

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: PETITION TO REDUCE NUMBER OF SLOT MACHINES AND  
TABLE GAMES

\* \* \* \* \*

PUBLIC INPUT HEARING

\* \* \* \* \*

BEFORE: WILLIAM H. RYAN, JR., CHAIRMAN  
Gregory C. Fajt, James B. Ginty, Annmarie  
Kaiser, Keith R. McCall, Anthony C.  
Moscato, Gary Sojka, Members; Christopher  
Craig, Representing Robert M. McCord,  
Robert Coyne, Representing Secretary to  
Department of Revenue Daniel P. Meuser,  
Matthew Meals, Representing Secretary of  
Agriculture George Greig

HEARING: Tuesday, January 29, 2013

LOCATION: Strawberry Square Complex  
Second Floor  
Harrisburg, PA 17101

WITNESSES: Rita Smith, Michael Tamburelli, Larry  
Honeycutt

Reporter: Jennifer T. Alves

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## A P P E A R A N C E S

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CHAIRMAN:

This is Presque Isle Downs' Petition to Reduce the Number of Slot Machines and Table Games. I would ask all witnesses who are going to present evidence today who are not attorneys to please stand and be sworn. Why don't you each state your name for the record and spell your name?

MR. TAMBURELLI:

Michael Tamburelli, M-I-C-H-A-E-L,  
T-A, M as in Mike, B-U-R-E-L-L-I.

MS. SMITH:

Rita Smith, R-I-T-A, S-M-I-T-H.

MR. HONEYCUTT:

Larry Honeycutt. And it's, L-A-R-R-Y,  
H-O-N-E-Y-C-U-T-T.

CHAIRMAN:

Okay. Why don't you all stand so you can be sworn.

-----  
WITNESSES SWORN EN MASSE:  
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CHAIRMAN:

Thank you. You may be seated.

1 Counselor?

2 ATTORNEY RODRIGUEZ:

3 Chairman Ryan, honorable members of the  
4 Board, Ex-Officio members, may it please the Board,  
5 Nick Rodriguez-Cayro and Erica Pietranton on behalf of  
6 Presque Isle Downs. Before we go into our slide ---  
7 small slide presentation here, just a couple  
8 introductory comments. As you're well aware, we filed  
9 a petition to reduce the number of table games and  
10 slot machines. This petition, the goal of it is  
11 driven by achieving efficiency and as a result of  
12 competition. We're expecting by 2015 to have three  
13 additional racinos open within approximately 100 miles  
14 of Presque Isle Downs and a Cleveland casino owned by  
15 Caesars already opened in May 2012.

16 Since the opening of the Cleveland  
17 casino we've seen revenues both at table and slot  
18 machine level drop precipitously. As a company we  
19 believe that the reduction will allow Presque Isle  
20 Downs to better compete with the increased  
21 competition, increase in game utilization and  
22 hopefully increase our GTR. The reduction will also  
23 have additional benefits for our patrons including the  
24 opening of aisles and the addition of new games. With  
25 that in mind I'll have Erica Pietranton start the

1 slide with a little brief background and then call the  
2 witnesses from there.

3 ATTORNEY PIETRANTON:

4 Presque Isle Downs conditional Category  
5 1 Slot Machine ---.

6 CHAIRMAN:

7 Sorry, ma'am, your name is for the  
8 record?

9 ATTORNEY PIETRANTON:

10 I'm sorry. Erica Pietranton, Associate  
11 General Counsel for Presque Isle Downs,  
12 P-I-E-T-R-A-N-T-O-N.

13 CHAIRMAN:

14 Thank you.

15 ATTORNEY PIETRANTON:

16 Yes. Our Conditional Category 1 Slot  
17 Machine License was approved on October 25th of 2006.  
18 Presque Isle Downs opened to the public on February  
19 28th of 2007. Our permanent Category 1 Slot Machine  
20 License was approved on February 27th of 2008. Our  
21 license renewal for a Category 1 Slot Machine License  
22 was approved on July 20th, 2011 and our Table Games  
23 Operations Certificate was issued on July 8th of 2010.

24 The Pennsylvania State Horse Racing  
25 Commission granted our final Order approving Presque

1 Isle Downs' License Application on November 19th of  
2 2002. That application permits Presque Isle to  
3 conduct live thoroughbred racing with pari-mutuel  
4 wagering. MTR Gaming is a public company traded on  
5 the NASDAQ Exchange. The Company maintains financial  
6 records in accordance with generally accepted  
7 accounting principles. The company issued its  
8 financial statements for 2011 and has received an  
9 unqualified Opinion and the company maintains a system  
10 of internal controls to monitor compliance with  
11 regulatory requirements and effectiveness of internal  
12 controls over financial reporting. Currently we have  
13 2,031 slot machines in operation and 53 table games.  
14 Forty-four (44) of those are banked and nine are  
15 non-banked.

16 ATTORNEY RODRIGUEZ:

17 Thank you, Erica. May it please the  
18 Board I'll call our first witness, Ms. Rita Smith.

19 -----  
20 RITA SMITH, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED AS  
21 FOLLOWS:

22 -----  
23 EXAMINATION

24 BY ATTORNEY RODRIGUEZ:

25 Q. Rita, could you please state your name for the



1 record and how you're currently employed?

2 A. Rita Smith. I'm the director of Finance for  
3 Presque Isle Downs. I have been there since opening  
4 in 2007.

5 Q. Can you tell the Board a little bit about your  
6 background, please?

7 A. I have 30 plus years gaming experience all of  
8 which were in finance and accounting beginning in 1979  
9 with Caesars in Atlantic City.

10 Q. As the CFO for PIDI did you help put these gaming  
11 revenue slides together?

12 A. Yes, I did.

13 Q. Could you please go through this first slide and  
14 explain the significance of the slide to the Board,  
15 please?

16 A. Sure. Obviously, 2007 a banner year with our  
17 opening, February 28th of that year. In 2008 because  
18 we had a full year we saw a significant increase in  
19 gaming revenue. Beginning in 2000 --- towards the end  
20 of 2008 rolling forward we had seen impact from what's  
21 been going on in the economy, housing markets,  
22 specifically a large part of our customer base, known  
23 customer base, comes from west of the property from  
24 Ashtabula into the Cleveland area. So holding our  
25 own, but not --- no significant increase in revenue in

1 those years.

2 In 2012 the Cleveland property opened in May and  
3 we've seen a significant decrease in our revenues  
4 based on that opening. For slot machines 10 percent  
5 for the year 2012, for table games 18 percent. Table  
6 games did open in July 2010. To further illustrate  
7 this graph it indicates when the Ohio property opened  
8 in May and you can see that the decline in the  
9 revenues is significant and continues through the end  
10 of the year.

11 In terms of slot machines we saw --- for the six  
12 month period ending December 31, 2012 a 15 percent  
13 decline in slot revenue and 13.5 percent decline in  
14 win per unit.

15 Q. Ms. Smith, on this slide in 2012 can you explain  
16 the significance of May 2012 and the relation it had  
17 to the revenue and the properties?

18 A. You mean the opening of the Ohio property in May  
19 of 2012 we saw an immediate decline in revenue,  
20 reduced number of trips from our known customers who  
21 were in the area west of Erie.

22 Q. And if the Board looks at the percentage variance  
23 both on the slot win and the win per unit that decline  
24 has just increased over time; isn't that true?

25 A. Correct. They become more aggressive with our

1 marketing. We've also become more aggressive with our  
2 marketing, but they have the population density as  
3 well as the location.

4 Q. Do you know the approximate percentage of our  
5 database or patrons that make up or come up from the  
6 Cleveland, Ohio area?

7 A. I know prior to their opening it was  
8 approximately 40 percent of our patrons, known  
9 patrons, were from that --- yeah, Ashtabula over to  
10 the Cleveland area.

11 Q. You can proceed, please.

12 A. Table games win showed a more dramatic decline,  
13 obviously, beginning in May of 2012 and does continue  
14 forward to December 31st. We actually experienced a  
15 33 percent --- 33.5 percent decline in table games  
16 when --- beginning immediately, but most notably in  
17 the last six months of 2012, a reduction in the win  
18 per unit of the identical amount of 33.5 percent.

19 This next slide shows Poker. We did not open  
20 Poker until October of 2011. So, there isn't a huge  
21 amount of history to show, but the Ohio property does  
22 have a huge poker room. We have a very small poker  
23 room with only nine games and so we had declined  
24 substantially since their opening. And the next slide  
25 shows about a 55 percent decline in poker revenue as

1 well as 34.6 percent decline in win per unit.

2 We anticipate further market impact with the  
3 opening of the Thistledown Racino. Thistledown is  
4 located in North Randall, Ohio approximately 97 miles  
5 from Presque Isle Downs. And they will add about  
6 1,000 VLT units to the market in April 2013. We also  
7 anticipate two further openings of racinos in Ohio,  
8 one in 2014 and one in 2015.

9 Q. Ms. Smith, neither of these facilities that are  
10 listed on the previous slide include the potential  
11 impact of a casino or additional casinos in Western,  
12 PA; is that true?

13 A. It does not.

14 Q. That would just further erode the market;  
15 correct?

16 A. Further erode the market. Correct.

17 ATTORNEY RODRIGUEZ:

18 Thank you very much, Ms. Smith.

19 -----

20 MICHAEL TAMBURELLI, HAVING BEEN PREVIOUSLY SWORN,  
21 TESTIFIED AS FOLLOWS:

22 -----

23 EXAMINATION

24 BY ATTORNEY RODRIGUEZ:

25 Q. Mr. Tamburelli, can you just state your name for

1 the record, please?

2 A. Michael Tamburelli, vice president, general  
3 manager.

4 Q. Can you tell the Board a little bit about your  
5 background, please?

6 A. I have over 32 years of experience in the  
7 business. I started out at in Atlantic City, New  
8 Jersey. I worked in various states, four, five  
9 different various states in different capacities from  
10 slot shift manager to general manager.

11 Q. Mr. Tamburelli, can you take a look at the slide  
12 that's up on the screen, please? And explain what  
13 that slide represents to the Board, please.

14 A. Yeah. This basically shows --- the slide shows  
15 the manufacturer, the model of the games, the win per  
16 unit, the current count we have on our floor and the  
17 current --- the count we will have after the proposed  
18 reduction of machines.

19 Q. Now, in response to our petition OEC and the  
20 financial unit had highlighted some concerns regarding  
21 the game king machines. Is that true?

22 A. That's correct.

23 Q. Can you explain to the Board the issue with the  
24 game king machines and the slide that you're currently  
25 looking at?

1 A. Sure. There's a total of 24 units that we will  
2 be removing from the floor. The 12 units on the  
3 bottom, the win per unit is 277. Those games will be  
4 kept and they will be redistributed throughout the  
5 floor once we've finished our layout. The 277, those  
6 games are in our high volume area, zones one and two.  
7 The majority of our folks come in through that area  
8 and those games are extremely popular. So, those  
9 games will be returned back to the floor at a later  
10 time.

11 Q. So, in reality the game king machines that are  
12 truly performing well will be back on the floor. It's  
13 just the machines that are in the less performing area  
14 or less visited area that will be removed at this  
15 time?

16 A. That's correct.

17 Q. Can you turn to the next slide, please? Can you  
18 please explain this slide to the Board?

19 A. Sure. This shows our zones one through nine and  
20 it gives win per unit per zone, current count and then  
21 the games that will be taken out --- off the floor of  
22 those zones after the removal of the games. Now, as  
23 you see, zones one and two are extremely popular.  
24 Zones eight and nine are not as popular. Again,  
25 there's a high traffic area of games there and we will

1 remove those.

2 Q. Mr. Tamburelli, in addition to the goal of  
3 achieving higher efficiency in GTR what other benefits  
4 do you foresee benefiting the patrons as a result of  
5 this reduction?

6 A. It will be zones --- the zones right now are  
7 pretty tight, so we're going to open up the zone areas  
8 for folks to see, walk around, comfort ---  
9 comfortable. We have a lot of games where customers  
10 are sitting back to back and customers do not like  
11 that. I mean, we've had market metrics give a survey  
12 we put out there on the floor. We have our hosts  
13 asking the customers what the issues are and that  
14 keeps on coming back as the zones are extremely tight  
15 and they're not comfortable.

16 Q. Once you remove these games, if allowed by the  
17 Board, will there be an addition of newer games or  
18 refreshing of newer games, anything of that sort?

19 A. Yeah. We're going to be very aggressive this  
20 year with our capital. We are going to add total ---  
21 with conversions and new games, new units we're going  
22 to add a total of like over 280 games to our floor.  
23 So, we will be replacing games and adding newer games.  
24 So, we're going to be aggressive with capital because  
25 we realize the competition in Ohio is --- they have

1 all new games there and we want to be competitive and  
2 aggressive.

3 Q. Is this petition for the reduction being  
4 generated as a result of just too many machines on the  
5 market at this time?

6 A. No, it's based on our --- what's happening now to  
7 the floor. I mean, we have a lot of older games. We  
8 have a lot of these units, as you see, the IGTs.  
9 They're winning less than \$50 per day, so they're not  
10 driving revenue, which we want. So, as we take those  
11 games off, as we add new games we're going to have  
12 extremely popular games out there that will drive  
13 revenue for us.

14 ATTORNEY RODRIGUEZ:

15 I have no further questions of the  
16 witness.

17 CHAIRMAN:

18 Is that ---

19 ATTORNEY RODRIGUEZ:

20 That's our presentation.

21 CHAIRMAN:

22 --- your presentation? Okay. Does the  
23 Office of Enforcement Counsel (OEC) have any  
24 questions?

25 ATTORNEY CREANY:



1                   Yes, Chairman Ryan. My name is Eugene  
2 Barry Creany. It's, E-U-G-E-N-E, B-A-R-R-Y,  
3 C-R-E-A-N-Y. And first I'd like to ask of Ms. Smith.  
4 You'd indicated that the customer base for Presque  
5 Isle prior to May of 2012 had been --- approximately  
6 40 percent was west of the property. What do you see  
7 now your current customer base? What kind of losses  
8 of customers have you seen because of the opening of  
9 the Cleveland ---?

10                   MS. SMITH:

11                   I think we've seen a decline in the  
12 number of trips from those customers. We haven't lost  
13 these customers, but obviously, weather conditions,  
14 timing. We're not getting as many trips out of those  
15 customers as we did in the past.

16                   ATTORNEY CREANY:

17                   So, mainly frequency of visits?

18                   MS. SMITH:

19                   Frequency of visit issue.

20                   ATTORNEY CREANY:

21                   Mr. Tamburelli, do you have something to  
22 add?

23 A. Well, Cuyahoga County, which is really close to  
24 the horseshoe, that's where we've really been  
25 impacted. So, I mean, that's ---. We've lost a big

1 percentage of folks from that area.

2 ATTORNEY CREANY:

3 And the other thing that ---.

4 CHAIRMAN:

5 Excuse me. By loss, sir, you mean  
6 they're not coming at all?

7 A. They're coming less frequently.

8 CHAIRMAN:

9 Okay.

10 ATTORNEY CREANY:

11 And another thing, Ms. Smith, you  
12 mentioned that in response to the aggressive marketing  
13 being done by the Harrah's Casino in Cleveland, that  
14 Presque Isle has also stepped up their marketing  
15 efforts since May. Can you please put some detail to  
16 what you've done to counter that competition?

17 MS. SMITH:

18 Yes. Our Players Club was revamped in  
19 2012 beginning May 1. There was a new card program  
20 issued. More customers were included in the higher  
21 tiers, so they got more rewards. That's been very  
22 well received by our customers along with, Mike can  
23 probably speak more to this, gift giveaways and other  
24 things that draw customers to the property.

25 A. Yeah. We are being very aggressive with point

1 promotion and point multipliers. Certain days of the  
2 week we'll have these promotions and promote --- and  
3 gift giveaways. In February we're giving away  
4 cookware and the lines are unbelievable. I mean,  
5 these are very aggressive promotions that we're doing.

6 ATTORNEY CREANY:

7 I think more of the balance of the  
8 questions I have are for you, Mr. Tamburelli. I'd  
9 like to note in your mentioning what had showed up in  
10 the FIE report relative to the game kings. I'm not  
11 sure if I understood your testimony, but I think you  
12 had said 12 of the games that --- are the ones you're  
13 keeping, I believe, it was \$277 were the wins per  
14 unit. Those were in a high volume area. Are you  
15 removing them from that area or ---?

16 A. We are removing them because we want to cut down  
17 on both --- we are going to bring them back eventually  
18 onto the floor, so we're keeping them.

19 ATTORNEY CREANY:

20 And will they be in that same volume  
21 area?

22 A. We're not going to put them in the same high  
23 volume area. We're probably going to put them in  
24 another area.

25 ATTORNEY CREANY:

1                   Is it the game itself, or is it the  
2 location that's the magic on that?

3 A.   It's the location and part of the game.  I mean,  
4 it's a two-fold thing.  That's a very popular game.  
5 The denomination we have on those games it's from  
6 quarters to \$.50, \$1, so we --- it's a  
7 multi-denomination game.

8                   ATTORNEY CREANY:

9                   And you've given a little brief intro of  
10 your background.  Is it primarily in the slot area in  
11 gaming?

12 A.   Yes, it is.

13                   ATTORNEY CREANY:

14                   So, I'm, you know, not certain from the  
15 way I see the distribution in one of your slides as to  
16 which machines had left the floor.  Can you explain to  
17 the Board sort of the methodology or factors that went  
18 into your selection of which machines had to be moved?

19                   ATTORNEY RODRIGUEZ:

20                   I think Mr. Honeycutt can answer that  
21 question a little bit more accurately.

22                   ATTORNEY CREANY:

23                   Okay.  Thanks.

24                   MR. HONEYCUTT:

25                   Hello.  My name's Larry.  Actually,

1 there's several factors that we looked at when we were  
2 deciding which games to actually pull based on other  
3 factors than just the game theme itself or the  
4 platform. We have a very saturated floor and dated  
5 floor and I'm fairly new to this industry --- or this  
6 market here in Pennsylvania, but I've seen this  
7 experience in other jurisdictions as well. With the  
8 dated floor that we have and primarily section one and  
9 two is our smoking area, the game kings and anything  
10 that's performing well in that area is basically ---  
11 because it is our main entrance for our players that  
12 come through the door and it is the smoking area. And  
13 those game kings are your video poker games. A lot of  
14 your gamblers that play video poker do like to smoke.

15 ATTORNEY CREANY:

16 Okay. There are a couple adjectives you  
17 threw out there. Dated floor, and I think you  
18 said ---.

19 MR. HONEYCUTT:

20 Yeah. Our games on the floor --- we  
21 have a lot of games that are of older platforms such  
22 as IGT and WMS that are bluebird ones, and we have the  
23 S2,000s. They're every bit of five years plus on  
24 their actual model. Several of those, the products  
25 that we have have end of life already given from the

1 Manufacturers. So, it's in our best interest to start  
2 taking care and getting rid some of the games that are  
3 surplus that we will not be able to support in the  
4 future.

5 ATTORNEY CREANY:

6 In fact, in one of your slides it's the  
7 IGT that's approximately half of the ---?

8 MR. HONEYCUTT:

9 Absolutely. We have so many S2,000s  
10 because the real product is very popular and has been  
11 and that's not uncommon, but with that many on your  
12 floor you're going to have to definitely take  
13 advantage of the situation and start reducing and  
14 replacing those.

15 ATTORNEY CREANY:

16 And I'm not sure which witness would be  
17 best to address this, but the idea of what we heard in  
18 the earlier hearing about utilization of these  
19 machines. What's your peak type of utilization?

20 MR. HONEYCUTT:

21 Our utilization, our peak is around  
22 1,350 to 1,400 machines on a very busy night and  
23 that's a peak, that is not constant. Quite a bit  
24 we're underneath that substantially.

25 ATTORNEY CREANY:

1                   What is a midweek kind of evening? Do  
2 you have any idea what your utilization might be?

3                   MR. HONEYCUTT:

4                   We're averaging somewhere in the 15 to  
5 25 percent range depending as a peak.

6                   ATTORNEY CREANY:

7                   Fifteen (15) to 25 ---?

8                   MR. HONEYCUTT:

9                   Percent of that, yes.

10                  ATTORNEY CREANY:

11                  Of the machines?

12                  MR. HONEYCUTT:

13                  We do it hourly, we can also do it  
14 daily. It just depends on --- there's different  
15 metrics that we use to evaluate.

16                  ATTORNEY CREANY:

17                  And we're at 2,031 now, so you're saying  
18 at a peak ---?

19                  MR. HONEYCUTT:

20                  It's about 60 percent at peak and with  
21 the reduction we hope to get that around 75 percent.

22                  ATTORNEY CREANY:

23                  With respect to that balance is --- I  
24 think there was testimony that you're going to try to  
25 freshen up the floor a bit with 280 games, to bring in

1 some new games. Relative to the denominations what is  
2 it like in areas as far as the spread on that?

3 MR. HONEYCUTT:

4 Well, actually, I am changing things as  
5 far as --- it's called pricing your floor. When you  
6 price your floor you look at what your fair share is  
7 making. If I have \$1 game and 10 percent of my floor  
8 is only generating 5 percent of the revenue then I  
9 would look at what I need to do. Either it's the  
10 product or is there just not enough popularity in that  
11 denomination.

12 So, as I joined this property in  
13 November I've been looking at what we call fair share  
14 within each denomination, seeing if they're pulling  
15 their weight. And we have decided that there's  
16 certain denominations that really needed to go away  
17 and actually change them or modify the others and  
18 either increase or decrease those models.

19 ATTORNEY CREANY:

20 And does that go into the balance when  
21 you're looking at the utilization going forward?

22 MR. HONEYCUTT:

23 Absolutely, absolutely.

24 ATTORNEY CREANY:

25 With the machines that are being removed



1 are you familiar with whether those are owned machines  
2 or leased machines?

3 MR. HONEYCUTT:

4 We own approximately 95 percent of our  
5 games. We only have --- about five percent is leased.

6 ATTORNEY CREANY:

7 And are you familiar with what the  
8 disposition will be of those machines?

9 MR. HONEYCUTT:

10 Everything that will be leaving are  
11 owned.

12 ATTORNEY CREANY:

13 And what do you intend to do with them?

14 MR. HONEYCUTT:

15 We intend to use some towards purchase  
16 of new machines in our new capital and then we're also  
17 looking outside to sell those and we believe we've  
18 identified some purchasers.

19 ATTORNEY CREANY:

20 In the short term are you going to store  
21 them on site, or are they going to be ---?

22 MR. HONEYCUTT:

23 Yes, they will be stored temporarily on  
24 site, but it --- should get this approved I think we  
25 can sell them quickly and use the ones remaining

1 towards purchases.

2 ATTORNEY CREANY:

3 Maybe, Mr. Rodriguez-Cayro, if you could  
4 just explain a little bit about the coming competition  
5 in Ohio unless you feel one of your witnesses is  
6 better to address that. In the petition you  
7 identified three other racetracks and we hear that it  
8 is by 2015. Can you be more particular as to what you  
9 expect and when you expect in terms of that  
10 competition?

11 ATTORNEY RODRIGUEZ:

12 Absolutely. We expect Thistledown will  
13 be open here in 2013. I believe somewhere in the May  
14 area. Northfield is expected to open by 2014 and then  
15 Penn National has announced that they will be opening  
16 in Austintown early to mid 2015.

17 ATTORNEY CREANY:

18 And Austintown being close to the ---?

19 ATTORNEY RODRIGUEZ:

20 Youngstown general area.

21 ATTORNEY CREANY:

22 And in the pleadings you've identified  
23 all these within a hundred mile radius of your  
24 property?

25 ATTORNEY RODRIGUEZ:

1 As the crow flies. Correct.

2 ATTORNEY CREANY:

3 And what type of gaming will they be  
4 offering at those three tracks?

5 ATTORNEY RODRIGUEZ:

6 Those racinos will offer all VLT slot  
7 products basically. They do not have table games at  
8 any of the VLT racino facilities in Ohio at this  
9 point, however, the casino in downtown Cleveland is a  
10 full casino with slots and tables.

11 ATTORNEY CREANY:

12 One other thing. It may be our last  
13 witness here, but just generally if the Board hasn't  
14 been to Presque Isle in a while can you give a  
15 description of how that property looks currently with  
16 the 2,031 machines on the floor? Mr. Tamburelli might  
17 be better to explain. You had described comments from  
18 customers as being tight. Can you sort of explain in  
19 detail like how it's laid out and how you envision it  
20 changing?

21 MR. TAMBURELLI:

22 Well, there's walkways that are maybe  
23 like three or four feet and when it's busy customers  
24 are having a hard time navigating through the aisles.  
25 So, we intend to open up those --- open up the areas

1 and open up those banks and add some carousels and  
2 redesign the floor a little bit so there's great flow  
3 to our area. We have a restaurant on our casino floor  
4 called Sensory. The customers have a hard time ---  
5 they really don't know it's there because there's  
6 machines all over the place, so we're going to open up  
7 that area too.

8 ATTORNEY CREANY:

9 To a better line of view?

10 MR. TAMBURELLI:

11 Better line of sight.

12 ATTORNEY CREANY:

13 And the other thing, we're talking about  
14 311 games, I believe the slot portion of this. With  
15 those how are you going to do this so as not to  
16 substantially impact the casino, the other operations?  
17 Can you explain that to the Board, please?

18 MR. TAMBURELLI:

19 Sure. We're going to --- you know what,  
20 Larry would be the best person to address that.

21 MR. HONEYCUTT:

22 We actually need to be pretty aggressive  
23 on this because actually we're going into a busy time  
24 for us during tax season with February and March  
25 around the corner. If given the approval to do this

1 we would like to start this in February and be very  
2 aggressive and have this done within about three to  
3 four weeks. It sounds like a big undertaking and it  
4 is, but I think that if we can do the impact quickly  
5 and explain the changes as a positive --- because  
6 change is always something that ---. The perception  
7 becomes reality and a lot of our players are going to  
8 have questions, so if we can disrupt the floor  
9 quickly, get it done and show the benefits, you know,  
10 in the near future with the replacement of the product  
11 and explain those changes I think it'll be well  
12 received because there's a lot of dated product.

13 ATTORNEY CREANY:

14 I don't believe it's in this record, but  
15 in the process of reviewing the petition for Presque  
16 Isle your Counsel provided us with the gaming floor  
17 reconfiguration and three sets of blueprints that  
18 anticipate this be done not all at once, but in the  
19 process of phases.

20 MR. HONEYCUTT:

21 In phases, yes.

22 ATTORNEY CREANY:

23 Could you sort of lay that out a bit?

24 MR. KANE:

25 Can you put the slide back up?

1                   ATTORNEY RODRIGUEZ:

2                   It's on the last page of the handout.  
3 We handed it to the Board.

4                   ATTORNEY CREANY:

5                   It actually is. There you go.

6                   MR. HONEYCUTT:

7                   We're going to actually impact, I  
8 believe, around 200 games in the first full phase and  
9 that's mainly --- and we're talking about a lot of  
10 touches. And when I say touches it can either be  
11 system changes and/or physical changes, so there's a  
12 lot of movement within the system and out on the  
13 floor. But most of the work will be done within the  
14 first two phases and the second phase is primarily  
15 with our table games and how we're going to change  
16 those. And then the third phase will be to clean up  
17 the areas and make sure that we have the zone eight  
18 reconfiguration completed and our kiosk situated by  
19 the Players Club.

20                   So, primarily zone one --- or phase one  
21 is really our biggest undertaking, which would be the  
22 reduction of the games. As Mike alluded to, that were  
23 pinch points where we needed to reduce the size of the  
24 banks. Because one thing that I noticed since I've  
25 been on the property we have a lot of what they call

1 long banks where you would have anywhere in excess of  
2 six to eight games, sometimes even 12, on one side of  
3 a bank.

4                   And it goes against a lot of, you know,  
5 rationale as far as how people like to play. Revenue  
6 generation can be increased with smaller banks, which  
7 give people more space and more --- feel like they're  
8 not being cramped. Plus end cap games typically will  
9 outperform games that are in the middle of a big bank.  
10 When you increase the number of end cap games you  
11 actually can increase the number of revenue, so it's  
12 just --- there's a lot of configuration changes and it  
13 just needs to be cleaned up.

14                   ATTORNEY CREANY:

15                   I guess the only other question I have  
16 at this time either for Counsel or for your CFO, based  
17 upon what you anticipate do you have any idea at this  
18 point in time what might be the impact on the  
19 workforce?

20                   ATTORNEY RODRIGUEZ:

21                   I'll answer that. At this point we have  
22 not made a decision on the impact on workforce, to be  
23 honest with the Board and candid with the Board. It's  
24 something that we're going to have to study as the  
25 changes are made.

1                   ATTORNEY CREANY:

2                   Thank you. Those are all the questions  
3 I had.

4                   ATTORNEY PITRE:

5                   Has there been a change with the  
6 workforce since the Cleveland casino came online with  
7 regard to any competition that you received from Ohio?

8                   MR. TAMBURELLI:

9                   There hasn't been any kind of layoffs or  
10 anything like that, no. It's been just through  
11 attrition. In the slot department we've actually  
12 added some folks.

13                   ATTORNEY PITRE:

14                   Okay. And through attrition. Okay. So  
15 has there been any loss of positions through  
16 attrition, you know, where people have left and those  
17 positions were not filled or were not replaced?

18                   MR. TAMBURELLI:

19                   No, we haven't.

20                   ATTORNEY PITRE:

21                   Okay. With regard to the adding the new  
22 games and freshening up the gaming floor when do you  
23 anticipate that being completed?

24                   MR. TAMBURELLI:

25                   All the games we have capital, so I



1 would say by the end of September, October of this  
2 year.

3 ATTORNEY PITRE:

4 Okay.

5 MR. TAMBURELLI:

6 All the games will be purchases and in  
7 place.

8 ATTORNEY PITRE:

9 Okay. And will those be in addition to  
10 --- if the Board approves this petition today, will  
11 those be in addition to, or will you be seeking to  
12 replace games that will be left on the floor?

13 MR. TAMBURELLI:

14 Games that are left on the floor we  
15 would replace.

16 ATTORNEY PITRE:

17 Okay. So, it's going to be equal swap  
18 out?

19 MR. TAMBURELLI:

20 Yes.

21 ATTORNEY PITRE:

22 Okay. So, there won't be an increase of  
23 games, it'll just be equal swap out with fresher games  
24 on the floor?

25 MR. TAMBURELLI:

1                   That's correct.

2                   ATTORNEY PITRE:

3                   With regard to your table games, do you  
4 anticipate having enough --- any dealerships being  
5 reduced as a result of any table games being removed?

6                   MR. TAMBURELLI:

7                   Not at this time.

8                   ATTORNEY PITRE:

9                   Okay. The table games offerings, do you  
10 anticipate maybe expanding your poker room in the  
11 future or doing something to get a draw?

12                   ATTORNEY RODRIGUEZ:

13                   I don't think we made that decision at  
14 this point to be honest with you. It all depends on  
15 the impact that Cleveland has on us. We haven't  
16 visited and their table games are full from 8:00 a.m.  
17 to 7:30 a.m. the next morning. I mean, it's  
18 continuous. I mean, there's literally --- I can tell  
19 you from personal experience. I was there for a  
20 meeting. At eight o'clock their poker room was  
21 probably about 75 percent full. By the time I got out  
22 of my meeting at noon there was a line. They were  
23 handing out literally stickers like you see in a deli  
24 to gain access.

25                   ATTORNEY PITRE:

1                   And your company also operates a racino  
2 in Ohio; is that correct?

3                   ATTORNEY RODRIGUEZ:

4                   We do. It's in Columbus, Ohio, Scioto  
5 Downs.

6                   ATTORNEY PITRE:

7                   And has that property been performing to  
8 your expectations?

9                   ATTORNEY RODRIGUEZ:

10                   It has been performing to the  
11 expectations. It hasn't exceeded expectations, but  
12 that entire market is very young, so ---.

13                   ATTORNEY PITRE:

14                   Okay. And how is your West Virginia  
15 property?

16                   ATTORNEY RODRIGUEZ:

17                   West Virginia property has been  
18 performing to expectations. In fact, it exceeded  
19 expectations last year.

20                   ATTORNEY PITRE:

21                   Okay. I have no further questions at  
22 this time.

23                   ATTORNEY CREANY:

24                   I have just one more relative to the  
25 table games. I see from your petition you're

1 essentially going to leave nine poker tables on the  
2 floor at this point?

3 MR. TAMBURELLI:

4 Yes, we are.

5 ATTORNEY CREANY:

6 And the impact is really on the Black  
7 Jack. I believe that you're reducing it by seven  
8 tables?

9 MR. TAMBURELLI:

10 That is correct.

11 ATTORNEY CREANY:

12 And otherwise do you see any, you know,  
13 mix of the tables that need to be considered?

14 MR. TAMBURELLI:

15 No.

16 ATTORNEY CREANY:

17 So we're talking basically seven Black  
18 Jack tables. Are you saying that they're  
19 underperforming?

20 MR. TAMBURELLI:

21 Yeah. We have an area near our  
22 highlighted area, where the games are --- even on  
23 weekends are not even open, so we're going to take  
24 those out.

25 ATTORNEY CREANY:

1                   Okay. Thank you. No further questions.

2                   CHAIRMAN:

3                   Okay. Mr. Creany, anything that you and  
4 OEC want to present?

5                   ATTORNEY CREANY:

6                   We don't have any presentation, but we  
7 had a revised proposed Order, which we submitted on  
8 Friday and we've shared with Counsel. There were no  
9 objections. Those are I believe with the Board. And  
10 relative to, you know, the other types of reductions,  
11 we don't object, but we'd like to have some conditions  
12 in the implementation of any reduction.

13                   ATTORNEY RODRIGUEZ:

14                   And for the record, we did review them  
15 and stipulated to them as well.

16                   CHAIRMAN:

17                   All right. Thank you. All right. Any  
18 members of the Board have questions or comments?

19                   MR. SOJKA:

20                   Of course.

21                   CHAIRMAN:

22                   Gary.

23                   MR. SOJKA:

24                   If we approve this proposal what will it  
25 do to your percentage of games that are in the smoking

1 versus non-smoking area?

2 ATTORNEY RODRIGUEZ:

3 I think --- go ahead.

4 MR. TAMBURELLI:

5 It stays even.

6 MR. SOJKA:

7 No impact.

8 MR. TAMBURELLI:

9 Yeah, no change.

10 MR. SOJKA:

11 Questions for Larry, if you will, pardon  
12 the first name. This seems to be a day in which I'm  
13 hung up on denominations. You mentioned that you have  
14 multi-denominational games. What percentage of your  
15 games are multi-denominational?

16 MR. HONEYCUTT:

17 Well, it strictly right now is our video  
18 poker only and that's about four percent.

19 MR. SOJKA:

20 What's the range of possible  
21 denominations? Does it go up like \$.2 to a \$1 or ---?

22 MR. HONEYCUTT:

23 On our multi-denom we actually --- since  
24 it's video poker, it's either going to be quarter,  
25 half and dollar. It could be \$1, \$2, \$5 or it could

1 be, you know, two denominations, which we've had a bar  
2 that was \$1, \$2.

3 MR. SOJKA:

4 With that multiple thing does this make  
5 your job of pricing the floor more difficult or does  
6 it make it easier?

7 MR. HONEYCUTT:

8 Well, to be honest with you video poker  
9 is one of the few exceptions as far as I understand  
10 it. Multi-denom out in the slot world out on the  
11 floor --- some jurisdictions it took off, some it did  
12 not, but with video poker it's a different type of  
13 player. Video poker player as they win will tend to  
14 bet up whereas slot players don't typically do that.

15 And the analogy would be on a video  
16 player versus a slot player would be somebody --- if  
17 you drive the car you're probably a video poker type  
18 of player. If you're somebody that doesn't care how  
19 you get to the destination and you can sit in the  
20 passenger seat you might be a slot player. So,  
21 different types of players.

22 MR. SOJKA:

23 That's very refreshing to know that you  
24 have that level of sophistication. Will that come  
25 into play as competition from Cleveland and other

1 places begin to impact you are you going to sense that  
2 you may, in fact, have a different kind of player and  
3 that maybe the Ohio casinos and your casinos may, in  
4 fact, begin to segment the market and that you'll play  
5 towards your segment?

6 MR. HONEYCUTT:

7 Absolutely. And I think as --- you're  
8 always learning your player. If you're not then you  
9 become stagnant and complacent and you'll lose that  
10 player. And I think as we do our analysis on a daily,  
11 weekly, monthly basis depending on what you're looking  
12 at we're always learning from them. And I think if,  
13 you know, as we move forward --- and one of the things  
14 I've noticed is some of the programs that were on our  
15 floor prior to my getting here weren't necessarily  
16 enabled where they were very popular in other areas of  
17 the United States. So, we have since enabled those  
18 games, so it's --- you know, it's one of those things  
19 that I hope to bring to this jurisdiction and this  
20 property, that experience.

21 MR. SOJKA:

22 Thank you.

23 CHAIRMAN:

24 Jim?

25 MR. GINTY:



1 I may have missed this, but have you  
2 submitted what you see as cost savings on removal of  
3 the slots?

4 ATTORNEY RODRIGUEZ:

5 Commissioner, we did not because the  
6 cost savings was so deminimus in the end, you know,  
7 looking at --- as our predecessor Mount Airy stated,  
8 with the removal of approximately 200 machines they're  
9 going to say \$25,000 in total.

10 MR. GINTY:

11 You're removing how many table games?

12 ATTORNEY RODRIGUEZ:

13 We're going to have a reduction,  
14 obviously, in that --- we don't have all those table  
15 games open at this point as it is, so that could be  
16 ---. That would be misleading to this Board to tell  
17 you we're going to have this kind of reduction or  
18 savings when I don't have those tables open now.

19 MR. GINTY:

20 Would it be fair to say that you're  
21 about where Mount Airy is, not a substantial savings?

22 ATTORNEY RODRIGUEZ:

23 Correct.

24 MR. GINTY:

25 Do you anticipate an increase in gross

1 terminal revenue or stay about the same, or how do you  
2 see that going?

3 ATTORNEY RODRIGUEZ:

4 Well, we were certainly hoping that if  
5 the petition is granted that we'll see an increase in  
6 gross terminal revenue as well as utilization of the  
7 machines.

8 MR. GINTY:

9 Thank you. That's it.

10 CHAIRMAN:

11 Greg?

12 MR. FAJT:

13 Thank you, Mr. Chairman. Couple of  
14 quick questions. Same question I asked Mount Airy.  
15 Do you anticipate an impact with Keno coming online in  
16 Pennsylvania?

17 ATTORNEY RODRIGUEZ:

18 Yeah. We've actually started looking at  
19 that, but I can't, you know, really definitively tell  
20 you what that impact would be. Ohio I know has been  
21 up front on this situation and leading the pack to  
22 have Keno online and some other lottery games online.  
23 We haven't seen an impact yet.

24 MR. FAJT:

25 Okay. Thank you. And my second

1 question, I'm just a little slow on the geography  
2 uptake. The casinos that you anticipate coming online  
3 you mentioned I think three in Ohio within the next  
4 couple of years. Austintown is the one outside of  
5 Youngstown. I think that ---

6 ATTORNEY RODRIGUEZ:

7 Correct.

8 MR. FAJT:

9 --- Mr. Creany mentioned? Where are the  
10 other --- this North Dallas or whatever?

11 ATTORNEY RODRIGUEZ:

12 Northfield and Thistledowns are both  
13 south of Cleveland between the Youngstown and  
14 Cleveland area.

15 MR. FAJT:

16 Okay. Thank you.

17 CHAIRMAN:

18 Tony?

19 MR. MOSCATO:

20 Previously have you come before the  
21 Board to ask for a slot machine reduction?

22 ATTORNEY RODRIGUEZ:

23 No, we have not.

24 MR. MOSCATO:

25 Thank you.

1 ATTORNEY RODRIGUEZ:

2 Thank you, sir.

3 CHAIRMAN RYAN:

4 Ann Marie?

5 MS. KAISER:

6 Just one question I just wanted to  
7 follow up. What did you say the percentage was of  
8 owned versus leased?

9 MR. HONEYCUTT:

10 Ninety-five (95) percent.

11 MS. KAISER:

12 Are?

13 MR. HONEYCUTT:

14 Are owned. We try to keep that number  
15 in the leased around four or five percent.

16 MS. KAISER:

17 Okay. What's the justification for  
18 that?

19 MR. HONEYCUTT:

20 Actually, the fees associated with  
21 leased games --- they have their advantages to having  
22 leased product, but the expense is your bottom line as  
23 well. The advantage of having leased product,  
24 obviously, is you keep a fresher product and turning  
25 it around, and plus they usually --- the research and

1 development on the product is fresher and newer in the  
2 market. It's easy to identify throughout the United  
3 States as well.

4 MS. KAISER:

5 Have those leasing prices stayed the  
6 same over the past number of years or does that  
7 fluctuate?

8 MR. HONEYCUTT:

9 I can't speak for Pennsylvania and this  
10 property because I've only been here since November,  
11 but they seem comparable to the jurisdictions that I  
12 most recently worked in.

13 MS. KAISER:

14 Okay.

15 CHAIRMAN:

16 Any questions from Ex Officio members?

17 MR. CRAIG:

18 Just a quick --- couple quick questions.  
19 I don't fully understand the nature of the Ohio  
20 market. Are the slot machines in all of the venues,  
21 VLTs?

22 ATTORNEY RODRIGUEZ:

23 VLTs are in all the venues in the  
24 racinos. The four constitutional mandated casinos  
25 have, quote, unquote, regular slots.

1                   MR. CRAIG:

2                   Like Cleveland?

3                   ATTORNEY RODRIGUEZ:

4                   Correct.

5                   MR. CRAIG:

6                   Do you perceive an advantage over those  
7 VLT properties that you can offer a product that is  
8 more attractive to customers? I guess what I'm asking  
9 you is --- I always thought that customers preferred  
10 the real slot machine as opposed to VLTs. Does that  
11 distinction still exist today?

12                   ATTORNEY RODRIGUEZ:

13                   The distinction is barely noticeable.

14                   MR. CRAIG:

15                   Okay. So VLTs in these competing  
16 properties can pose a real competitive threat?

17                   ATTORNEY RODRIGUEZ:

18                   They do.

19                   MR. CRAIG:

20                   What does the New York market look like?  
21 Are there any anticipated competitive venues within  
22 your market?

23                   ATTORNEY RODRIGUEZ:

24                   We have Seneca just to the east of us.

25                   MR. CRAIG:

1                   They're existing now?

2                   ATTORNEY RODRIGUEZ:

3                   They are existing.

4                   MR. CRAIG:

5                   So it's not a ---?

6                   ATTORNEY RODRIGUEZ:

7                   We haven't heard any further expansion.  
8 God willing there won't be.

9                   MR. CRAIG:

10                  The other clarification question is, the  
11 Austintown venue that people are talking about, is  
12 that east or west of Youngstown?

13                  ATTORNEY RODRIGUEZ:

14                  That is actually on the southwest area  
15 of Youngstown.

16                  MR. CRAIG:

17                  Okay. Assuming the Ohio market  
18 continues to grow do you have any concern about the  
19 ability of Presque Isle to maintain and still be as  
20 successful, a long term viable operation that relies  
21 now more on its local market as opposed to, let's say,  
22 a hundred mile drive time?

23                  ATTORNEY RODRIGUEZ:

24                  I certainly think we're a viable entity  
25 and going forward certainly we need to market more to

1 that local customer and try to build that market  
2 further in light of, you know, the area and the new  
3 competition.

4 MR. CRAIG:

5 And just so I'm clear, your assessments  
6 of competition, et cetera, are --- don't specifically  
7 address the possibility of any new entry into the  
8 western PA market?

9 ATTORNEY RODRIGUEZ:

10 Oh, we mentioned it in our petition,  
11 however, we did not take it into our analysis at this  
12 point.

13 MR. CRAIG:

14 That's all the questions I have, Mr.  
15 Chairman. Thank you.

16 MR. MEALS:

17 Mr. Chairman, if I can please?

18 CHAIRMAN RYAN:

19 Yes, Matt?

20 MR. MEALS:

21 Thank you. Representing Secretary Greig  
22 and the Department of Ag. Our main purpose is on your  
23 racing product as one --- do you see --- in changing  
24 the layout of your floor and traffic patterns and  
25 that, do you see that having any negative or positive



1 effects on your racing product?

2 ATTORNEY RODRIGUEZ:

3 We don't. We actually discussed this  
4 petition with HBPA before we filed it. We don't see  
5 an impact at this point.

6 MR. MEALS:

7 Okay. And a little bit off the subject,  
8 but we've talked about the Ohio market. Have you guys  
9 analyzed or looked at what effect that will have on  
10 your racing product?

11 ATTORNEY RODRIGUEZ:

12 We are starting to look at that. As I  
13 said these racinos are not fully on board yet. You're  
14 going to have three facilities that have horse racing,  
15 like I said, within a hundred miles. So, will there  
16 be an impact? Certainly. How much that impact will  
17 be, I don't know, your guess is as good as mine.

18 MR. MEALS:

19 Okay. Thank you.

20 MR. SOJKA:

21 Are those all going to be harness  
22 tracks?

23 ATTORNEY RODRIGUEZ:

24 No, sir.

25 MR. SOJKA:

1           So they'll be thoroughbred racing at a  
2 couple of those?

3           ATTORNEY RODRIGUEZ:

4           They'll be thoroughbred racing as well.

5           MR. SOJKA:

6           What's the breakdown?

7           ATTORNEY RODRIGUEZ:

8           Right. Northfield is harness and the  
9 Austintown is supposed to be a thoroughbred track as  
10 well. However, Ohio has a distinction in their racing  
11 rules where they also allow quarter horse racing and  
12 then they allow thoroughbreds to run certain harness  
13 tracks. So, it's a little premature to let you know  
14 how they're going to break that down completely.

15          MR. MEALS:

16          It's a little different.

17          MR. SOJKA:

18          But with another harness track coming in  
19 there may be some draw to owner, drivers if you manage  
20 your schedules; right? Where they can come in and run  
21 at both tracks.

22          ATTORNEY RODRIGUEZ:

23          Yeah. The problem we face with our  
24 schedule, in Erie it's not always 75 in January.

25          MR. MEALS:

1 Thank you, Chairman.

2 CHAIRMAN:

3 Anything else? All right. Thank you  
4 ladies and gentlemen. This matter is now closed. As  
5 I noted previously, we will take a brief recess to go  
6 into executive session to consider these two matters.

7 ATTORNEY RODRIGUEZ:

8 Mr. Chairman, before we're dismissed  
9 make sure we moved the PowerPoint into evidence for  
10 consideration by the Board. I know we discussed it.

11 ATTORNEY CREANY:

12 No objection from Enforcement Counsel.

13 CHAIRMAN:

14 They may be moved into evidence.

15 ATTORNEY RODRIGUEZ:

16 Thank you.

17 CHAIRMAN:

18 By that clock looking up there it's  
19 noon. By my watch it's closer to 12:03, so we will  
20 recess for ten minutes. Hopefully we'll be back. No  
21 guarantees, but we'll make every effort. Thank you.

22

23 \* \* \* \* \*

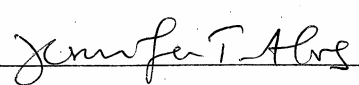
24 HEARING CONCLUDED AT 12:03 P.M.

25 \* \* \* \* \*

CERTIFICATE

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I hereby certify that the foregoing proceedings,  
hearing held before Chairman Ryan was reported by me  
on 1/29/2013 and that I Jennifer T. Alves read this  
transcript and that I attest that this transcript is a  
true and accurate record of the proceeding.

  
\_\_\_\_\_  
Court Reporter