

## 1 COMMONWEALTH OF PENNSYLVANIA

## 2 GAMING CONTROL BOARD

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## 4 PUBLIC HEARING

5 \* \* \* \* \*

6 BEFORE: GREGORY C. FAJT, CHAIRMAN

7 James B. Ginty; Raymond S. Angeli;

8 Jeffrey W. Coy; Kenneth T. McCabe (Via

9 Telephone); Gary A. Sojka; Kenneth Trujillo

10 (Via Telephone); David Barasch, Deputy

11 Secretary of the Department of Revenue,

12 Representative; Jorge M. Augusto,

13 Representing Russell Redding, Secretary of

14 Agriculture

15 HEARING: Monday, June 21, 2010

16 1:07 p.m.

17 LOCATION: PUC Keystone Building

18 Hearing Room 1

19 Harrisburg, PA 17120

20 WITNESSES: Corey Plummer

21  
22 Reporter: Sarah Wendorf23  
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A P P E A R A N C E S

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OPENING REMARKS

By Chairman Fajt

4 - 5

PRESENTATION

By Attorney Donnelly

6 - 7

WITNESS: COREY PLUMMER

TESTIMONY

By Mr. Plummer

7 - 10

DISCUSSION AMONG PARTIES

10 - 23

## P R O C E E D I N G S

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25CHAIRMAN:

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Good afternoon, everybody. I'm Greg Fajt. I'm the Chairman of the Pennsylvania Gaming Control Board. And as we always do, I'd just like to ask everybody to turn off their cell phones, PDAs and other electronic devices, as they tend to interfere with our communication system.

Joining us today is David Barasch, Executive Deputy Secretary for the Department of Revenue, representing Secretary Dan Hassell, and also Jorge Augusto representing Secretary of Agriculture, Russell Redding. Thank you both for being here.

The full Board being present, with Commissioner McCabe and Trujillo participating via phone, I'll call today's meeting to order. As the first order of business, please join me in the Pledge of Allegiance.

PLEDGE OF ALLEGIANCE RECITED

CHAIRMAN:

We have one item before the Board today by way of public hearing, which will take place prior to our public meeting. The public hearing pertains to Holdings Acquisition Company, LP's Petition for

1 Approval of a Revised Gaming Floor Plan. We will  
2 first hear testimony from Holdings Acquisition and  
3 then our Office of Enforcement Counsel (OEC). At the  
4 conclusion of the hearing, the Board will then take a  
5 recess to conduct quasi-judicial deliberations on the  
6 matter before returning to conduct our regularly  
7 scheduled meeting.

8           Having explained all that, I see that  
9 we have representatives from Holdings Acquisition.  
10 Prior to your presentation, could all witnesses  
11 presenting evidence for either Holdings Acquisition  
12 or the OEC, those that are not lawyers, please stand  
13 and be sworn in. And I also ask that all people  
14 speaking please state and spell your name for the  
15 stenographer. We will start with the swearing in,  
16 please.

17 -----  
18 CORY PLUMMER, HAVING FIRST BEEN DULY SWORN,  
19 TESTIFIED AS FOLLOWS:

20 -----

21           CHAIRMAN:

22           Thank you. And with that, Mr.  
23 Donnelly, if you could, again, start by stating your  
24 name, spelling your name, and we'll begin the  
25 hearing.

1                   ATTORNEY DONNELLY:

2                   Yes, sir. John Donnelly,  
3 D-O-N-N-E-L-L-Y. Thank you. I feel kind of like  
4 Groundhog Day. This is, I think, the third time  
5 we've presented aspects of this, first in the input  
6 hearing and then in our Table Games Petition, but  
7 what we're seeking today are a number of things that  
8 will help the table games. We seek to move some very  
9 minor things, moving an ATM machine, to add six  
10 electronic table games, to add a card and dice  
11 storage and destruction room, to add two satellite  
12 cages and to increase the size of the gaming floor  
13 approximately 7,000 square feet to approximately  
14 136,000 square feet and to reduce slot machines by  
15 46, 1.4 percent from the current 3,000 to 2,954.

16                   I know the Commission has heard a lot  
17 of this in the past with those other two  
18 applications, so I won't dwell on them too much. We  
19 have Mr. Corey Plummer, who is the Vice President of  
20 Gaming and of Holdings at the Rivers, to address all  
21 those issues. And with that, I'll turn it over to  
22 Mr. Plummer, and I will particularly ask him to  
23 address the slot machine reduction because I think  
24 the other items are very technical in where they're  
25 being moved. Although I will say Mr. Plummer did

1 address the issue of the electronic slot games at the  
2 public hearing, and by the way, we'll incorporate  
3 that earlier testimony on these issues into this  
4 proceeding.

5 MR. PLUMMER:

6 Afternoon. One of the things we've  
7 talked about previously is the opportunity to reduce  
8 slot machine count on the floor of the ---.

9 CHAIRMAN:

10 Mr. Plummer, I'm sorry. Could you  
11 state and spell your name for the stenographer,  
12 please?

13 MR. PLUMMER:

14 Corey Plummer, C-O-R-E-Y,  
15 P-L-U-M-M-E-R. In the past when we've talked about  
16 this, we've talked about really financial reasons  
17 versus occupancy on the floor in that we're seeking  
18 to reduce the unit count by removing vendor-owned  
19 machines, that they'll be paid for on a daily fee  
20 basis. We feel based on the occupancy that we  
21 generate during the week and the occupancy that we  
22 generate on the weekends in terms of peak occupancy  
23 and our average occupancy periods that the slight  
24 reduction of 46 units would not have an impact on the  
25 GTR.

1           And if you look at the presentation  
2 that we have, page three, the impact of reduction on  
3 addition of slot machines at other facilities, we've  
4 used this as an example at the Meadows and at Parks.  
5 Moving from March to April at the Meadows, you can  
6 see a slight reduction in the slot machine count  
7 there having material impact on the gross terminal  
8 revenues. Moving into May an additional reduction  
9 of slot machines, eventually significant increase in  
10 GTR. If you look at the Parks, a similar situation,  
11 adding machines and a reduction of GTR. Then  
12 reducing the machines in May and a significant  
13 increase in GTR. So, you know, part of what makes  
14 slot machine revenue is the availability of product,  
15 but what really makes it is people, and a lot of the  
16 people into the building has more to do with the  
17 marketing and facilities and other things that you  
18 do, if you have the supply to generate sufficient  
19 revenues. And we feel that we have a sufficient  
20 supply to not significantly impact, certainly not to  
21 reduce our gross terminal revenue. If we move  
22 forward into a busier period this summer, and  
23 certainly we expect to be busier with table games  
24 coming on, we still feel we have sufficient supply,  
25 2,954 units, to support that type of demand.



1                   So really what we're looking at if you  
2 look at the second piece here, in terms of our  
3 occupancy that we talked about, what our average  
4 occupancy is, what our peak weekday occupancy is and  
5 our weekend. If you particularly look at the  
6 weekend, that period being more than 75 percent,  
7 even on a really busy or usual peak days, we're a  
8 little bit higher than that. But you're looking at  
9 low 80s occupancy still coming through there in  
10 terms of demand during the summer period with the  
11 supply that we're looking at, 2,954, in order to  
12 move another 10 or so points if we were fortunate to  
13 be that busy during the summer. And with table  
14 games, we still see plenty of room to supply the  
15 demand on the floor, 2,954. This final slide here  
16 shows just where we're at during this early period  
17 of the year in terms of our win per unit, and that's  
18 the an approximation on those numbers. But as you  
19 can see, the demand we've experienced certainly  
20 since we've opened, we may have been opened less  
21 than a year, is not quite to where other venues are  
22 on the average, so we still have room to grow in  
23 terms of opportunities in the units that we have.  
24 So I think when you look at the number that we're  
25 in, the 2,954, there's plenty of supply even in an

1 increasing demand scenario due to summer peak period  
2 in addition to tables games.

3 ATTORNEY DONNELLY:

4 Corey, the machines that you propose to  
5 remove, are those machines that you obtained from a  
6 vendor to having the privilege of keeping them on  
7 the floor?

8 MR. PLUMMER:

9 Yes, all of the machines that we would  
10 remove from the floor under this scenario are daily  
11 fee games that are leased from vendors. The fees  
12 are anywhere from \$60 to \$100 per day.

13 ATTORNEY DONNELLY:

14 And does this move or this proposed  
15 reduction --- am I right that it's approximately ---  
16 well, it's 46 machines, approximately 1.4 percent  
17 ---

18 MR. PLUMMER:

19 Yes.

20 ATTORNEY DONNELLY:

21 --- of the total? And will this ---  
22 does this move have anything to do with table games?

23 MR. PLUMMER:

24 No.

25 ATTORNEY DONNELLY:

1           Could you turn to the next slide, and  
2 could you address some of the other issues? Could  
3 you just quickly demonstrate where the satellite  
4 cages that you're proposing to put on the floor are  
5 located and why you're proposing those?

6           MR. PLUMMER:

7           The map that's on the screen now, you  
8 would all be familiar with. We've used it before to  
9 orient the group into right area. To the bottom of  
10 the screen is the river out there. If you look over  
11 at section two which is high limit, the additional  
12 satellite cage there is just outside that room to  
13 the bottom right. That's an additional cage for the  
14 floor. If you look over into the area labeled  
15 number one, which is the poker rooms, there's a  
16 poker room cage in there. There's office space in  
17 there behind there. On the left is where we  
18 proposed for card and dice storage and card and dice  
19 destruction.

20           ATTORNEY DONNELLY:

21           And are you --- even without the floor  
22 increase, is this casino particularly space  
23 constrained?

24           MR. PLUMMER:

25           No, we have plenty of space on the

1 floor still.

2 ATTORNEY DONNELLY:

3 That's all the questions I have.

4 CHAIRMAN:

5 Thank you. OEC, questions for Rivers?

6 ATTORNEY ROLAND:

7 Yes, Mr. Chairman. Thank you.

8 ATTORNEY ROLAND:

9 Good afternoon. Mike Roland,  
10 R-O-L-A-N-D with the OEC. Mr. Plummer, first  
11 question, right now how many slot machines are on  
12 the floor at Rivers?

13 MR. PLUMMER:

14 2,660.

15 ATTORNEY ROLAND:

16 Okay. And you would agree with me that  
17 as of August 1st of this year, this petition that  
18 you currently have before the Board aside, you would  
19 be required to have 3,000 machines on the floor; is  
20 that right?

21 MR. PLUMMER:

22 Yes.

23 ATTORNEY ROLAND:

24 And that reduction between the 3,000  
25 and the 2,660 you currently have --- that reduction

1 was to implement table games, to implement those?

2 MR. PLUMMER:

3 The current number that we have on the  
4 floor is due to some construction in order to make  
5 way for table games?

6 ATTORNEY ROLAND:

7 Okay. So when you're asking to remove  
8 46 machines from the floor, in reality what's  
9 happening is when you take the machines that are  
10 currently off the floor and put them back on, it's  
11 going to be short 46? You're going to bring  
12 everything minus 46 back?

13 MR. PLUMMER:

14 That's correct.

15 ATTORNEY ROLAND:

16 And now the tricky question is, why is  
17 46 the magic number? In an earlier petition there  
18 was a significantly larger number that you had  
19 proposed taking off. How did you settle to 46?

20 MR. PLUMMER:

21 These 46 units would be lower producing  
22 units out of the space of the machines. We have  
23 other machines on the floor that are daily fee  
24 games. The ones that we're keeping produce  
25 significantly more revenue over our own games and

1 significantly more revenue than the games we're  
2 proposing to remove.

3 ATTORNEY ROLAND:

4 Has anyone taken the time to calculate  
5 if you have these 46 machines off the floor how is  
6 that going to impact the win per unit or the overall  
7 gross terminal --- I realize you anticipate it's  
8 going to increase it, but can you with any more  
9 accuracy pinpoint where you think you'll end up?

10 MR. PLUMMER:

11 When we're at the final number 2,954?

12 ATTORNEY ROLAND:

13 Yes.

14 MR. PLUMMER:

15 I don't believe the way you're asking  
16 the question --- our gross terminal revenue when  
17 we're at 2,954 is still based on, you know, what our  
18 win per unit --- we have an internal budget that  
19 we're trying to reach where we're trying to pursue.  
20 If you look at the numbers that we're producing in  
21 GTR currently, obviously we'd have an expectation of  
22 increasing revenues over that period, but that's  
23 again with the addition of population coming in for  
24 table games and going into a summer period which is  
25 historically a busier period.

1                   ATTORNEY ROLAND:

2                   Okay. I guess what I'm getting at, you  
3 would agree with me this is not an exact science?  
4 I'm looking at page five of your slide presentation  
5 where you say yours is \$217. That's win per unit  
6 per day. The Pennsylvania industry average is \$250.  
7 There's no way of sitting here today you can say by  
8 removing 46 machines you would calculate that you're  
9 going to come in somewhere around \$235 or \$240 as a  
10 win per unit per day? I mean, that's just a  
11 possible outcome?

12                   MR. PLUMMER:

13                   I wouldn't do that.

14 OFF RECORD DISCUSSION

15                   MR. PLUMMER:

16                   I wouldn't do that.

17                   ATTORNEY ROLAND:

18                   Do you anticipate any kind of impact on  
19 the jobs in the casino with the removal of these  
20 machines? I know it's only 46, but is anybody going  
21 to be laid off because of this?

22                   MR. PLUMMER:

23                   No.

24                   ATTORNEY ROLAND:

25                   And the increase in your square

1 footage, the almost 7,000 square feet, that is  
2 primarily for table games?

3 MR. PLUMMER:

4 Yes.

5 ATTORNEY ROLAND:

6 And if the globe should change  
7 economically, you certain would have the room with  
8 the increased square footage to add slot machines  
9 and you would be open to that as well?

10 MR. PLUMMER:

11 Yes.

12 ATTORNEY ROLAND:

13 No additional questions.

14 CHAIRMAN:

15 Thank you.

16 ATTORNEY PITRE:

17 Mr. Chairman?

18 CHAIRMAN:

19 Yes.

20 ATTORNEY PITRE:

21 I didn't want to interrupt Mr. Roland,  
22 but we did our own internal analysis of this with the  
23 help of FIU. And while our figures are slightly  
24 different from Rivers Casino, their figures span from  
25 January through May. Our figures span from September



1 2009 through today. And each month Rivers has been  
2 below the industry average within Pennsylvania for  
3 their slot machine. That would indicate that they  
4 could stand to reduce the number of slot machines  
5 that they have on their floor, and there is an  
6 economical, viable reason for doing that. On  
7 average, the industry average since September is an  
8 average of \$243.51 per slot machine. Rivers falls  
9 about \$46.48 per slot machine lower than the industry  
10 average. So that would put them at \$197.03 for the  
11 time period that we calculated. So as a result, we  
12 really don't have any strenuous objection to the  
13 reduction of slot machines, other than if Rivers  
14 would reduce --- the Board would approve this  
15 reduction, that we would continue to monitor to see  
16 where their win per units stands in the future.

17 CHAIRMAN:

18 Thank you. Does Rivers have any  
19 questions for Enforcement Counsel?

20 ATTORNEY DONNELLY:

21 None, Your Honor.

22 CHAIRMAN:

23 Questions from the Board? Mr. Sojka?

24 MR. SOJKA:

25 Again, Mr. Donnelly, I will also

1 apologize for revisiting Groundhog Day because we've  
2 all been there. But you did present us with a new  
3 piece of evidence today, so that means some new  
4 questions. The scientist in me jumps out when I see  
5 a document of the kind you showed us with your  
6 average daily, your peak daily and your peak  
7 weekends, beautiful numbers, 50, 55, 75 with no  
8 brackets around them, no approximation or ---. The  
9 methodology to get that must be very complicated. Do  
10 you use the video surveillance and stop a frame and  
11 count empty seats or how would you arrive at those  
12 numbers, let alone get them that good?

13 MR. PLUMMER:

14 The gaming system that we have allows  
15 us to at any point in time on an hour by hour basis  
16 every day see how many of the slot machines are in  
17 play. And that's basically where these numbers come  
18 from, so the occupancy is how many machines we have  
19 are being utilized.

20 MR. SOJKA:

21 At one moment? You just take a moment  
22 in time and do that?

23 MR. PLUMMER:

24 We can do it that way, but it  
25 calculates over an hour.

1                   MR. SOJKA:

2                   Over an hour. Well, that would be a  
3 moment, just a long one. Okay. So that's helpful,  
4 but all your data seem to point toward the answer  
5 that you gave to Mr. Donnelly's critical question,  
6 which is, is the removal of slot machines totally  
7 independent from table games. And the only other way  
8 I can think to ask that question would be that if we  
9 did not okay the removal of 46 slot machines or the  
10 reduction of 46 slot machines, would that in some way  
11 negatively affect your roll out of table games?

12                   MR. PLUMMER:

13                   No, it wouldn't.

14                   MR. SOJKA:

15                   Okay. Thank you.

16                   CHAIRMAN:

17                   Other questions? Ken McCabe or Ken  
18 Trujillo, any questions from you?

19                   MR. TRUJILLO:

20                   What I'm trying to understand is in  
21 connection with table games and play on slot  
22 machines. With the introduction of table games, and  
23 so to the extent that you --- that your current  
24 experience is one which has both gross terminal  
25 revenue and on a per machine basis revenue lower than

1 the state wide average, have you done the calculation  
2 of what you're expected GTR is once you have table  
3 games up and running, number one, and if so, how does  
4 that impact your expected revenue on these 46  
5 machines?

6 CHAIRMAN:

7 Ken, we were having a really, really  
8 hard time hearing you. Can you try to simplify your  
9 questions and ask them again? I apologize, but it  
10 was very muffled. I don't know if you need to may be  
11 step away from the phone a little bit, but we were  
12 having trouble hearing, so could you give us those  
13 questions again slowly?

14 MR. TRUJILLO:

15 Sure. Is that any better?

16 CHAIRMAN:

17 It's a little better. It's a little  
18 clearer, but a little fainter, but we can hear you.

19 MR. TRUJILLO:

20 Okay. What I'm trying to understand is  
21 every operator has testified that they expect  
22 additional slot machine revenue when table games are  
23 up and running, and what I want to know is whether  
24 any calculation has been done with respect to the  
25 these 46 machines --- or not only these 46 machines,

1 in terms of both gross terminal revenue and these  
2 machines after table games in is place at Rivers?

3 CHAIRMAN:

4 We got that. They're talking it over  
5 and will answer you in a minute.

6 MR. TRUJILLO:

7 All right. Thanks.

8 MR. PLUMMER:

9 Sorry. I couldn't really --- I still  
10 didn't really understand the question.

11 CHAIRMAN:

12 I think his question is that everybody  
13 who has come before us has said that slot machine  
14 revenue will increase with table games because of the  
15 companion effect. People who aren't going to slot  
16 machines to the casinos now will be bringing somebody  
17 and making them participate, and I think his question  
18 is, what impact will the reduction of these 46  
19 machines have on that companion effect?

20 MR. PLUMMER:

21 Well, we've also testified we think the  
22 overall slot revenues will increase. But we have  
23 sufficient supply on the floor and these 46 machines  
24 should have zero impact. We simply --- even at peak  
25 times, we simply have hundreds of machines sitting

1 idle on the floor, hundreds. You know we, have a  
2 very large inventory, so you know, ten percentage  
3 points is 300 machines, so there's still plenty of  
4 room to satisfy increase in demand.

5 CHAIRMAN:

6 Commissioner Trujillo, your other  
7 questions?

8 MR. TRUJILLO:

9 Those were my questions.

10 CHAIRMAN:

11 Any other questions? All right. Thank  
12 you very much. We will --- this will conclude our  
13 public hearing. We'll now recess into Executive  
14 Session. I anticipate that we would be back within  
15 ten minutes.

16 ATTORNEY DONNELLY:

17 We'd like to move our PowerPoint  
18 presentation into evidence as well as, your Honor.

19 CHAIRMAN:

20 Thank you. Any other questions?

21 MR. TRUJILLO:

22 Can we get a copy of that, too, the  
23 PowerPoint?

24 CHAIRMAN:

25 Certainly.

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ATTORNEY ROLAND:

Mr. Chairman, one last thing. I would just like to tack this on to what Mr. Pitre had said. We ask that if this petition is granted, it be subject to the nine conditions that were part of OEC's File and Answer on June 16th, 2008.

CHAIRMAN:

So noted. Again, we will recess and be back within ten minutes.

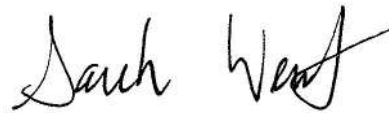
\* \* \* \* \*

HEARING CONCLUDED AT 1:33 P.M.

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## CERTIFICATE

I hereby certify that the foregoing proceedings, hearing before the Pennsylvania Gaming Control Board, was reported by me on 06/21/2010 and I Sarah Wendorf read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.

A handwritten signature in black ink that reads "Sarah Wendorf". The signature is written in a cursive style with a long horizontal stroke at the end of the name.