

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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PUBLIC HEARING

GREENWOOD GAMING ENTERTAINMENT, INC.

* * * * *

BEFORE: DAVID M. BARASCH, CHAIRMAN
Gregory C. Fajt; Keith R. McCall;
David W. Woods; Richard G. Jewell;
Anthony C. Moscato; William H. Ryan, Jr.;
Members

Robert Coyne, representing Eileen H.

McNulty, Secretary of Revenue

Michael Smith, representing Russell C.

Redding, Secretary of Agriculture

Jennifer Langan, representing Timothy

Reese, State Treasurer

HEARING: Wednesday, October 21, 2015

10:01 a.m.

LOCATION: Pennsylvania Gaming Control Board
Strawberry Square Complex, Second Floor
Harrisburg, PA 17101

Reporter: Derrick Ferree

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A P P E A R A N C E S (cont.)

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ALSO PRESENT:

Ari Mizrachi

John Dixon

I N D E X

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CHAIRMAN:

We have one hearing scheduled today regarding the petition of Greenwood Gaming and Entertainment to expand its gaming floor. Can we have the representatives of Greenwood step forward? Thank you.

I would ask that before any of you speak, whatever you have to say, if you'd first state and spell your name for the court reporter prior to your presentation. And I would ask all non-attorney witnesses to please stand and be sworn.

ATTORNEY STEWART:

Thank you, Mr. Chairman. Good morning. And good morning to the Board. My name is Mark Stewart, that's S-T-E-W-A-R-T; with the law firm of Eckert Seamans here today with Greenwood Gaming and Entertainment. And I'll have the executives from the company introduce themselves.

MR. FARANCA:

Good morning, members of the Board. My name is Anthony Faranca, that's F-A-R-A-N-C-A, and I am the General Manager at Parx Casino.

MR. DIXON:

1 Good morning, my name is John Dixon,
2 D-I-X-O-N, and I am the Chief Technology Officer at
3 Parx Casino.

4 MR. MIZRACHI:

5 Good morning, Board. My name is Ari
6 Mizrachi, M-I-Z-R-A-C-H-I. I am the Senior Director
7 of Table Games and Poker Operations.

8 CHAIRMAN:

9 Okay.

10 ATTORNEY STEWART:

11 Should they be sworn, ---

12 CHAIRMAN:

13 Yes.

14 ATTORNEY STEWART:

15 --- Chairman?

16 CHAIRMAN:

17 The non-attorneys, please?

18 -----

19 WITNESSES SWORN EN MASSE

20 -----

21 CHAIRMAN:

22 Thank you.

23 ATTORNEY STEWART:

24 Thank you. And may we take a moment
25 just to say congratulations and welcome to the

1 Chairman?

2 CHAIRMAN:

3 Thank you.

4 ATTORNEY STEWART:

5 So, it's a pleasure to be before you all
6 this morning. Thank you very much. I did want to
7 also say that we have General Counsel, Tom Bonner and
8 Assistant General Counsel, Bryan Schroeder with us, in
9 case you have questions for them later.

10 We're pleased to be before you today on
11 Parx's OP23 operating petition --- Operating Plan 23.
12 In order to give some overview on that, I'll turn it
13 over to Mr. Faranca, the General Manager, Anthony?

14 MR. FARANCA:

15 Again, good morning members of the
16 Board. My name is Anthony Faranca. I am the GM at
17 Parx. My colleagues and I are very proud to be here.
18 We thank you for trusting us in being able to present
19 this proposal to you today.

20 We believe the first phase of this
21 expansion plan not only gives us --- makes us more
22 appealing to our existing customer base, but also will
23 make us even more attractive to customers who may be
24 driving from further distances.

25 In summary, as the Parx Casino continues

1 to mature as a property, a big part of our long-term
2 strategy must to be to reinvent ourselves. That will
3 be to protect existing revenue streams that we have
4 today, and also to allow us to create new ones in the
5 future.

6 And this first phase of the expansion,
7 we believe, gives us the opportunity to fortify that
8 long-term strategy. And we hope that you'll find it
9 appealing and give us approval today. So, thank you
10 very much.

11 ATTORNEY STEWART:

12 As Anthony just mentioned, this is the
13 first phase of Parx's long-term plan to finalize its
14 shell-space expansion. It's going to be looking to
15 add cutting-edge games, as well as additional
16 amenities for its customers. As you'll see as we go
17 through the presentation, the plan is calling for
18 increases in gaming floor space, slot machine totals
19 and table game totals.

20 We believe that these changes will help
21 the company maintain its competitive advantage in
22 Pennsylvania and in the region. And to that end, we
23 will --- the company proposes to remove
24 underperforming slot machines that will --- in
25 addition to freeing up space for the more profitable

1 games will create a better environment for casino
2 patrons on the gaming floor.

3 And finally, this plan paves the way for
4 the future shell-expansion projects as well, which
5 include the potential opening of a gastropub
6 restaurant, a possible addition of technology-based
7 and/or skill-based games, and a potentially large
8 scale entertainment venue.

9 Current conditions. Parx has 153,000
10 plus square feet on its gaming floor, which features
11 over 3,200 slot machines and 175 table games.

12 OP23 would substantially increase the
13 floor as well as slot machine and table game
14 inventory. Parx would add 23,185 square feet of
15 gaming space, so that the new grand total would be
16 176,592 square feet for the gaming floor. There were
17 also ---. This expansion will see Parx add 434 new
18 slot machines to gaming floor. As you will hear,
19 that's not the net number, but there will be 434 new
20 machines added. And there will be the opening of the
21 X Lounge which will be a new luxury lounge in a center
22 casino location to provide additional non-gaming
23 amenities for guests.

24 The plan before you shows the gaming
25 floor and highlights the expansion space in the yellow

1 box. Close-up of that space shows the X Lounge in the
2 yellow circle. The green line is the current casino
3 wall. So, everything behind the green line is new.
4 That's the 434 slot machines that were just
5 referenced. And as you can see, there is additional
6 restroom capacity being added for customers'
7 convenience.

8 There's a rendering of the X Lounge.
9 And there will also be increases in the table game
10 inventory, as was mentioned. Parx will be removing 60
11 slot machines near the cage and high limit table game
12 area, which will enable it to reconfigure its floor,
13 the current 12 tables there, as well as add six
14 additional banking games.

15 And the reconfiguration is really an
16 outgrowth of the companies continued success in
17 growing its table game business. The expansion will
18 allow for a transitional pit between Parx's high limit
19 area and its larger table game area to accommodate
20 this growing demand.

21 And finally, with this increased
22 inventory, Parx will feature 119 banking table games,
23 if the plan is approved by you.

24 The design plan before you shows the
25 table game --- the new table game area in the small

1 yellow box. On a close-up of that ---. Well, let me
2 go back for one moment. The black out --- blacked out
3 area is the cage. Right to the right of that is the
4 high-limit area. And, as you can see, it kind of
5 segues into this new table game area that we're
6 talking about. Then in terms of the close-up, you can
7 see the reconfiguration and the addition of the six
8 banking table games.

9 As was mentioned, Parx and the plan also
10 proposes to optimize its casino floor by strategically
11 removing specific slot machines that have been
12 underperforming and reconfiguring the banks to improve
13 customer experience. There will be some 106 slot
14 machines removed from 39 different slot banks. And
15 this will create a much more spacious environment for
16 patrons, so that they can more easily move throughout
17 the gaming floor, have better sight lines to
18 amenities, as well as improved casino signage.

19 So, in summary, OP23 would result in a
20 net increase of 268 slot machines, an increase of nine
21 table games, because there will be three nonbanking
22 poker table games added as well; and as mentioned, an
23 increase of over 23,000 square feet of gaming space.

24 In terms of changes to the smoking,
25 nonsmoking areas, ultimately while there is a slight

1 increase in the smoking --- designated smoking area,
2 the overall percentage of the gaming floor that is
3 smoking will decrease by more than four percent. So,
4 the nonsmoking area will, in fact, be larger under
5 OP23.

6 And in terms of benefits, the company
7 believes that these changes and the increase slot
8 machine and table game inventories will help to
9 produce additional gross gaming revenue as well as
10 gaming taxes for the benefit of the Commonwealth. We
11 anticipate an increase in Parx's gaming revenue of
12 approximately \$15,000,000 to \$20,000,000 per year, as
13 well as a modest increase in employment in several
14 operational departments.

15 So, with that, we are happy to stand for
16 any questions that you have. And thank you very much.

17 CHAIRMAN:

18 Are there questions from Enforcement
19 Counsel?

20 ATTORNEY JEWELL:

21 How would you characterize the increase
22 in employment? You say modest, but do you have some
23 numbers to give us a sense of that range?

24 ATTORNEY STEWART:

25 My apologies. Mr. Faranca, if you ---?

1 MR. FARANCA:

2 We're confident that we'll add at least
3 15 to 20 full-time employees. And the majority of
4 them will be full time. And depending on the success,
5 we may even add more, depending on how things go.

6 CHAIRMAN:

7 I was going to ask if the Enforcement
8 Counsel had any questions.

9 ATTORNEY MILLER:

10 Sure. Thanks. Dustin Miller, Assistant
11 Enforcement Counsel for the Office of Enforcement
12 Counsel (OEC). If you could, take a look at slide
13 two. That's really the first slide with the text on
14 it.

15 Several months ago now you gave a
16 presentation regarding mobile gaming. And I noticed
17 there --- at the last point there at the --- you
18 talked about new technology-based and skill-based
19 games. Is the mobile gaming presentation that you
20 gave, is that something that you're still considering?

21 MR. DIXON:

22 Yes, the presentation we gave you, we're
23 still continuing to work with various vendors to try
24 and develop products that we believe will --- will
25 work well on the venue floor. So, that is part of

1 that future kind of growth that we're working on.

2 ATTORNEY MILLER:

3 And I see, you know, your plans are to
4 add six ---- I believe six new table games. The
5 addition of table games, will that give you more
6 flexibility regarding the limits on your table games,
7 as far as a range of high to low limit play?

8 ATTORNEY STEWART:

9 Ari.

10 MR. DIXON:

11 Ari.

12 MR. MIZRACHI:

13 Yeah. We've added capacity as --- you
14 know, since ---. In 2010 we started working with only
15 seven games and we're going up to 119 at the Parx
16 Casino. So, having more inventory gives us the option
17 to reach out to multiple levels of customers that bet
18 low and bet high.

19 ATTORNEY MILLER:

20 I know in your petition you outlined a
21 potential timeline of when you could accomplish this
22 project. I believe that what was attached was slated
23 to actually start October 5th. Do you have a revised
24 timeline? Do you have any idea how long it would take
25 you to implement these changes?

1 ATTORNEY STEWART:

2 In terms of the October 5th date, that
3 work that was started --- that was contemplated in
4 that time frame was not work that would require
5 approval, so it was kind of the prelim, ---

6 ATTORNEY MILLER:

7 Prelim.

8 ATTORNEY STEWART:

9 --- if you will. But Mr. Dixon, do you
10 want to ---?

11 MR. DIXON:

12 Yeah, the current schedule shows that we
13 would actually be ready to start upgrading this area
14 --- November the 5th, I believe, is the date that's in
15 the schedule.

16 ATTORNEY MILLER:

17 That you start ---?

18 MR. DIXON:

19 That we would be ready to actually open
20 that area.

21 ATTORNEY MILLER:

22 Oh, okay. Where the addition is going
23 to be --- open up, ---

24 MR. DIXON:

25 Yes.

1 ATTORNEY MILLER:

2 --- that addition? When would the work
3 be completed for basically the whole project?

4 MR. DIXON:

5 The rest of OP23 carries on through
6 December. Some of the table game reconfigurations
7 would happen after we open the expansion area for the
8 slots. So, I believe the whole project is slated to
9 be finished right around Christmas.

10 MR. MIZRACHI:

11 That's correct.

12 ATTORNEY MILLER:

13 And I believe it's on slide four you
14 indicated that you are planning to add 434 new slot
15 machines. But then after the --- I guess you would
16 call it the reconfiguration stage, that number would
17 be brought down to, I believe, 200 and ---

18 MR. DIXON:

19 Sixty-eight (68).

20 ATTORNEY MILLER:

21 --- 268. So, it is your plan to operate
22 with that higher number; I believe the total number
23 would be 3,671 for a period of time and then bring
24 that down to 3,505; is that correct?

25 MR. DIXON:

1 That is correct, yes.

2 ATTORNEY MILLER:

3 Okay. If you could take a look at slide
4 six, please. And this has to do with the expansion,
5 and maybe it's just for clarification. Where the X
6 Lounge is indicated there, to the left it appears
7 there's a set of doors. Could you clarify, those
8 doors do not open to the outside of the casino?

9 MR. DIXON:

10 That's correct. Those doors are to the
11 further shell space that we have behind the X Lounge
12 bar, which is the space we're still working on
13 developing exactly what's going to be built out in
14 that space.

15 ATTORNEY MILLER:

16 Okay.

17 MR. DIXON:

18 That will be a future OP plan.

19 ATTORNEY MILLER:

20 Okay. And I noticed on the ---. And I
21 guess this is indicated on slide eight, regarding the
22 table games. In your petition it appears that the
23 table games you're talking about adding are primarily
24 blackjack and roulette tables. Is that your most
25 popular games, is that why you're adding blackjack and

1 roulette or is there a reason that you're not picking
2 any other type of table game?

3 MR. FARANCA:

4 Yes. The majority, over 50 percent of
5 our business comes from blackjack and roulette
6 continues to be ---. We're trying to meet the supply
7 of what is demand. We started with four roulette
8 games five years ago. We'll be up to 15. Every
9 weekend we continue to be at capacity with roulette.

10 ATTORNEY MILLER:

11 So, that's sort of to relieve that, I
12 guess, congestion or ---?

13 MR. FARANCA:

14 Yes. As an end to your point is it's
15 also to give us relief with lower-end limits, to
16 appease a vast majority of our local players.

17 ATTORNEY MILLER:

18 I don't have any further questions at
19 this time.

20 CHAIRMAN:

21 Thank you. Are there questions from the
22 Ex-Officio members?

23 MR. SMITH:

24 I'm not sure if this is on or not.

25 CHAIRMAN:

1 It is.

2 MR. SMITH:

3 With respect to the anticipated increase
4 in revenue of \$15,000,000 to \$20,000,000, do you have
5 a breakdown of what's expected from slots versus
6 tables?

7 MR. FARANCA:

8 I would say 90 percent of that increase
9 is in slots and ten percent is in tables.

10 MR. SMITH:

11 Very good. Thank you.

12 CHAIRMAN:

13 Okay. Are there questions from the
14 Board?

15 MR. WOODS:

16 Just one question. In the increase in
17 slot machines, are you looking at purchasing new
18 product or are you leasing? What will your mix of
19 lease and owned machines be at that time?

20 MR. DIXON:

21 It will stay pretty much the same as it
22 is now. So, the majority of the new games are
23 purchased games. Our lease percentage is between nine
24 and ten percent of the floor and we'll typically
25 maintain that going forward.

1 MR. WOODS:

2 Thank you.

3 MR. MCCALL:

4 Do you anticipate any other disruption
5 of service within the casino? I know that there's a
6 wall you're adding on, but do you anticipate any other
7 disruption of any other games? And I have a second
8 question, I guess, to that point. But just with the
9 general construction, will there be any other
10 disruption within the casino?

11 MR. DIXON:

12 During the few days when we actually
13 remove that temporary wall, the games that are
14 currently in front of it will be out of service for
15 maybe a day as we go along in sections and remove that
16 wall. And obviously during the reconfiguration around
17 that area there'll be some disruption to existing
18 games, but we're going to obviously keep that to an
19 absolute minimum. There will be nothing major like we
20 had to do the electrical shutdown.

21 MR. MCCALL:

22 Right, and ---

23 MR. DIXON:

24 There will be nothing major ---.

25 MR. MCCALL:

1 --- certainly we anticipate something
2 like that would happen, that's why ---. You say
3 you're removing 60 slots from the cage area, and also
4 that you're going to remove 106 slot machines, you
5 know, that will help with sight lines. It makes sense
6 that if you're renovating and adding on that you do
7 those type of things. Is that, 106 and 60, is that 60
8 in the 106, or is that 166 then of slots that would be
9 removed?

10 MR. DIXON:

11 That's 166.

12 MR. MCCALL:

13 And what would you ---? What effect
14 will that have on revenue, the removal of those
15 machines. Is that going to happen simultaneously
16 with ---?

17 MR. DIXON:

18 It will happen after we open the main
19 expansion area at the back of the property. Then
20 we'll go through and start removing those games ---.

21 MR. MCCALL:

22 Right, and then you'll add the
23 additional ---?

24 MR. DIXON:

25 So, actually we'll end up, you know,

1 we'll always have more games, so I don't anticipate
2 any negative impact on revenue.

3 MR. MCCALL:

4 Very good. Thank you.

5 MR. MOSCATO:

6 Thank you, Mr. Chairman. I have just
7 one question and I hesitate asking it. But really
8 it's got my mind going, so I need to get this off my
9 mind. I was down there and you gentlemen took me
10 through the facility. And clearly great thought has
11 gone into this, but I'm curious. The X Lounge, I
12 mean, was marketing research done on that? How did
13 you come up with X Lounge?

14 MR. FARANCA:

15 Our marketing team is very creative. We
16 do focus groups all the time, and the X Lounge fits in
17 with the theme of our brand. It's going to be a very
18 high-end experience that we think our customers are
19 really going to appreciate. And we look forward to
20 having it there as an amenity that will actually
21 support future amenities that will come with
22 additional OP plans in the future. And we look
23 forward to discussing that.

24 MR. MOSCATO:

25 Okay. Thank you, I was just curious how

1 you came up with that.

2 MR. FAJT:

3 Thank you, Mr. Chairman. On the X
4 Lounge, I assume it's open to all patrons, this is not
5 a high-end exclusive --- you know, for high-end patron
6 only? It's open to everybody?

7 MR. FARANCA:

8 That is correct. It would be for all
9 patrons.

10 MR. FAJT:

11 And one question on the smoking. Mr.
12 Stewart has heard me talk about this before. We do a
13 lot of public speaking as Board members on gaming
14 around Pennsylvania. It's the number one issue that
15 we hear when we're out there. I see that you are
16 decreasing the overall smoking area of your gaming
17 floor from about four-and-a-half percent, if I did my
18 math right. Is that just by coincidence or is that,
19 again, something you found in your focus groups, a
20 sign of the times, that less people that go into the
21 casino smoke, more people bothered by it, or is it,
22 again, just coincidence?

23 ATTORNEY STEWART:

24 I'll allow the executives to speak to
25 the specifics of the plans, but as a general matter,

1 Parx has found that a substantial portion of their
2 customers enjoy the smoking. They get actually a lot
3 of positive feedbacks about their ability to smoke
4 and, you know, the accommodations that are made for
5 them with the air-handling systems and the like.

6 So, in general the company has not had a
7 bad experience that you've referenced. I don't
8 believe it was intentional to have it be reduced in
9 terms of responding to a negative feedback from the
10 customers. I think it was probably just more of the
11 balancing of the floor. But does anybody have
12 anything?

13 MR. FARANCA:

14 I think it's fair to say that the
15 majority of our VIP customers do enjoy the opportunity
16 to smoke. We do surveys all the time and we do see in
17 those surveys that they enjoy that option. And in
18 order to protect our future revenues and help with tax
19 revenue for the State, we want to continue down that
20 path and appease those guests. And we believe that
21 the expansion plan that we presented to you today in
22 the additional square footage will actually give us an
23 opportunity to better balance the airflow in the
24 building and hopefully will lead to a better air
25 quality overall. So, that hopefully will improve the

1 experience for all of our patrons.

2 MR. FAJT:

3 All right. Thank you.

4 MR. FARANCA:

5 You're welcome.

6 CHAIRMAN:

7 I have one question on that subject. I
8 haven't spent a lot of time in casinos anywhere, a
9 little bit in Pennsylvania. Do you keep the smoking
10 areas sequestered from the nonsmoking or is it all
11 just interspersed?

12 MR. DIXON:

13 It's fairly well-delineated. There's
14 basically two areas that are nonsmoking, a kind of
15 central area that is mostly smoking. So, we try and
16 delineate the areas with signage so that people know
17 whether they're in a smoking or nonsmoking area.

18 CHAIRMAN:

19 I know I'm asking a loaded question.
20 Are the games, range of games and types of games,
21 equally available in both the smoking and nonsmoking
22 areas?

23 MR. DIXON:

24 In general, yes. We do try and make
25 sure that we offer a full range of different types of

1 games in both areas, yes.

2 CHAIRMAN:

3 Okay. Enforcement Counsel, do you have
4 a presentation you wish to make?

5 ATTORNEY MILLER:

6 We don't have a presentation today.
7 When we filed our Answer. We did not object to
8 Greenwoods' Petition, and we maintain that position.
9 We did ask that 14 conditions be placed on the
10 approval of this Petition. And I did speak with Parx
11 regarding those conditions. I believe they're okay
12 with those conditions. So, we would just ask that
13 they'd be placed on the approval, if the Board wants
14 to approve their Petition.

15 CHAIRMAN:

16 Are there any further comments from
17 Greenwood at the moment?

18 ATTORNEY STEWART:

19 We do agree to the conditions. And the
20 only other comment, Mr. Chairman, would be to ask that
21 the presentation we made be accepted into the record.

22 CHAIRMAN:

23 Very well, any other comments from the
24 Board at this point? We will schedule a vote on this
25 matter later today in the public session.

1 ATTORNEY STEWART:

2 Thank you.

3 CHAIRMAN:

4 Thank you very much. And let's move

5 on ---

6 ATTORNEY STEWART:

7 Thank you.

8 CHAIRMAN:

9 --- to regularly-scheduled items.

10 MR. FARANCA:

11 Thank you.

12

13 * * HEARING CONCLUDED * *

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CERTIFICATE

I hereby certify that the foregoing proceedings, hearing held before Chairman Barasch was reported by me on 10/21/15 and that, I Derrick Ferree, read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.



Court Reporter

Derrick Ferree