

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: PRESQUE ISLE DOWNS LICENSE RENEWAL

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PUBLIC HEARING

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BEFORE: GREGORY C. FAJT, CHAIRMAN
Raymond S. Angeli, James B. Ginty,
Keith R. McCall, Anthony C. Moscato,
Gary A. Sojka, Kenneth I. Trujillo; Members
Christopher Craig, Representing Robert M.
McCord, State Treasurer
Robert Coyne, representing Daniel P.
Meuser, Secretary of Revenue
Matthew Meals, representing George Greig,
Secretary of Agriculture
HEARING: Wednesday, July 20, 2011
9:59 a.m.

Reporter: Rhonda K. Thorpe

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LOCATION: Hearing Room 1
Keystone Building
400 North Street
Harrisburg, PA 17120-0211

WITNESSES: Fred Buro, John Bittner, Fred Clark

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CHAIRMAN:

Next up is a hearing of Presque Isle Downs License Renewal. I will note for the record that we will handle this and since the Board is not going to decide Mr. Rubino and Passport Realty's Petition, we will right now hear from Presque Isle and the Office of Enforcement Counsel (OEC), as they are the only parties to the proceeding at present. After we consider the motion to strike Mr. Rubino, Passport Realty Petition, if there is a need to take additional evidence on Presque Isle's Renewal, we will do so at some point in time. And with that again, Presque Isle I know you're teeing up the PowerPoint there. You may begin when you're ready. Again, if you have anybody who's going to testify today who are non-lawyers, if you would have them please stand to be sworn in.

ATTORNEY RODRIGUEZ-CAYRO:

Thank you, Chairman Fajt. I'm going to have two witnesses testifying today, Mr. John Bittner, which is MTR Gaming's CFO and Mr. Fred Buro, President and General Manager of Presque Isle Downs, Inc.

CHAIRMAN:

Right. Well, Mr. Buro would you please

1 stand and Mr. Bittner --- anybody else who is going to
2 be testifying or may testify, please stand, let's get
3 everything done at ---.

4 ATTORNEY CREANY:

5 For OEC, Mr. Clark will be testifying as
6 well. And Ms. Christine Stacy will be testifying as
7 to the both of them.

8 CHAIRMAN:

9 Right. If you would all please stand to
10 be sworn in.

11 -----

12 WITNESSES SWORN EN MASSE:

13 -----

14 CHAIRMAN:

15 Thank you all very much. Please be
16 seated and Presque Isle, you may begin.

17 ATTORNEY RODRIGUEZ-CAYRO:

18 Mr. Chairman, Honorable Members of the
19 Board, first of all, thank you for allowing us this
20 opportunity. As you're well aware there was a public
21 input hearing held on May 3rd, 2011 in Erie County, in
22 which we presented a slide show which we've submitted
23 into the evidentiary record. However, all the members
24 of the Commission Gaming Control Board were not
25 present, therefore I'd like to give you a short

1 presentation to make sure everybody's on the same page
2 here.

3 As you know Presque Isle Downs was
4 licensed as a Conditional Category Slot Machine on
5 October 25th, 2006. They opened up to the public on
6 February 28th, 2007 and was issued permanent Category
7 1 Slot Machine License on February 27th, 2008. The
8 licensing application was submitted to the Board for
9 Category 1 Slot Machine License Renewal on December
10 29th, 2008. And the company was issued a Table Games
11 Operation Certificate on July 8th, 2010. On November
12 19th, 2002, Pennsylvania State Horse Racing Commission
13 granted the final Order approving Presque Isle Downs
14 Racing License.

15 As you're well aware pursuant to
16 4 Pa.C.S. 1326, permit or license, which completed the
17 renewal application fee required, received by the
18 Board, will continue in effect unless and until the
19 Board sends written notification to the holder of the
20 permit or license that Board has denied him renewal of
21 such permit or license. The same rule is set forth in
22 the code at 58 Pa. Code section 441a.16(c). I'd like
23 to turn over the presentation to Mr. Bittner, who's
24 going to go over the financial suitability and
25 liability.

1 MR. BITTNER:

2 Good morning. MTR Gaming is a public
3 company, which is traded on NASDAQ Exchange, and
4 obviously the financial statements are prepared in
5 accordance with the GAAP, generally accepted
6 accounting principles. The company's 2010 financial
7 statements were issued with an unqualified opinion and
8 the company does maintain system internal control
9 which monitors compliance with the regulatory
10 requirements as well as the effectiveness of the
11 internal controls financial report.

12 MTR consolidated basis has experienced an
13 even approach despite competition in revenue
14 compliance over the past several years. We have and
15 will continue to focus on cost efficiencies and cost
16 controls, cost contained in order to maintain our even
17 levels. At the end of March 2011, we reported \$55.8
18 million in cash balances and we got a credit facility
19 for \$20 million which is available and is currently
20 undrawn. Our debt maturity consists of \$125 million
21 due June 1, 2012 and \$260 million due July 15th, 2014.
22 As the Board may be aware, on July 7th, 2011, the
23 company announced an offer to repurchase all of its
24 senior notes and senior subordinated notes, and at the
25 same time announced an offer of \$500 million senior

1 secured notes.

2 On July 14th, the company determined they
3 would not proceed with that particular offering of the
4 \$500 million of senior secured notes due to market
5 conditions. However, at this time we continue to
6 evaluate and consider all prior financing alternatives
7 and are currently maintaining ongoing discussions
8 along those lines. Once again from an historical
9 perspective, as the slide indicates, we have
10 experienced significant revenue climbs during the last
11 five years, but as you can see on the right hand side
12 of the graph, have been able to maintain a strong even
13 growth during this period principally as we build
14 constant control measures.

15 ATTORNEY RODRIGUEZ-CAYRO:

16 Mr. Buro will now address this Board.

17 MR. BURO:

18 As you know the local investment, capital
19 investment was \$241 million, land was about \$64
20 million, building was \$108 million, and furniture and
21 equipment \$69 million. Gaming taxes and fees total
22 about \$413 million. The real estate payroll, et
23 cetera, was \$13.6 million. Sales and use tax was \$1.7
24 million. Presque Isle Downs generated more than \$413
25 million in gaming taxes and fees for the Commonwealth

1 and has paid in excess of \$15.3 million in sales use
2 and payroll real estate taxes since its opening. PIDI
3 currently employs 961 employees. The number of
4 seasonal employees increases to 120 in the month of
5 May with the racing. You can see on this slide that
6 all counties' vendors from Presque Isle Downs spent
7 more than \$106 million with PA vendors between 2007-
8 2010. It's 2010 vendor utilization with 3.3 percent
9 spent with diversity vendors and exceeds more than 2.6
10 percent historically.

11 Currently we have 2,070 slot machines and
12 44 table games. As you can see by this slide our slot
13 limit and our --- for the years 2007 to 2010 including
14 the first quarter of 2011, the total win was \$683
15 million, roughly, on table games since the time it's
16 been open to two quarters in 2010 and first quarter in
17 2011 dropped us \$81 million roughly. The win was
18 approximately \$14.8 million. Horse racing at Presque
19 Isle Downs as you know has invested more than \$29.9
20 million in construction of the racetrack and barns and
21 related buildings. PIDI has one of two Tapeta track
22 surfaces in the United States. Currently, Presque
23 Isle Downs building --- in the process of building two
24 additional barns in 2011. In fact once the racing
25 season ends in September, our first delivery of

1 supplies and equipment on October 3rd comes in and
2 begins construction immediately and will be done
3 before the year's out. When PIDI expanded to
4 accommodate table games, it spent more than \$589,000
5 on a new pari-mutuel area, lawn/picnic area, and
6 horsemen's bleachers which are all done.

7 Then we have some of our key executives
8 in MTR Gaming. Jeffrey Dahl our CEO has 30 years in
9 the business. Joe Billhimer, Senior VP of Operations
10 and Development, with 27 years of gaming. John
11 Bittner to my left, Executive VP and CFO, 35 years in
12 gaming and public accounting experience. And Nick
13 Rodriguez to my right, VP Secretary and General
14 Counsel, 22 years in law enforcement, legal and gaming
15 expertise. At the property level we have a great
16 resume of people there. Myself, I have 22 years in
17 gaming. Director Rita Smith, you all know, 30 years.
18 Kevin Ryan 30 years. I won't name them all but
19 they're here and we have excellent facilities and
20 credit and our capital and integrity of operation is
21 assured due to those people and their experience in
22 gaming. And I'll turn it over to Mr. Fred Clark, who
23 will conduct the diversity part.

24 MR. CLARK:

25 Good morning. My name is Fred Clark,

1 President and CEO of Clark Resources. We are a
2 statewide --- we have an actual permit to go with
3 diversity; however large the business in the
4 Commonwealth of Pennsylvania is diverse and best
5 practices. I've been with the Presque Isle Downs from
6 day one, senior management team. And one of the most
7 attractive things about working for Presque Isle Downs
8 is at the top everyone is submitted to diversity, so
9 it's what they really get.

10 Moving on to the next page, we will see
11 that we are in the process of putting together two
12 best practices. We have to review their work and
13 their commitment and diversity levels in the
14 participation and see that they're at those levels.
15 They meet and even succeed the other folks in the
16 industry. We're putting two best practices. One of
17 them is to put together a best practice of how to do
18 business at Presque Isle Downs for minority and women.
19 We're putting that in place sometime this year. That
20 will enable minorities and women to understand the
21 process and be more involved with it.

22 Also we are going to be doing some
23 diversity training, which is a continued process at
24 Presque Isle Downs. And that is through the
25 leadership team of Jeff Dahl and Nick Rodriguez and

1 Fred Clark. As you look at the percentages, one of
2 the most interesting things is that we supersede that
3 and double what Erie County's minority and women
4 population is. So in every category it's 90 percent,
5 where it'd be 18 percent overall. And with those
6 percentages, when you look at them across the board
7 how we've been able to do that is work with a very
8 aggressive staff wanting to do this, wanting to make a
9 commitment, to making sure that the folks working and
10 visiting the casino have an opportunity to participate
11 also in employment and contracting.

12 The most interesting slide is the last
13 one, where it says MTR executive management team
14 consists of 25 percent persons of color. That is very
15 impressive, that is very important to realize and
16 recognize as we go through this; to have us sitting at
17 the table, working with the senior executive team,
18 implementing policies and procedures that affect not
19 only our visitors, but our workforce. And also one of
20 the other things --- and maybe Mr. Rodriguez can help
21 me out with this --- I believe that our new HR
22 director, once she's confirmed and I forget her name
23 --- Louisa --- is Latino. So that will increase and
24 that's even impressive. Thank you very much.

25 MR. BURO:

1 The community outreach concerning Presque
2 Isle Downs has conducted or participated in over 17
3 job fairs in Erie County. We send speakers to local
4 schools, social service organizations and various
5 diversity related roundtables. We've increased the
6 amount of community partnerships from 21 in 2007 to 40
7 in 2010 over a 100 people have been hired as referrals
8 from these partnerships. PIDI holds vendors fairs to
9 reach out to MBE and WBE vendors and attend MBE and
10 WBE events to meet minority and women vendors and
11 become acquainted with their products and services. A
12 representative from PIDI was selected to speak at the
13 Governor's Advisory Commission on African American
14 Affairs Business Exchange. And if it pleases the
15 Commission, I'd like to thank you and on behalf of
16 Presque Isle Downs, I'd like to turn it over to Nick
17 for a closing remark.

18 ATTORNEY RODRIUEZ-CAYRO:

19 Mr. Chairman and Honorable Members of the
20 Board, first of all, I can't thank this Board and
21 staff enough for its professionalism and courtesies
22 they've extended. I'd like to thank OEC, Bureau of
23 Licensing and all its members for working with us,
24 working hand in hand. Certainly we have not been a
25 perfect system, we've had our failures, our share of

1 violations, but we've always addressed them always
2 with the best interest and the best practices in mind
3 with the assistance of the Commonwealth and Gaming. I
4 would pray that this Honorable Board will renew our
5 license to the best interest of gaming and the best
6 interest of citizens of the Commonwealth. Thank you.

7 CHAIRMAN:

8 Thank you. Does OEC have questions of
9 PIDI and if so you may begin?

10 ATTORNEY CREANY:

11 A few questions. Barry Creany appearing
12 on behalf of the OEC. Maybe for Mr. Bittner, when you
13 were speaking regarding the vendor offer back in May
14 of the year we had the public hearing, I believe at
15 that time it was Commission McCall had asked about the
16 debt maturity. You indicated that at this time you
17 were engaging in --- you're exploring and engaging in
18 conversations without breaching any confidences, can
19 you assure this Board that you're taking reasonable
20 measures to move forward addressing the concerns as to
21 debt maturity?

22 MR. BITTNER:

23 Absolutely. We are continuing those
24 efforts even as we sit here today. Pursue refinancing
25 and address that, particularly renewals and the

1 maturities in 2012.

2 ATTORNEY CREANY:

3 Thank you. This probably would be best
4 directed to Mr. Buro. And again back in the public
5 input hearing in May, Commissioner McCall again in
6 questions regarding changing of schedules for risks on
7 the weekends and there have been shifting times in the
8 day, I believe, if I'm correct, there was some
9 Saturday times that shifted hours and now we have two
10 months of operations. I just wondered if you could
11 give us an insight and let us know what the experience
12 has been.

13 MR. BURRO:

14 Sure. We think that, as we said, when we
15 look at this and we're moving the schedule around, we
16 wanted to be sure all constituencies that it wasn't
17 --- it affected one constituency at the expense of
18 another. There's a lot of recent ones out there that
19 supply. You go out to a place on Saturday and you
20 look at the numbers compared to Wednesday, when
21 there's Tuesdays when they do much better. So, for us
22 to benefit both the portion of the track and the
23 casino, we felt that it was a worthwhile experience to
24 try this on Saturdays, especially since we added the
25 picnic area out there it seems they would be more

1 likely to utilize that at a certain time of day. And
2 it also alleviates parking congestion when two times
3 at the different events --- the casino patrons come in
4 at 5:00 or 6:00, you know, and racing is just getting
5 out, there's a lot of problems in the parking lot.

6 We didn't think there'd be much of a
7 problem when they believe it's a benefit. Although
8 hands down even on Saturdays it's tough to chew ---
9 stipulate to schedule change because you look at hands
10 down it's kind of down across the country right now.
11 And we do think we lost a little bit going to an
12 earlier card, when you look at onsite attendance
13 during the afternoon you can see the profile of our
14 customers shifted a little bit. And we really monitor
15 that schedule and watch it closely because we
16 certainly want to benefit all constituents. So, I
17 work very closely with the HDPA and those horses to
18 make sure that I honor their agenda and I truly mean
19 that. I truly do. I have a very good working
20 relationship with Joe Martinez, our representative at
21 Presque Isle Downs. And at the end of the day we feel
22 that it might be in their best interest to move it
23 back or change it again. We will certainly entertain
24 that. But right now we'd like a little bit more time
25 to continue to monitor racing. And we're very

1 confident that that was a good move. Again, we're
2 very open-minded about it.

3 ATTORNEY CREANY:

4 Thank you, Mr. Buro. That's also follow
5 up, I was going to say we're open to re-examine that
6 decision at some point. The last thing I had for you
7 was on the matter you addressed on the horse racing.
8 You stated that there is a project to construct two
9 barns. And I know that you said you expected it to be
10 done, but what do you think in terms of construction
11 time and whether you anticipate any problems in
12 meeting that December 31st deadline?

13 MR. BURO:

14 I don't --- we don't foresee any problems
15 whatsoever. It's very simple structures. They sit on
16 slabs. All the supplies and equipment and materials
17 needed to construct these barns are scheduled to
18 arrive on October 3rd. My understanding is that it's
19 probably about a 50 to 60 day project which completes
20 it then by the end of November with a little bit of
21 --- including a window for weather if we need that.
22 But the necessary things will happen as soon as racing
23 finishes. We're confident that those barns will be
24 constructed.

25 ATTORNEY CREANY:

1 Thank you. I have no further questions
2 for Mr. Commissioner.

3 CHAIRMAN:

4 Thank you. Mr. Creany, do you have a
5 presentation?

6 ATTORNEY CREANY:

7 OEC has no presentation, but we want to
8 make clear that we had asked that the record remain
9 open for public hearing for our opportunity to
10 complete background investigations. At this time, we
11 have submitted all of the background investigation
12 reports relative to Presque Isle itself, its
13 affiliates, principle entity and principles. And
14 they've been included in the suitability report;
15 therefore, we would close the record with that. And
16 we have no further evidence or testimony to present at
17 this time.

18 CHAIRMAN:

19 Does PIDI have any questions for OEC?

20 ATTORNEY RODRIGUEZ-CAYRO:

21 No, Mr. Chairman.

22 CHAIRMAN:

23 Okay. Does any of the Board Members have
24 questions? Okay, Commissioner Trujillo.

25 MR. TRUJILLO:

1 First let me start by saying, one, I'm
2 pleased with your hiring numbers and your utilization
3 of minorities and your partnership with Mr. Clark has
4 been obviously productive in hiring not just at the
5 lower and middle levels but the executive levels, and
6 you're to be congratulated on that. Somebody might
7 not take at least one other company to task for not
8 meeting those same expectations that you have. I also
9 recognize some of the financial challenges that the
10 last few years have produced and I think your
11 competitive situation is one which is --- at least as
12 I can tell your charitable contributions in the
13 community outreach numbers are disappointing in a
14 sense that they're quite modest and don't show an
15 uptake.

16 And so I just note that and understand
17 you're trying to get raised or even on the face of net
18 revenue trending downwards, go evenly where one might
19 look for that. But I would just, you know, caution
20 you that I think that buying into the community is
21 important and I would just say certain contributions
22 can obviously --- try to double those efforts. I do
23 have a kind of series of --- and I don't think they're
24 completely disconnected, but I need to understand
25 them. As I understand you spent a pretty significant

1 amount of money on your lobbying efforts in Ohio, but
2 nonetheless it looks like you would be facing pressure
3 from the west. So in light of your reduced --- your
4 net revenue trending downward, obviously you probably
5 can't cut costs a whole lot more. But I'd be
6 interested in knowing what you believe, the management
7 believes, the Board should know about what you expect
8 from competition from Ohio and how that's going to
9 impact your operations?

10 ATTORNEY RODRIGUEZ-CAYRO:

11 Well it's a different matter, Mr.
12 Trujillo, with respect to Ohio, as you know the
13 Governor signed legislation and signed 277. And of
14 course there was issue four, which commits four
15 standalone casinos in Ohio; one in Toledo, one in
16 Cleveland, one in Cincinnati and the other Columbus.
17 Part of the referendum also --- not referendum ---
18 277, in the Memorandum of Understanding, includes the
19 DLTs for the tracks. The issue of these DLTs and the
20 location of the track as a result of the Ohio Bill 277
21 are somewhat at issue because it allows the new
22 location of tracks and as you're all well aware
23 there's been noise that the track would relocate to
24 Youngstown. That's not been confirmed at this point;
25 however, clearly we're going to be facing competition

1 in Ohio. They're going to have a lower tax rate than
2 we have in the Commonwealth. And it's a matter that
3 we're looking at very closely.

4 Mr. Buro has been increasing the
5 marketing efforts, outreach efforts, securing the
6 markets and customer loyalty in Ohio. And we're also
7 extending that towards New York. It's going to be
8 kind of a wait and see, and we're trying to prepare
9 ourselves the best we can for that onslaught of
10 competition. Clearly, the western half of the
11 Commonwealth can't afford any further dilution to this
12 market.

13 MR. TRUJILLO:

14 And on that front, moving to the --- and
15 I don't want to know precisely the marketing. But now
16 that you're spending an amount of effort and time that
17 you have with Ohio, you're pretty well aware of what's
18 going on. But on that same front, the impact that
19 that's had on your financial performance and
20 respective performance, again, causes me some concern,
21 in the sense that just depending on how your --- how
22 your debt ultimately begins to be categorized, you
23 know, we're going to be having a much deeper
24 conversation about that and obviously you have an
25 unqualified opinion here today. But like I said I'd

1 like to hear a little bit more from you. I understand
2 that you are exploring alternate financing, options
3 and the like, but to the extent that you can confine
4 of any forwarding statements and all the roads that
5 are recognized. I'd like to hear a little bit from
6 you on what your financing efforts are at this point
7 and whether you can tell us at this point about where
8 they stand?

9 ATTORNEY RODRIGUEZ-CAYRO:

10 It's difficult to stay within the
11 confines of forwarding those statements and not
12 violating any regulation here today. What I can
13 assure this Board, as our CFO did earlier, there are
14 ongoing discussions even as we sit here today. And
15 hopefully we will have some news for this Board ---
16 positive news in the very, very near future.

17 MR. TRUJILLO:

18 Thank you. That's all I have, Mr.
19 Chairman.

20 CHAIRMAN:

21 Commissioner Sojka.

22 MR. SOJKA:

23 Yes. Do my Wayne Newton imitation here
24 would be best. Just a few questions to follow along
25 with, first of all, Commissioner Trujillo's comments.

1 Again, I'm impressed by the efforts at improving
2 diversity; it's a very important issue to us. As our
3 jobs in general and without there being any special
4 proprietary information, I'm wondering if you could
5 give us just some picture of what kind of cost cutting
6 you were doing to maintain your EBITDA in a declining
7 revenue situation and specifically what impact does
8 that have on family sustaining jobs?

9 MR. BURO:

10 Well as it relates to Presque Isle Downs
11 and of course MTR, we've had no reductions in force
12 related to cost cutting whatsoever. If we choose to
13 review payroll, that's one of the areas that contain a
14 cost, we would elect to do so and have thus far is
15 natural attrition. So, we at all cost deny --- I can
16 tell you I approach this everyday at work. As the
17 President of the property, I make decisions or
18 maintain concepts or ideas, I make sure that the
19 Commonwealth is present in my mind and the HDP is
20 present, the employees, the community. There's a
21 matrix and a plethora of people and organizations and
22 constituents you haven't said. So, it's not only what
23 the employees, but it's everybody. I don't do it with
24 MTR Gaming and everything else. These guys worry
25 about MTR Gaming and I worry about Presque Isle Downs,

1 therefore I worry about those employees in that
2 community.

3 The reason, as Nick said to think about
4 what would happen down the road in Ohio, we understand
5 those things and we're prepared how to meet those
6 challenges. But thus far, as I look at the
7 organization, it's structured in a way that would
8 support full-timers and it's part-timers that helped
9 us adjust the business volumes. So, you know, back in
10 my olden days when I was in managing your human
11 resources and your staffs, you try to work with a lot
12 of people and you fill in your peaks with your part-
13 timers. So that on your valleys, you have your full
14 staff always on board and it's very much the same way
15 in this context. I don't want to protect constituents
16 and try to handle our peaks with the part-timers and
17 our valleys with our full-timers. As Nick said
18 earlier, when we look at the changes in the future,
19 we're already looking at programs where we create
20 different pockets of investment or that will reinvest
21 customers 30 days, 60 days to 90 days out so they can
22 put a lot on the table and Presque Isle has a row of
23 competitors.

24 So, we're focusing on customer loyalty
25 and attention right now. Other things are silly

1 things like efficient light bulbs and keeping the
2 thermostat like a degree higher in the summer and a
3 degree lower in the winter. You know we looked at all
4 of our contract renewals and looked at all of our
5 vendors and we remind all of our vendors that there's
6 changes and we're all feeling it and we're all going
7 to have to, you know, make some adjustments. So, all
8 costs of the employees and I'm very conscious of the
9 comments that they had. And I can tell you it's first
10 and foremost in my mind.

11 MR. SOJKA:

12 Thank you again for the completeness of
13 that answer and sensitivity of your approach. I'm
14 also familiar with the kind of real world problems you
15 face in a situation of this kind. So, please don't
16 assume that this is an unfriendly approach. But I'd
17 like to bore in just a bit on the numbers. The 961
18 employees that you just represented, again, is that
19 FTE or is that head count?

20 MR. BURO:

21 That's a head count.

22 MR. SOJKA:

23 And so that number --- when the FTE
24 actually goes down your head count stays up and you're
25 using some of the part-timers less?

1 MR. BURO:

2 Exactly.

3 MR. SOJKA:

4 It's not an ideal situation, but the real
5 world; right? I said, it's not an ideal situation,
6 but it's the real world?

7 MR. BURO:

8 Correct.

9 MR. SOJKA:

10 Well I appreciate that and I appreciate
11 you clearing that up. Could I switch quickly to two
12 questions about racing? First of all, I appreciate
13 your update on the condition of the new barns on the
14 backside. You did mention that these are relatively
15 simple structures, metal buildings, am I correct,
16 sitting down on top of a slab?

17 MR. BURO:

18 They're exactly the same as the Penn
19 National barns with the outer shed rows, four tack
20 rooms.

21 MR. SOJKA:

22 I've seen those, they're good. Now the
23 issue is my memory tells me that way back at the
24 beginning when you mentioned they're sitting on a pad,
25 you guys had some issues with surface and the impact

1 on horses. Has that been the category on lessons
2 learned?

3 MR. BURO:

4 I'm unaware of that.

5 MR. SOJKA:

6 Okay. But I think we want to make sure
7 that you do use your past history there, the surface
8 you put down is in no way particularly injurious to
9 the horses? A relating question has to do with a name
10 I don't know how to pronounce it, it's a Tapeta track
11 in which you guys were sort of pioneers for our
12 venues. Have you been able to collect injury and
13 catastrophic breakdown numbers and have you been able
14 to make any kind of analysis as to whether your
15 significant financial contribution, being that one
16 important effort that's bore fruit?

17 MR. BURO:

18 Yes.

19 MR. SOJKA:

20 Is it making it better?

21 MR. BURO:

22 I can tell you that this racetrack, the
23 Tapeta surface racetrack has if not the lowest injury
24 per start per course in the Country. I'm certainly
25 aware of that, but the last time I had a conversation

1 with our Director and I was, you know, speaking about
2 the injuries, like I said, it is the lowest per start
3 in the Country.

4 MR. SOJKA:

5 That's very good news. And my final
6 question, I think you told me everything I need to
7 know, but I just want to be sure that Saturday post
8 time, is this currently a flexible work in progress
9 with the horsemen, are you going to keep an eye on
10 your attendance and just kind of work your way toward
11 the optimum?

12 MR. BURO:

13 I can tell you that I am not honing on
14 the horsemen on this issue. The numbers support their
15 argument. We move right back. We're looking to
16 better all these options. Certainly I do believe in
17 the Saturday card, but there's other things that we're
18 working on right now. Now I meet with the racing
19 Secretary, the HDP, I have one gentleman working on
20 the racing side. Every week we see --- try to
21 somewhat collect the knowledge about racing, improved
22 racing, and make that contract handle go out of that
23 signal, the signal handle go out the ---. It's a
24 severe focus of ours. So, we're on the same page, the
25 side of the racing. And we will be trying to comport

1 with the recommendation and there will be more
2 recommendations for changes, at least to racing
3 because not only Presque Isle Downs, but the horsemen
4 themselves and the racing issue in general believe
5 that it's worth taking a chance in exploring something
6 new that might, you know, raise visitation to the
7 track.

8 MR. SOJKA:

9 Open minds and exploration maybe part of
10 the answer for the racing industry. Thank you very
11 much. No more questions.

12 CHAIRMAN:

13 Thank you. Any other questions?
14 Commissioner Moscato.

15 MR. MOSCATO:

16 Thank you, Mr. Chairman. First let me
17 state that I also am impressed with the way that you
18 folks operate your facility. And the impressive
19 surface on the track that's one of only two in the
20 Country. And what still sticks in my mind is a
21 comment that was said when I was up in Erie after a
22 class for dealers. It was almost 100 percent of the
23 people were from Erie County. And that's the way you
24 take care of your own. Third, focusing on what
25 Commissioner Sojka asked you. There's a section that

1 requires you to provide an annual report to the Board
2 and to the --- basically summarizing a gain that's
3 helped racing. I was wondering if you could give an
4 overview from your last report on your plans to
5 promote live racing, increase the live handle and also
6 increase the attendance in the upcoming year.

7 MR. BURO:

8 Sure. I think we can do a much better
9 job dovetailing racing and racing work now in the
10 marketplace, especially the transient market up and
11 down, 79 to 90. And also we've been lucky enough to
12 receive an upgrade in our stage races, from a grade
13 three to a grade two, both important decisions. So,
14 we think --- and we have an interesting surface that
15 has the lowest injuries, you know, the soft tissue
16 injuries. And you know you can get some of the
17 statistics that are out there and understand all of
18 those things that I don't know about, surface prep.
19 We will promote that surface, that Tapeta surface,
20 because what we're finding is that horses that train
21 and race on clay, when they change to Tapeta, they
22 win. And it's costing our imports.

23 So, we're going to promote this as a safe
24 good track for them as well. Make it as a training
25 track for the horses that live in our barns. It's a

1 soft surface for the day-to-day routines, that's
2 better to train on for those reasons. So, it's not
3 upgrading our stock of the horses, you get quality
4 horses. We're seeing now this year we've got more 12
5 horse fields and 10 horse fields. So, as far as we're
6 concerned, we're working diligently because we're
7 after that --- we got to technically, so we're trying
8 to make this facility very, very good. And you know
9 there's some tracks that are closing, but there are
10 others that are benefiting from those horsemen.
11 Presque Isle Downs is the place to race this summer.
12 So, we're getting that on that side. On the other
13 hand, we did a better job with the racing on the
14 retail level to consumers, not to the ---. And I work
15 close with the folks in the track pack and we're happy
16 with those folks.

17 We just need the word out that Presque
18 Isle Downs is there, there's a racetrack right up on
19 the intersection of Route 90 and 79 because there are
20 a lot of cross traffic that you might get to stop in
21 and enjoy the horses. So, we think that on many
22 levels, both on the profit side and on the performance
23 side, and then from getting the word of mouth out
24 there. But they currently spend it on table games,
25 share in some of the billboards. Getting the content

1 out there, a little bit more active on the website for
2 some of the things that we know are less expensive
3 that speaks to the consumers.

4 MR. MOSCATO:

5 Thank you.

6 CHAIRMAN:

7 Thank you. Commissioner Trujillo.

8 MR. TRUJILLO:

9 Just one question. I believe you know we
10 have both the enforcement side of our regulatory
11 process and also we have to practice under our
12 credential, which is we're also responsible to make
13 sure that you have market conditions or you can't ---
14 market conditions, but environment and a situation
15 that will make you more likely to succeed. Using the
16 words of Jerry Maguire, help me help you. I mean
17 we're not the legislature, but is there anything that
18 we the Board can or should be doing from a regulatory
19 standpoint or otherwise, to improve the market
20 condition or to deal with --- there's obviously lots
21 of notations here. But essentially the Board is
22 interested in and I think that the Commonwealth
23 interest in you and the other --- whether it's in the
24 western or eastern part of the State, in having the
25 best condition possible for you to be able succeed.

1 So, are there things that we can or should be doing
2 that would help you particularly during times of, you
3 know, current times?

4 MR. BURO:

5 My Counsel's looking at me for this one.
6 I wish I could say ---. I wish I could say there was
7 a list, but I can tell you that there is oh so many
8 that I found with Kevin O'Toole and his entire staff.
9 These people are so helpful and so willing to listen
10 and encourage us to try new things. I believe that
11 and trust that we have severe focus on the Act and on
12 maintaining, you know --- making sure all of our staff
13 at the lowest level is aware of the rules that we
14 operate by. And I think we understand those rules,
15 you know, we're not malicious of those in any respect,
16 any of the rules. We all work for the Commonwealth of
17 Pennsylvania, we know that. And as we make this a
18 better place I think --- we believe that there's an
19 open door policy with this group of people and we're
20 happy with that. Counsel, you can add ---.

21 ATTORNEY RODRIGUEZ-CAYRO:

22 Mr. Trujillo, we've always taken the
23 approach that the Commonwealth is our largest buyer,
24 plain and simple. And whenever we had an issue
25 addressed or contacted the Board to discuss it, staff

1 and the Board have been very cooperative and very
2 helpful. Could I provide you a list, I probably could
3 provide you a list. It probably wouldn't be
4 politically savvy to do so at this time. However, I'm
5 sure that a lot of people can do together to work
6 together, to improve the industry, especially we would
7 like gaming from Ohio and to protect those markets out
8 west. But I think the appropriate would be in a
9 meeting as opposed to in this forum.

10 MR. TRUJILLO:

11 Thank you.

12 CHAIRMAN:

13 Thank you. Any other questions? Mr.
14 Rodriguez, I assume you want to put the PowerPoint
15 into the record?

16 ATTORNEY RODRIGUEZ-CAYRO:

17 I would, Chairman Fajt. And I would also
18 like to add, to supplement Mr. Buro's answer to
19 Commissioner Sojka. Next on the agenda is going to be
20 the poker room addition. So, I'm telling you,
21 Commissioner Sojka, should that poker room addition be
22 approved and do as well as hope it does we'll be
23 adding more jobs as well.

24 MR. CRAIG:

25 Mr. Chairman.

1 CHAIRMAN:

2 Yes. Mr. Craig.

3 MR. CRAIG:

4 I just have a couple questions. My
5 name's Christopher Craig, I represent the State
6 Treasurer, who is the custodian of all various funds
7 which game revenue is derived. As a consequence he
8 has an interest in ensuring the future stability of
9 growth. I'd like to ask a couple questions about the
10 financial performance and potential future challenges.
11 Going back to the chart, it indicates that you've been
12 negative --- recently to be negative net revenue
13 trend. That's meant at all expenses including debt
14 service cost?

15 MR. BITTNER:

16 The chart for net revenue on the left
17 hand side is strict revenues, less motions and
18 allowances.

19 MR. CRAIG:

20 Okay. So, it doesn't include other
21 costs?

22 MR. BITTNER:

23 No, it's strictly net revenue less the
24 motions and allowances.

25 MR. CRAIG:

1 Does the net revenue trend parallel or is
2 similar to gross terminal revenue?

3 MR. BITTNER:

4 Yes.

5 MR. CRAIG:

6 So you're experiencing general market
7 challenges in usage of the product?

8 MR. BITTNER:

9 Yes, sir.

10 MR. CRAIG:

11 To what do you attribute that to?

12 MR. BITTNER:

13 Competition. Competition ---

14 MR. CRAIG:

15 From?

16 MR. BITTNER:

17 --- collective properties from
18 Pennsylvania. We operate three properties. A
19 racetrack in Ohio, which it's truly reflected there,
20 but not in Presque Isle Downs. And the introduction
21 of gaming into Pennsylvania was the first competitive
22 factor and impacted the results. And we got benefit
23 of that in the Presque Isle facility and we also
24 experienced a decline in revenues. And the second
25 aspect was the introduction of table games. Once

1 again we got the benefit of the Presque Isle, but at
2 the same time lost additional revenue. And then the
3 third factor was just general overall economic
4 conditions during the last two week period.

5 MR. CRAIG:

6 I guess it wasn't initially clear to me.
7 How much of the net revenue trend is attributed to
8 Presque Isle? I mean is Presque Isle experiencing a
9 negative net revenue trend?

10 MR. BITTNER:

11 Presque Isle's revenue would be on the
12 upswing, where as Mountaineer's revenue ---

13 MR. CRAIG:

14 Okay.

15 MR. BITTNER:

16 --- is in decline.

17 MR. CRAIG:

18 Does the difficulties or challenges faced
19 in Mountaineer have an effect on the Presque Isle
20 operations?

21 MR. BITTNER:

22 No.

23 MR. CRAIG:

24 The debt that is held, the debt that is
25 due on June of next year, that obviously would have an

1 impact on Presque Isle?

2 MR. BITTNER:

3 Well, on a consolidated basis. The
4 companies will just ---.

5 MR. CRAIG:

6 In the first two quarters of this year,
7 how would that compare to the first two quarters of
8 2010? Is it a similar trend or is the trend changing?

9 MR. BITTNER:

10 Speaking to the numbers that are public
11 and first quarter ---?

12 MR. CRAIG:

13 I'm only interested in ---.

14 MR. BITTNER:

15 The first quarter numbers, I guess in
16 both cases it's a similar trend.

17 MR. CRAIG:

18 Okay.

19 MR. BITTNER:

20 The one thing I will add, effective in
21 July compared to basis year over year, we had table
22 games introduced in Pennsylvania in July of 2010. So
23 on a comparative basis, a consolidated entity --- MTR
24 consolidated entity, we have a period where we had
25 table games being brought in and it will not reimburse

1 until July 7th of this year. So, that's reflected in
2 the revenue comp.

3 MR. CRAIG:

4 What is the greater ---? I'm curious, I
5 haven't read some of the background. What is the
6 greater revenue producer here in terms of operations;
7 the West Virginia facility or here?

8 MR. BITTNER:

9 West Virginia.

10 MR. CRAIG:

11 What is that, just a stronger market
12 presence, been there longer?

13 MR. BITTNER:

14 Probably, collectively a much larger
15 market. It's from Pittsburgh and Eastern Ohio.

16 MR. CRAIG:

17 I know you answered some of these
18 questions, but I kind of want to ask it again and
19 phrase it in a different angle related to competitive
20 pressure. It seems to me that the competitive
21 challenges that face the company in the future are
22 obviously going to be from Ohio, but they also will be
23 coming from Pennsylvania, the Pennsylvania western
24 market. We're expanding. Is the company looking
25 forward to that and, you know, making contingencies

1 and planning for that? In other words the games are
2 no matter what happens. So I wonder ---.

3 ATTORNEY RODRIGUEZ-CAYRO:

4 Well I can't say we're looking forward to
5 it, but we're certainly planning ---. We are trying
6 to look ahead and mitigate the impact of any further
7 increased competition.

8 MR. BITTNER:

9 And one thing we have done over the last
10 couple of years, we experienced significant
11 competition in the particular marketplace, we've been
12 a little aggressive, we will continue to be in our
13 operations in anticipation of additional competition.

14 MR. CRAIG:

15 Pennsylvania regulators and opinion
16 makers have enjoyed, since the inception of gaming,
17 you know, looking at all these trends going upwards.
18 Is it really realistic for us to expect that going
19 forward or is it as markets mature, competition grows,
20 should we really be getting day to day much more
21 moderate ---.

22 MR. BITTNER:

23 At some point there will be a mature
24 market whether we're there yet or not remains to be
25 seen, but yes at some point there will --- we will

1 achieve a mature market in this area as well as in the
2 State. It could be soon.

3 MR. CRAIG:

4 My last question is, if EBITDA, as you
5 indicated here, is not adjusted would it show a
6 similar trend?

7 MR. BITTNER:

8 Actually, we'd be a little bit more up
9 and down. There were a number of one time costs, but
10 generally that's why we take --- we take those costs
11 out and say we're well on cost. It would be more, you
12 know, reflecting those --- I think somebody alluded to
13 it earlier in 2009, again fairly significant lobbying
14 costs. It really wouldn't support the results.

15 MR. CRAIG:

16 Understood. Thank you, I appreciate it.
17 Thank you, Mr. Chairman.

18 CHAIRMAN:

19 Certainly. Any other questions?

20 * * * * *

21 HEARING CONCLUDED AT 10:44 A.M.

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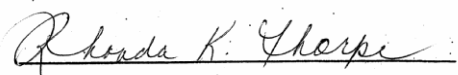
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CERTIFICATE

I hereby certify that the foregoing proceedings, hearing held before Chairman Fajt, was reported by me on 07/20/2011 and that I Rhonda K. Thorpe read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.


Court Reporter