participate in a venture and declined
13 over their concern of your relationship with Mr.
14 Brennan?

15 MR. GREEN: No, sir. None.

16 COMMISSIONER STEBBINS: Thank you.
17 Thank you, Mr. Chairman.

18 CHAIRMAN CROSBY: Mr. Green, I'd
19 like to ask, what is the makeup of the audit
20 committee of Greenwood? I forget which Greenwood
21 entity is the principal controlling entity.

22 MR. KOHLER: Racewood.

23 CHAIRMAN CROSBY: Racewood?

24 MR. KOHLER: Racewood, yes.

1 CHAIRMAN CROSBY: What's the makeup
2 of the audit committee? This is the one you're
3 the chairman of the board of?

4 MR. GREEN: Yes.

5 CHAIRMAN CROSBY: Correct? Yeah.

6 MR. GREEN: I'm chairman of the
7 board, but I don't sit on the audit committee. In
8 fact, I don't want to get my facts wrong, so I
9 would defer to Mr. Bonner. But, certainly, I get
10 reports from the committee, but I don't sit on
11 that board. I'm not quite sure who the members
12 are, apart, obviously, from our chief financial
13 officer Mr. Bryan Bartlett. I'm not sure who
14 chairs that committee at the moment.

15 MR. KOHLER: For the record, the
16 members of the audit committee are the same as the
17 members of the compliance committee, which Mr.
18 Bonner testified.

19 CHAIRMAN CROSBY: Everett, Kendle
20 and --

21 MR. KOHLER: Budd.

22 CHAIRMAN CROSBY: Budd. Right.

23 MR. GREEN: Budd. Yes, sir.

24 CHAIRMAN CROSBY: There's never

1 been any intimation that I'm aware of about any
2 inappropriateness, any integrity issues with your
3 companies. Nevertheless, in the business that
4 we're in, having compliance committees and audit
5 committees with genuinely outside people who
6 aren't afraid and can't actually be penalized to
7 be a skunk at the garden party, seems to me like
8 it would be a worthwhile investment just to kind
9 of -- some kind of additional protection that
10 would, in the long run, be in everybody's
11 interest.

12 MR. GREEN: Yes, sir. I think from
13 our perspective, the outside directors who
14 actually sit on compliance and audit, specifically
15 Mr. Everett and Mr. Bartlett, are truly outside
16 individuals in the sense that -- certainly
17 Mr. Budd, who is with, you know, banking
18 corporations for 30 years, is very, in terms of
19 compliance, I know extremely independent and
20 rigorous regarding the minutes of these
21 committees. On that note, certainly, give me
22 comfort of the fact that they are independent and
23 not afraid to ruffle the feathers of a director or
24 executive directors.

1 But I'll take on board the point
2 that you're making, and I think we should
3 certainly give it careful consideration, sir.

4 CHAIRMAN CROSBY: Thank you.

5 COMMISSIONER STEBBINS: Mr. Chair,
6 one more question.

7 And to repeat a question my
8 colleague asked earlier, where is home for you,
9 Mr. Green?

10 MR. GREEN: Sorry.

11 COMMISSIONER STEBBINS: Where is
12 home?

13 MR. GREEN: Philadelphia, sir.

14 COMMISSIONER STEBBINS: Thank you.

15 MR. GREEN: I've lived in
16 Philadelphia since 1989, and my permanent
17 residence is there.

18 COMMISSIONER STEBBINS: Okay.
19 Thank you.

20 CHAIRMAN CROSBY: Except for a
21 question which I'll ask in a minute, as I read
22 about all those transactions with Mr. Brennan
23 during this period of time, they seemed not
24 terribly remarkable to me, although, as I said, I

1 have a question about that. But the one that did
2 was this one about Green purchasing 425,000 shares
3 of ITB for a 1,275,000 in return for 625. And
4 apparently, all you can remember about that dinner
5 is that you woke up after dinner having drunk a
6 lot of wine, and all of a sudden you owned half a
7 million dollars. Tell me what was going on there
8 and what that says about your business practices.

9 MR. GREEN: Hopefully, that was a
10 one-off situation. I should point out that as
11 Greenwood, ourselves, Greenwood, we acquired some
12 stock, not a great deal, but a certain amount of
13 stock in ITB simply because we -- they were a
14 public company. We wanted to get their filings
15 with the SEC. We wanted to get their prospectus,
16 their annual general report. And I knew -- And
17 then a few years later, a situation arose socially
18 with Brennan where he would certainly would have
19 liked to have seen me have a more or advise ITB
20 more about the direction of the company because,
21 although he was a prolific racehorse owner and
22 breeder, he didn't really know too much about
23 running, you know, racing or pari-mutual business.

24 And, again, I didn't see any

1 problem with me owning that stock. And, again, it
2 was, if you like, part of a framework where I
3 wanted to maintain that relationship principally
4 because I saw in ITB assets that ITB stilled owned
5 that I felt would be very good potential
6 acquisitions for Greenwood. So it was within that
7 ambient that took place.

8 CHAIRMAN CROSBY: I hope maybe you
9 and I can have dinner sometime.

10 I just have three more questions.
11 When I -- Up until just now when you were
12 answering Mr. Mackey's questions, my perception
13 about this transaction with Brennan was that you
14 were -- that this person was a friend; as you
15 said, your business transactions had been, as far
16 as you could tell, with him on the up and up; and
17 that, frankly, you were bamboozled by him as many
18 people were bamboozled by him and his asserted
19 good intentions. What I thought was significant
20 was that you did -- never profited by any of those
21 transactions where you were helping him protect
22 his investments and his assets and so forth. But
23 today you said that one of the motivations of
24 doing those things, making those accommodations,

1 was you wanted to maintain a business relationship
2 with him in order that downstream, you might be
3 able to consummate other deals, which, in fact,
4 having maintained that relationship, you did.

5 Did your judgment -- did your wish
6 to consummate other business deals cloud your
7 judgment about behavior you might otherwise have
8 thought inappropriate?

9 MR. GREEN: I think that's a good
10 point in the sense that as I said earlier, with
11 hindsight and sort of in retrospect, what I
12 believe I should have appreciated more was the, if
13 you like, the perception of that as opposed to the
14 actual reality of it.

15 Clearly, I was very disturbed at
16 the outcome of the appeal and had to immediately,
17 from my perspective, unwind any of the
18 transactions. But in the time between that
19 unwinding and the bankruptcy case of four years,
20 during that period, although I had no business
21 relationship whatsoever, I still managed a social.
22 You know, we'd speak on the phone and I asked
23 after his children and his grandchildren and, you
24 know, maintain that sort of contact on the basis

1 that one day that we may be able to do other
2 transactions.

3 So, you know, I wouldn't disagree
4 with your interpretation.

5 CHAIRMAN CROSBY: All right. I
6 appreciate your candor about that. If, in the
7 course of our investigation about this
8 application, we found that Mr. Manoukian's
9 investment was substantially an affront, in
10 effect, for some other investor who had been
11 convicted of serious fraud by the SEC and whose
12 reputation was very damaged therefore, would you
13 think that we would find Mr. Manoukian suitable?

14 MR. GREEN: No, you would not.

15 CHAIRMAN CROSBY: And that's
16 distinguished how from this situation?

17 MR. GREEN: In the sense that I --
18 you know, as I said before, the reputation and the
19 knowledge that I had of Mr. Brennan, and there was
20 no secret of the fact of his controversy that
21 accompanied him and, you know, his flamboyant
22 nature of his character.

23 But to set that background, there
24 were -- at the hearing in front of the New Jersey

1 Casino Control Commission, there were many people
2 who came to testify in that matter, and I remember
3 a great majority of them had, in fact, had
4 business dealings with Mr. Brennan. And I
5 remember one particular witness, the gentleman who
6 owned Atlantic City Racecourse, who actually said
7 he doesn't really know any prominent businessman
8 in New York, New Jersey, or Pennsylvania who'd not
9 had business dealings with Bob Brennan.

10 So coming back to your question, I
11 don't see the two things as being the same, and
12 certainly, there was no -- at that time, no finite
13 verdict as to the charges or civil charge that had
14 been filed by the SEC.

15 CHAIRMAN CROSBY: I think it's
16 distinguishable, but I think it's also
17 instructive, the parallel.

18 This is my last question. And
19 I'm -- I must say I'm puzzled by this. You -- On
20 the one hand, I'm struck by an incredible
21 assertion of loyalty to an apparent friend, even
22 when this person was in jail, apparently, and you
23 have taken a fair amount of grief for being
24 associated with him. You went to visit him in

1 jail; probably not all that common a transaction
2 in his life. And subsequently, you have
3 apparently seen him socially. You've never spoken
4 ill of him. You've never really -- You've said
5 repeatedly, I wouldn't do this again. And you've
6 been candid about some, maybe, misjudgments that
7 you made, but I don't get any real sense of regret
8 that you really got taken to the cleaners by a guy
9 who probably, in many respects, at least his
10 business life, a pretty bad guy. And I can't
11 figure out, are you just very loyal to this man,
12 which, on the one hand is a very admirable trait;
13 or are you failing to see what everybody else is
14 seeing, and that's a problem?

15 MR. GREEN: I think that's a fair
16 comment in the sense that my visits, you know, as
17 I said, it's been clear. I've had no deep
18 friendship or any business relationship with Bob
19 Brennan for 17 years. The fact that I felt that
20 his incarceration, it sort of resonated with me
21 that somebody who, you know, enjoyed the company
22 of presidents and lived a particular lifestyle was
23 in a place like Fort Dix. And I guess it was more
24 of a humane situation of, you know, he's a man and

1 all of that. And, you know, I regret, as you say.
2 Remorse, I think would be too strong a word, but
3 certainly I regret that. But my visit, you know,
4 the occasional visits I paid were really just for
5 a man to a man, a man who's a father and a
6 grandfather and, you know, you get now as to sit
7 and talk about, you know, things like that.
8 Obviously, you know, the business side of it, you
9 know, was dead and buried.

10 CHAIRMAN CROSBY: Okay. Thank you.
11 Any further cross?

12 MR. MACKEY: No, no further
13 questions.

14 CHAIRMAN CROSBY: All right. I
15 guess redirect. Sorry.

16 MR. SCHRIER: Okay. I'll be very
17 brief, if I can. And I appreciated all of your
18 comments.

19 Mr. Green, if you would just look
20 at page 18 of the decision by Chairman Hurley was
21 listening to the days of hearing that were held on
22 all of these topics that we've covered in some
23 detail today. Beginning in the second paragraph,
24 it says, and I quote, "It is noteworthy that

1 Brennan's improper conduct did not involve any of
2 the business deals he had with Applicant." And if
3 you go down two sentences, it says, "He undertook
4 these deals, particularly those in involving
5 Pirates, as an accommodation to his friend. But,
6 at no time, did Applicant knowingly engage in any
7 attempt to aid Brennan in hiding assets, nor did
8 Applicant foster any illegal scheme of Brennan."
9 Do you agree with those conclusions by the
10 chairman?

11 MR. GREEN: Absolutely.

12 COMMISSIONER MCHUGH: Could I
13 interrupt for a second. We've referred to that as
14 Exhibit 17 to the IEB report a number of times.
15 We ought to mark that, don't you think, as an
16 exhibit?

17 MR. MACKEY: We can. And in fact,
18 we do. I didn't appreciate the fact that we
19 wouldn't have it here before us today. So we've
20 got copies.

21 COMMISSIONER MCHUGH: I don't mean
22 do it now. We can do it later. I just wanted to
23 not forget it.

24 MR. MACKEY: I can hand out copies

1 when we're completed here, given the amount of
2 attention that it's gotten.

3 COMMISSIONER MCHUGH: I'm sorry. I
4 would have forgotten it if I didn't interrupt.

5 MR. SCHRIER: So Mr. Green, given
6 the notoriety that arose back in the mid '90s in
7 your involvement with Mr. Brennan, and all the
8 fair comments and critiques that you've heard here
9 today in which you heard facts in the mid '90s of
10 the regulators as well, and, again, in license
11 application some years later in Pennsylvania,
12 given the opportunity to have a chance, would you
13 do these relationships over again --

14 MR. GREEN: No.

15 MR. SCHRIER: -- for that 18-month
16 period back in that time?

17 Is that something you regret doing?

18 MR. GREEN: Yes.

19 MR. SCHRIER: And have you, so to
20 speak, learned your lesson from that experience?

21 MR. GREEN: Yes.

22 MR. SCHRIER: Okay. That's all I
23 have.

24 CHAIRMAN CROSBY: Recross.

1 MR. MACKEY: Nothing further.

2 CHAIRMAN CROSBY: Commissioners,
3 anything?

4 COMMISSIONER CAMERON: No.

5 COMMISSIONER MCHUGH: Nothing.

6 CHAIRMAN CROSBY: Mr. Green, thank
7 you very much. We appreciate your time and
8 candor.

9 COMMISSIONER ZUNIGA: We're going
10 to take a break, Chairman.

11 CHAIRMAN CROSBY: Yes. Let's take
12 a ten-minute break or so, and we will come back
13 and meet the patriarch of the family.

14
15 (Break taken.)

16
17 CHAIRMAN CROSBY: All right. We
18 are reconvening the adjudicatory hearing on the
19 Raynham Park, LLC application for a Category 2
20 license. Counsel.

21 MR. MACKEY: The Bureau proposes to
22 introduce as Bureau Exhibit No. 5, the same
23 document that is Exhibit No. 17 to the un-redacted
24 investigative report. It's a public document and

1 it got a tremendous amount of attention, so I felt
2 it should be part of the official record.

3 CHAIRMAN CROSBY: Is that all
4 right, Counsel?

5 MS. LEE: There's no objections.
6 It is part of the exhibits that the Commission has
7 already received, so we have no objections to
8 including it as part of the exhibit to the
9 adjudicatory hearing.

10 CHAIRMAN CROSBY: Okay. Thank you.
11 Before we start, we had found a spare cell phone,
12 an iPhone. It was over in this corner
13 (indicating). Janice Reilly has it in the back.
14 If anybody's missing a phone, or if later on
15 somebody says to you, oh, my god, I can't find my
16 phone, we will take with us tonight and have it at
17 our offices.

18 Okay. Counselor, I think your
19 turn.

20 MR. KOZOL: I will reintroduce
21 myself to the Commission. I'm Joel A. Kozol.
22 With me is Mike Morizio and David M. Kozol. We
23 are all of the firm Friedman & Atherton. I, and
24 my firm, have been counsel to George L. Carney for

1 the last 56 years. As a preliminary matter, I
2 would state that at a very useful preliminary
3 meeting we had with your counsel, they raised a
4 single issue for clarification and potential
5 resolution by Mr. Carney. It related to an
6 isolated and unrelated to real estate tax matter.
7 I would tell you, the Commission, that that has
8 been resolved. It is, I am told, item 10 --
9 Exhibit 10 to the Raynham application, and I would
10 suggest to my counsel and the Commission that that
11 issue is now moot.

12 With that introduction, I'm going
13 to call upon Mr. Carney who will, in the tradition
14 that seems to have been set, tell you where he was
15 born, where he has lived he is life, something
16 about his business career, why he formed this
17 venture with the Greenwood people, and why he
18 thinks that they meet the requirements of
19 suitability and, indeed, are the preeminent
20 application for the slot license.

21 Mr. Carney.

22 MR. CARNEY: I want to thank
23 everybody. This is an opportunity, believe it or
24 not, I waited for 20 years. And at different

1 times in my life, I thought, well, geez, will you
2 make it, because I'm 85 now. And I said if I've
3 got to go another 20, I've got no shot.

4 I appreciate everybody giving us
5 the time to be heard. I have had a very exciting
6 life. I've had great health, and I've enjoyed
7 myself for a long time. As Joel said, he and his
8 father picked me up when I was a very young fellow
9 at the time. They kept me on the straight path,
10 which was great. I was fortunate I had two
11 fathers, his father and my father.

12 So anyway, I've had a lot of
13 experience in the racing business; none in the
14 casino business. But in my years in the racing, I
15 started off very young at the age of 14 years of
16 age working at as lead out at the Raynham dog
17 track that my father was involved in.

18 At that time, believe it or not, I
19 was making \$4 a night. That was more money than
20 most people teaching school was making. So it
21 kind of put me in the idea of I want to stay in
22 this business. It's pretty good.

23 I went as far as ninth grade in
24 school. I got out of school when I was 16 years

1 old, so you can see I wasn't too good of a
2 student. But, anyway, I always had the ambition
3 to be successful and to work hard, which I've been
4 able to do.

5 I've gone into many businesses,
6 some I wish I hadn't. But my track record overall
7 has been better, and I've enjoyed the racing
8 business the most of them all. It has always be a
9 fascinating business. In my past, I ran the
10 Brockton fair, which I still own. We had horse
11 racing there. I ran the Middleborough fair, which
12 I still own. We had dog racing there. And at one
13 time I owned the Weymouth Fair. We had horse
14 racing there. Then we moved into Raynham and had
15 dog racing there.

16 So -- And also prior, during all my
17 younger years, I ran -- I was the general manager
18 over at Suffolk Downs with the late Joe Linsey and
19 a fellow from New York by the name of David Haber.
20 And I also worked at Rockingham Park with Lou
21 Smith.

22 So most of my life has been spent
23 in the racing business with the -- with very few
24 exceptions. And after that, I bought into many

1 other businesses, the trucking business,
2 construction, real estate, and also in many, many
3 businesses. I'm not sitting here to tell you
4 about how good they are. Some have been good, and
5 some haven't been good.

6 But anyway, at this time of my
7 life, I finally felt that I had an opportunity to
8 do something that I've been trying to do for the
9 last 20 years, is to see if we could get a casino
10 bill through the legislation whereby we could
11 bring a lot of jobs back to Massachusetts, bring
12 millions of dollars back in taxes that they need
13 desperately.

14 And a result of the thing was that
15 I finally made it. I'm here today. And as far as
16 that's concerned, I feel this way here, I've got a
17 great location. It's got a great road network.
18 I've had many different people I talked with about
19 along the way who I was going to be involved in
20 partners with. I talked with the Indians, I
21 talked to this one and that one, and finally, I
22 went to New Jersey -- down to Philadelphia, and I
23 met Tony and I met him there, and I met his wife.
24 And then I went to New York and met Bob Manoukian.

1 And I said this is where I belong, with these
2 people. I've got a lot in common with them. And
3 that's the reason why I decided to go along with
4 them.

5 I'm here today hoping that we will
6 be able to put a successful application before you
7 people, one that you will be able to look
8 favorable on and -- as far as the thing is
9 concerned, and hopefully create a lot of jobs.

10 I live in Brockton. I have a lot
11 of people in Brockton that worked at the track
12 when we had live dog racing. Also, we had a lot
13 of people down in the City of Brockton, with
14 Raynham, all the areas there. We, a lot of the
15 times, had more people working for us than we
16 really needed. But it was one of those things it
17 was awful hard for me to turn somebody away that
18 needed a helping hand.

19 And anyway, I feel this way here,
20 that we can run a great operation, one we can be
21 proud of, one that you people will not be unhappy
22 about granting us the opportunity and giving us
23 the opportunity to do how well we can do, and to
24 show you if there's any questions that I can

1 answer, I would be happy to. And I won't take any
2 longer. I know you've had a long day here
3 already. And here I am. If I can answer them to
4 the best of my ability, I will. And thank you for
5 giving this me this opportunity.

6 MR. KOZOL: Mr. Carney, I think it
7 might be helpful if you supplemented those
8 comments with what has been your relationship with
9 the Town of Raynham and the surrounding towns, the
10 police, the fireman, and the people who have
11 worked with you and for you.

12 MR. CARNEY: I have a great
13 relationship in the Town of Raynham. We've had
14 two public hearings down there. We were well
15 received. We went before the board of selectmen.
16 We made a deal that was thought was very, very
17 good for the town. The town is going to get
18 around \$4,000,000 a year at least and go up over a
19 period of time. We want to be able to take care
20 of a lot of people that live in the town.

21 I have a great relationship with
22 the fire department, the police department, all
23 the town officials, the selectmen. They know
24 George Carney. They know what to expect from me

1 as far as the thing is concerned.

2 So I really don't have, really,
3 from what I can see, any objections to where we
4 want to try to go. And how we're going to get
5 there, that's a different issue.

6 But, anyway, as far as the thing is
7 concerned, I know that in the City of Brockton, we
8 have a great reputation. I still run the Brockton
9 fair there.

10 And anyway, that's about everything
11 I have to say at this time. Questions, I'll be
12 very happy to answer any that I can.

13 MR. KOZOL: Thank you.

14 CHAIRMAN CROSBY: Counselor.

15 MR. MACKEY: The Bureau has no
16 questions of Mr. Carney.

17 CHAIRMAN CROSBY: Commissioners.

18 COMMISSIONER MCHUGH: I have no
19 questions of Mr. Carney.

20 COMMISSIONER ZUNIGA: I have no
21 questions.

22 CHAIRMAN CROSBY: Mr. Stebbins.

23 COMMISSIONER STEBBINS: No.

24 CHAIRMAN CROSBY: I'm just curious,

1 Mr. Carney, what are your principal operating
2 businesses at the moment, setting aside this one?

3 MR. CARNEY: Right now, I run a
4 trucking company. That's been very successful.
5 We cater to the utilities, mainly, you know,
6 National Grid, the telephone poles, all that. We
7 try to restrict it to that kind of an operation
8 because it was one that you didn't have to worry
9 about getting paid.

10 My companies are all union, which
11 is very important. We've been involved in the
12 teamsters union for many years. I've been
13 carrying a card myself for the teamsters. My son,
14 Christopher, is in teamsters, and my nephews are
15 all involved in the teamsters. That's one
16 business that I'm very proud of.

17 I've been in the liquor business in
18 the package store end of the thing.

19 CHAIRMAN CROSBY: And that's still?

20 MR. CARNEY: Real estate.

21 CHAIRMAN CROSBY: I was looking for
22 the current.

23 MR. CARNEY: My wife is taking care
24 of that and involved with my daughter Mara. I

1 didn't have enough time to spend with it as far as
2 the thing was concerned, and I thought it would
3 give my wife something to think about when I
4 wasn't home. Thank God she's not here today, and
5 I hope she's not listening.

6 CHAIRMAN CROSBY: All right.
7 Anybody else, further questions?

8 COMMISSIONER MCHUGH: No.

9 CHAIRMAN CROSBY: Anybody else,
10 further questions? No.

11 Cross. Direct.

12 MR. MACKEY: No.

13 MR. KOZOL: I just would add when
14 you were asked the other businesses he's referred
15 to, but he has -- What is your relationship with
16 the Brockton fair?

17 MR. CARNEY: I still run that at
18 this time.

19 MR. KOZOL: Are you the majority
20 stockholder?

21 MR. CARNEY: Yes. I've run that
22 since I took it over as a young fellow at 28 years
23 of age in a proxy fight that his father helped me
24 win and gain control of a corporation that was

1 founded in 1874. As a matter of fact --

2 MR. KOZOL: 1984.

3 MR. CARNEY: 1874. No. I'm right
4 on that one, Joel. I've won that issue before.
5 And I ran that operation in the past, ran harness
6 racing. We were very successful. James Cagney,
7 the late movie actor, happened to have -- well, he
8 used to have a home in Martha's Vineyard. He used
9 to come to several races there.

10 And then after that, we went to the
11 flats and I ran our thoroughbred racing there back
12 in the early -- in the 2001 and 2, in that area
13 there in Raynham, and unfortunately had a bad tax
14 bill that we couldn't operate under. But that's
15 one of my favorite places. I just came back from
16 there.

17 I'm kind of a hands-on operator
18 like at the dog track. I okay all the bills. I
19 sign all the checks. I watch what we spend up on
20 the money. And I'm sorry, I live in the same
21 home, believe it or not, in Brockton. There's a
22 lot of people come and take a second look that are
23 in the business world. I bought it when I was a
24 young man for \$38,000. I fixed it up quite a bit

1 through the same years, and I still live in the
2 same house.

3 I never got too high up and too
4 high and mighty. And I always thought it was a
5 simple life, I guess you'd say, but I'm happy in
6 it.

7 And thank you for your time.

8 CHAIRMAN CROSBY: Thank you,
9 Mr. Carney, and thank you for your perseverance in
10 this venture.

11 MR. CARNEY: It's been a tough
12 life, but it's worth it. Thank you very much.

13 COMMISSIONER CAMERON: Thank you.

14 (UNKNOWN SPEAKER:) Mr. Carney,
15 I've never met you, but I'd like to just say hello
16 to you.

17 (Inaudible. Multiple speakers.)

18 COMMISSIONER CAMERON: Mr. Carney,
19 nice to see you again.

20 CHAIRMAN CROSBY: Thank you.

21 COMMISSIONER ZUNIGA: Thank you
22 Mr. Carney.

23 COMMISSIONER STEBBINS: Thank you.

24 MR. CARNEY: Thank you very, very

1 much. I appreciate it. Thank you, sir.

2 CHAIRMAN CROSBY: All right.
3 Counsel for the applicant, would you like to make
4 a closing statement.

5 MS. LEE: I believe Counsel Kohler
6 will make a very brief closing statement.

7 MR. KOHLER: Just very brief,
8 Chairman and Commissioners. Thank you for the
9 opportunity to appear for before you today. We
10 certainly believe we've amassed a huge record
11 here, not only the record of the proceeding today,
12 but the mass of materials in evidence that we've
13 provided to the IEB over the course of that
14 investigation. We certainly believe we've met the
15 clear and convincing standard for suitability for
16 the entities and principals involved. We hope --
17 You know, we're glad you had the opportunity to
18 meet and question our principals today. I hope
19 that was useful to you.

20 Some of the evidence that was
21 hashed out today has been hashed out by other
22 regulators in the past, and, you know, we'd
23 certainly ask you to take note of that under
24 virtually identical statutory standard.

1 And with that, we look forward to
2 submitting a Phase II application and thank you
3 for your -- the opportunity.

4 CHAIRMAN CROSBY: Thank you,
5 Counsel. With that --

6 COMMISSIONER MCHUGH: Can I just...

7 CHAIRMAN CROSBY: Sure.

8 COMMISSIONER MCHUGH: I may have
9 missed this. Have we formally introduced all 11
10 of your exhibits? We have them. Have they
11 been -- We've just said they're all 11...

12 MR. MACKEY: We have introduced our
13 first five, and I know that some of yours were
14 introduced during the witnesses' testimony. I'm
15 not sure whether you picked them all up or not.
16 But we certainly have no objection to any of them.

17 MR. KOHLER: We had pre-filed or
18 pre-submitted 17.

19 MS. LEE: I believe it was 17, but
20 in any event, at this time, we would move to have
21 Raynham Park, LLC's exhibits and supplemental
22 exhibits numbered 1 through 17 entered into
23 evidence today prior to closing. Thank you very
24 much, Commissioner McHugh, for reminding us.

1 MR. MACKEY: And we have no
2 objection.

3 CHAIRMAN CROSBY: Okay. Thank you.
4 So with all that, we will conclude this portion of
5 the suitability proceeding. The Commission will
6 deliberate about the matter in private and issue a
7 written decision. The proceeding, at this point,
8 however, remains open. If, at any point, during
9 deliberations the Commission determines that
10 further testimonial or documentary evidence is
11 desirable, it may send notice of such to the
12 applicant and provide instructions as to how to
13 proceed. Further, all applicants, of course, have
14 a continuing duty to provide updated information
15 to the Commission and the Bureau.

16 It is now July 26th, 2013 at ten
17 minutes past 3:00, and we will adjourn this
18 adjudicatory hearing. Thank you for Mr. Manoukian
19 and Mr. Green for coming thousands of miles, and
20 Mr. Carney for coming dozens of years.

21
22 (After the close of the hearing, it was realized
23 there are only 16 exhibits for the Applicant.)
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C E R T I F I C A T E

I, Amie D. Rumbo, an Approved Court Reporter, do hereby certify that the foregoing is a true and accurate transcript from the record of the proceedings.

I, Amie D. Rumbo, further certify that the foregoing is in compliance with the Administrative Office of the Trial Court Directive on Transcript Format.

I, Amie D. Rumbo, further certify I neither am counsel for, related to, nor employed by any of the parties to the action in which this hearing was taken and further that I am not financially nor otherwise interested in the outcome of this action.

Proceedings recorded by verbatim Stenographic means, and transcript was produced from a computer.

WITNESS MY HAND this 30th day of July, 2013.

Amie D. Rumbo



Amie D. Rumbo, Notary Public

My Commission expires:

11/01/2013