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COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: ECLAIR HOLDINGS COMPANY, MTR
GAMING GROUP, INC. AND THEIR RELATED ENTITIES -
SEEKING APPROVAL OF A TRANSFER OF INTEREST

* * * * *

PUBLIC HEARING

* * * * *

BEFORE: WILLIAM H. RYAN, JR., Chairman
Gregory C. Fajt; Anthony C. Moscato;
Annemarie Kaiser; Keith R. McCall; John
J. McNally; David W. Woods; Members,
Jennifer Langan, representing Robert M.
McCord, State Treasurer, Robert P.
Coyne, representing Daniel P. Meuser,
Secretary of Revenue and Jorge Augusto,
Representing George Greig, Secretary of
Agriculture

HEARING: Wednesday, January 8, 2014

LOCATION: Pennsylvania Gaming Control Board
Strawberry Square Complex, 2nd Floor
Harrisburg, PA

Reporter: Lacey C. Gray

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1 WITNESSES: Gary Carano, Thomas Reeg, Robert Jones,
2 Joseph Billhimer, John Bittner

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CHAIRMAN:

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ATTORNEY BELL:

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Next will be Eclair Holdings Company, MTR Gaming Group, Incorporated and their related entities. If I may set the stage here, the parties have petitioned the Board seeking approval of transfer of interest. And we have more people than chairs here. Okay. Ladies and gentlemen, prior to your presentations I want to ask all fact witnesses presenting evidence today to please be sworn. And I would ask that all persons speaking, including Counsel, state your name, spell your last name for the stenographer. We have a fair number of lawyers and probably a few non-lawyers here. So, it can get confusing for all of us, but especially for the stenographer and we want to be as fair and as efficient as we can be. Okay. Who wants to speak for the Petitioners to start?

Mr. Chairman, thank you. My name is Tom Bell, B-E-L-L. I am with the law firm of Stevens and Lee, and we represent MTR Gaming Group, Inc. and its subsidiary, Presque Isle Downs, Inc., which of course is a Board Licensee. We are here today, as

:46:36 1 the Chairman said, to present you with information.
:46:38 2 And we appreciate the opportunity to present you with
:46:42 3 information regarding the proposed merger between MTR
:46:46 4 Gaming and its related entities and El Dorado Resorts
:46:51 5 and its related entities.

:46:52 6 We think that this merger presents a
:46:55 7 very exciting opportunity to have new investment
:46:58 8 injected into the Pennsylvania Gaming industry. I'm
:47:01 9 going to introduce a couple of people here that will
:47:05 10 be testifying, one that will be testifying for MTR,
:47:08 11 one that will not be testifying for MTR. And then
:47:11 12 we'll have Counsel for El Dorado introduce the people
:47:14 13 that are here for El Dorado.

:47:14 14 CHAIRMAN:

:47:14 15 Sounds good.

:47:14 16 ATTORNEY BELL:

:47:17 17 First of all, from MTR is Mr. Joe
:47:21 18 Billhimer, who's the president of MTR. Also John
:47:24 19 Bittner is here. Mr. Bittner will not be providing
:47:28 20 testimony. At that point I think I'm going to turn
:47:30 21 it over to Scott Kramer who is Counsel for El Dorado,
:47:34 22 at least Pennsylvania Counsel for El Dorado from
:47:34 23 Duane Morris.

:47:34 24 CHAIRMAN:

:47:34 25 Okay.

:47:34 1 ATTORNEY KRAMER:

:47:41 2 Thank you, Mr. Chairman, members of the
:47:43 3 Board. Under our statutory and regulatory system,
:47:46 4 when a transfer of interest is contemplated ---.

:47:49 5 CHAIRMAN:

:47:50 6 Excuse me, Mr. Kramer. Could I just
:47:51 7 ask you to spell your name for the ---?

:47:51 8 ATTORNEY KRAMER:

:47:53 9 I'm sorry. Scott Kramer, K-R-A-M-E-R.

:47:55 10 CHAIRMAN:

:47:56 11 Thank you.

:47:56 12 ATTORNEY KRAMER:

:47:58 13 Under our regulatory system the
:48:00 14 Licensee in this instance, MTR, provides a notice to
:48:04 15 the Board under regulation 441-17 of a proposed
:48:07 16 transfer. Following that the interested parties move
:48:13 17 as are El Dorado joined in the petition by MTR to ask
:48:19 18 the Board to approve a transfer of interest today.
:48:23 19 As a matter of housekeeping, we're going to offer ---
:48:26 20 we've identified and will offer three exhibits.
:48:29 21 There's a presentation that the witnesses will refer
:48:32 22 to and has been distributed to the Board. There is
:48:35 23 an additional amendment to the transaction, an
:48:38 24 amendment that occurred post filing of the petition,
:48:41 25 which has been exchanged with staff and is now being

:48:44 1 made part of the record, and also a proposed Order
:48:46 2 discussed with the OEC.

:48:49 3 I make one point about this being a
:48:51 4 pending transaction. And you'll see on page two of
:48:54 5 our presentation there are precautionary statements
:49:01 6 about federal securities laws and Forward-Looking
:49:06 7 Statements, and our presenters are well schooled on
:49:09 8 those areas. And if there's any hesitation in our
:49:12 9 response at some point it's quite possible that that
:49:16 10 is the consideration to the speaker.

:49:21 11 At this point let me introduce
:49:24 12 sequentially the El Dorado witnesses. Mr. Gary
:49:32 13 Carano that --- will be the Chief Executive Officer,
:49:35 14 Chairman of the Board of the resultant entity. Mr.
:49:38 15 Thomas Reeg is --- will be the President of the new
:49:44 16 resultant entity. And Mr. Robert Jones will be the
:49:49 17 Chief Financial Officer. And to start our testimony
:49:53 18 I think we're going to begin with Mr. Billhimer who
:49:58 19 will be the Chief Operating Officer of the resultant
:50:02 20 entity.

:50:04 21 CHAIRMAN:
:50:04 22 Mr. Billhimer?

:50:04 23 MR. BILLHIMER:
:50:05 24 Yes, sir.

:50:06 25 CHAIRMAN:

:50:06 1 You're not an attorney?

:50:06 2 MR. BILLHIMER:

:50:07 3 I am not an attorney.

:50:08 4 CHAIRMAN:

:50:08 5 Okay. Well, why don't you --- you're
:50:09 6 lucky. Why don't you stand and we'll have you sworn
:50:13 7 in? Could you state your name for the record, sir,
:50:18 8 and spell your last name?

:50:18 9 MR. BILLHIMER:

:50:19 10 Joseph Billhimer, B-I-L-L-H-I-M-E-R.

:50:23 11 CHAIRMAN:

:50:32 12 Can the witness be sworn?

:50:32 13 -----
:50:32 14 JOSEPH BILLHIMER, HAVING FIRST BEEN DULY SWORN,
:50:32 15 TESTIFIED AS FOLLOWS:
:50:34 16 -----

:50:34 17 CHAIRMAN:

:50:34 18 Thank you, sir. You may take a seat.

:50:34 19 ATTORNEY KRAMER:

:50:38 20 Excuse me, Mr. Chairman and members of
:50:40 21 the Board. I was remiss in not introducing Counsel
:50:43 22 for El Dorado who are here today from McDonald,
:50:47 23 Carano and Wilson in Reno, Nevada, Mr. Anthony
:50:53 24 Carano.

:50:55 25 CHAIRMAN:

:50:55 1 Okay. Thank you very much.

:50:55 2 MR. BILLHIMER:

:51:02 3 Okay. First of all, thank you, Mr.
:51:04 4 Chairman and members of the Commission for hearing us
:51:07 5 today. From MTR's standpoint we're very excited
:51:11 6 about this transaction. We think today is a very
:51:14 7 important step in the process of this transaction and
:51:18 8 look very forward to providing you some information
:51:21 9 today. Over the next several minutes members of the
:51:25 10 El Dorado team will be walking through El Dorado
:51:30 11 Resorts as well as some of their experience and
:51:33 12 background.

:51:34 13 I will touch throughout the
:51:35 14 presentation, later in the presentation, a little bit
:51:38 15 about the status of the MTR properties and our
:51:41 16 property in the Commonwealth, Presque Isle Downs.
:51:48 17 You know, I also want to point out that the members
:51:51 18 will go through the transaction and some of the
:51:55 19 structure, and hopefully give this Board a full
:51:59 20 picture of where we're going. And I'll turn it over
:52:02 21 to Mr. Gary Carano.

:52:02 22 MR. CARANO:

:52:05 23 Good morning.

:52:05 24 CHAIRMAN:

:52:06 25 Good morning, sir. I guess you have to

:52:07 1 be sworn, too?

:52:07 2 MR. CARANO:

:52:14 3 Yes, sir.

:52:14 4 -----

:52:14 5 GARY CARANO, HAVING FIRST BEEN DULY SWORN, TESTIFIED

:52:14 6 AS FOLLOWS:

:52:15 7 -----

:52:15 8 CHAIRMAN:

:52:15 9 Could you, please, just state your

:52:17 10 name, sir, and spell your last name?

:52:17 11 MR. CARANO:

:52:18 12 Gary Carano, C-A-R-A-N-O.

:52:20 13 CHAIRMAN:

:52:21 14 Thank you. Go ahead, sir.

:52:21 15 MR. CARANO:

:52:25 16 I'm not an attorney, but my father is

:52:27 17 and my son is. But I'm surrounded very nicely. We

:52:35 18 thank you for this opportunity to come before you in

:52:39 19 the great State of Pennsylvania. We'd like to give

:52:43 20 you a little history about our family and our

:52:46 21 operations over the years. My father who today is a

:52:54 22 little winemaker. He is an attorney, but he's still

:52:59 23 Chairman of our Board, and we'll go into a little bit

:53:04 24 of our winery as we proceed. We built the El Dorado

:53:08 25 in Reno in 1973 with my father and his partner, Jerry

:53:13 1 Poncia. And as you'll see, over the years we've had
:53:15 2 a numerous number of expansions, and built the El
:53:20 3 Dorado up to the beautiful property it is today.

:53:22 4 In 1995 we had the opportunity to go
:53:26 5 into partnership with then Circus Circus Enterprises,
:53:29 6 which was purchased eventually by MGM International.
:53:34 7 And they are partners today in the Silver Legacy,
:53:38 8 which you'll see is a beautiful property in downtown
:53:41 9 Reno also. In 2005 we were able to purchase out of
:53:45 10 bankruptcy the Hollywood Casino in Shreveport,
:53:49 11 Louisiana. And we'll give you that great story, turn
:53:54 12 around situation there.

:53:55 13 My father and his wife, Rhonda, we've
:54:04 14 been in the gaming business for over 40 years. My
:54:06 15 father originally was a gaming attorney and has
:54:08 16 always been Chairman of our Board, and then found the
:54:11 17 winery business to be a very happy part of his life.
:54:16 18 I'm one of five siblings. We're all in the business.
:54:20 19 I like to joke that I'm the youngest, best looking,
:54:24 20 hardest working and most honest, but I'm the oldest.
:54:27 21 And two brothers as you'll see in the next couple
:54:30 22 pages --- three brothers and then my sister Cindy's
:54:32 23 the youngest. We all work in the business between
:54:35 24 the properties.

:54:38 25 In the late '70s, early '80s, as I

:54:41 1 said, my father and his wife discovered Sonoma County
:54:44 2 and the wine business, and that's my father's real
:54:47 3 love today. He spends half of his time in Nevada and
:54:52 4 half of his time in California, but our winery ---
:54:55 5 which you'll see from my presentation, the culture of
:54:59 6 our company is ---. My father said we could never
:55:01 7 afford Frank Sinatra, so food and beverage is our
:55:05 8 forte.

:55:06 9 And the winery is proudly served in all
:55:09 10 50 states and some 20 foreign countries. And if
:55:11 11 you're ever in Sonoma County it's about an hour north
:55:16 12 of San Francisco and it's open 365 days a year. And
:55:20 13 it's a beautiful experience and that's one of our
:55:22 14 branding cultures in our properties, to not only
:55:25 15 brand the family --- or management team, but the
:55:29 16 winery, too.

:55:31 17 Last bullet point on that page is we
:55:33 18 are very involved in our communities. We've grown up
:55:36 19 in our communities whether it's in Reno and/or
:55:39 20 Louisiana to be partners with, whether it's schools
:55:43 21 or Boys and Girls Clubs. We're very community
:55:47 22 oriented. My sister, that's one of her fortes. One
:55:50 23 of her obligations and job duties is to partner with
:55:54 24 dozens of organizations in each community to assist
:55:57 25 in any way we can.

:56:01 1 I think part of the story of our
:56:03 2 company is up until 2005 we only had the El Dorado in
:56:11 3 Reno and --- excuse me, 1995 we built the Silver
:56:16 4 Legacy, but the company wanted to expand. And this
:56:18 5 merger with MTR gives our company --- which quite
:56:22 6 frankly we've got too many family members in Reno and
:56:27 7 our bench strength we feel is very strong. So, it
:56:30 8 gives us an opportunity to grow.

:56:32 9 As you can see, my father, Chairman of
:56:35 10 the Board, myself, Bob Jones, our CFO, I have two
:56:40 11 twin brothers. Gene is a general manager of El
:56:46 12 Dorado Reno. Glenn is not listed on this page, but
:56:48 13 he will be the general manager of the Silver Legacy
:56:53 14 in Reno. And we always like to tell Glenn's fame.
:56:53 15 Glenn was a quarterback for the Dallas Cowboys for
:56:57 16 seven years, and backed up Roger Staubach and Danny
:56:57 17 Wade.

:57:00 18 And my mother proudly wears a Superbowl
:57:03 19 ring, one of two, around her neck. And so Glenn with
:57:06 20 that Superbowl ring opens up a lot of doors for us
:57:09 21 and our customers just love that relationship. My
:57:12 22 brother, Gregg, is a graduate of Culinary Institute
:57:19 23 of America in Hyde Park, New York. And as I said
:57:20 24 before, food and beverage is a mainstay of culture of
:57:24 25 our company. We're very, very passionate about it.

:57:27 1 He and his wife graduated from Culinary Institute of
:57:30 2 America. He's our corporate food and beverage
:57:32 3 director. Rob Mouchou has been with the company for
:57:33 4 35 years, Vice President of operations.

:57:35 5 Mike Whitemaine played football with my
:57:37 6 brother at UNLV, came to work for the company and
:57:41 7 then has been in Shreveport since 2005 and done an
:57:44 8 outstanding job there. Rick Murdock grew up in the
:57:47 9 company. I think came into valet, Vice President of
:57:51 10 sales and marketing. My dad's wife, Rhonda, runs our
:57:56 11 advertising and marketing departments. And as I
:57:58 12 said, my sister is Vice President of hotel
:58:01 13 operations.

:58:04 14 The current properties that we have ---
:58:07 15 and there's more in-depth descriptions on the pages
:58:10 16 following. You can see El Dorado Reno built in 1973,
:58:17 17 Shreveport and then Silver Legacy and the following
:58:22 18 pages of this will have better descriptions of each.
:58:25 19 In 2005 we were lucky enough to have the opportunity
:58:28 20 to purchase out of a bankrupt situation the Hollywood
:58:34 21 Shreveport property. It was built, we would say, as
:58:37 22 a great hotel property, but the casino, really we
:58:41 23 didn't agree with the design. And they opened up
:58:44 24 with an inferior casino product, new slot machines.

:58:48 25 So, with \$18 million of capital

:58:50 1 investment in that property, that was spiraling
:58:55 2 EBITDA of a single digit EBITDA. With \$18 million
:58:58 3 primarily of remodeling the casino property and the
:59:03 4 slot machine property, we turned that property around
:59:07 5 from doing low single digits EBITDA to the second
:59:12 6 year in the mid-20s. It's located downtown
:59:17 7 Shreveport in a very competitive market. As you'll
:59:20 8 see throughout this --- our presentation, we are
:59:23 9 competitors. We're not only an athletic family, but
:59:27 10 in our business in Reno and Shreveport we have a lot
:59:30 11 of competition, and we've faired very well in
:59:32 12 competition.

:59:33 13 Hotel is a 400 room all suite hotel.
:59:37 14 It's got a great steakhouse that we branded with
:59:40 15 Vintage, which is one of our original steakhouses in
:59:42 16 Reno. Just completed a \$3.5 million remodel of the
:59:46 17 buffet last year. It has over 1,500 slot machines,
:59:51 18 60 table games. The competition in that market
:59:54 19 originally was Jack Binion's Horseshoe, which we
:59:59 20 became very big admirers of Jack Binion and the
:00:03 21 operation that he built and operated. And since
:00:06 22 Caesars has come in and taken over that property it
:00:09 23 still does tremendous revenues. They do the biggest
:00:12 24 revenues in that market and we are number two in that
:00:15 25 market in revenue.

:00:17 1 Margaritaville has since built a
:00:20 2 property there this last year and the market has been
:00:23 3 hurt a little bit by that. Our market --- or our
:00:27 4 gaming revenues actually were down at least ---. I
:00:30 5 think for anybody in the market, for the year I think
:00:32 6 we were down less than five percent. So Shreveport
:00:35 7 and Bossier is a very competitive market, but we have
:00:39 8 the premier, we feel, property in the market. El
:00:44 9 Dorado Reno, as I said, was built in 1973 with a
:00:48 10 number of expansions doubling the size originally a
:00:51 11 273 room property, then 400 rooms and 800 rooms.

:00:56 12 We'd like to think of it as a boutique,
:00:59 13 high end property in Reno, Nevada even though with
:01:02 14 the economy, high end gaming is not what it used to
:01:05 15 be. But through the culture of food and beverage and
:01:08 16 guest service, the El Dorado has a great guest
:01:12 17 experience property. We make and produce our own
:01:18 18 wine, but also at the El Dorado Reno we have our own
:01:22 19 microbrewery. We produce our own beer at the El
:01:26 20 Dorado and we roast our own coffee beans and brew our
:01:30 21 own coffee.

:01:31 22 So, we like to take everything in
:01:34 23 house. We have our own baker, own butcher shop. My
:01:37 24 great uncle was a baker and butcher, so it kind of
:01:40 25 flowed over the years. Reno is a very, very

:01:46 1 competitive market. We're located downtown. As
:01:49 2 you'll see on the Silver Legacy slide that El
:01:53 3 Dorado's a bookend of three properties with El Dorado
:01:56 4 on one end and the Circus Circus, which is owned by
:02:00 5 MGM on the other end, and the Silver Legacy in the
:02:01 6 middle.

:02:02 7 800 rooms, number of restaurants,
:02:06 8 number of restaurants, beautiful 600 seat showroom,
:02:10 9 and the convention facilities, table games, slot
:02:18 10 machines as you would expect. In Reno we compete
:02:22 11 with ourselves a little bit with Silver Legacy and
:02:27 12 Circus Circus. Not to the extent that Circus Circus
:02:29 13 is more of a family market. Harrah's is an original
:02:32 14 Harrah's property. It was located downtown Reno,
:02:34 15 which is now under the Caesars brand.

:02:36 16 We compete very fairly with them.
:02:39 17 We're friendly, but we compete. And then the
:02:43 18 Peppermill is a private company and Atlantis is a
:02:45 19 public company also competing in that market. Next
:02:52 20 page. Silver Legacy is the middle property in this,
:02:57 21 which we built, I said, with Circus Circus
:03:01 22 Enterprises in 1995. It's a 1,700 room, hotel casino
:03:06 23 with mezzanine levels that are not skywalks, but on
:03:11 24 the El Dorado side of that mezzanine we have our
:03:13 25 microbrewery and the Circus side, they have a

:03:16 1 restaurant.

:03:17 2 So, the general public can walk
:03:19 3 especially in the wintertime as we did today walking
:03:22 4 from the Hilton to your chambers today. You don't
:03:26 5 have to walk outside. We have a casino on the
:03:29 6 mezzanine and restaurants on the mezzanine, so it's
:03:32 7 actually three properties with 1,500 rooms --- or
:03:35 8 5,100 rooms, 4,000 slot machines, 15 restaurants.
:03:40 9 So, it's a great complex when you put all three
:03:42 10 together. We're 50/50 joint venture partners with
:03:47 11 MGM who have been a great partner of ours and have
:03:49 12 backed us up, and we utilize their expertise and
:03:53 13 contacts whenever we can.

:03:57 14 Same number of slot machines and table
:04:00 15 games, 40 story tower. The dome there you see is
:04:04 16 180 feet tall that encompasses the casino. The
:04:10 17 property was built in mining culture of Nevada and
:04:12 18 inside is 130 foot mining rig that is replicated of
:04:17 19 the old time mining in the west. Again, with
:04:22 20 downtown we compete not only with Harrah's
:04:25 21 properties, but the outlying properties that are
:04:27 22 closer to the convention center, Peppermill and
:04:31 23 Atlantis.

:04:32 24 With that I'll turn it over to Tom Reeg
:04:34 25 and he'll discuss our transaction. And, again, thank

:04:37 1 you very much for this opportunity and we look
:04:39 2 forward to --- after our presentation to answering
:04:42 3 any questions that you may have.

:04:43 4 CHAIRMAN:

:04:43 5 Okay. Thank you. Mr. Reeg.

:04:43 6 MR. REEG:

:04:46 7 I'm Tom Reeg, R-E-E-G.

:04:56 8 -----
:04:56 9 TOM REEG, HAVING FIRST BEEN DULY SWORN, TESTIFIED AS
:04:56 10 FOLLOWS:

:05:01 11 -----

:05:01 12 CHAIRMAN:

:05:01 13 Go ahead, Mr. Reeg.

:05:01 14 MR. REEG:

:05:02 15 Thank you, Mr. Chairman. I'm going to
:05:04 16 go through the details of the transaction that's
:05:06 17 before you today and talk about the company that
:05:11 18 we're going to combine into. So, the structure of
:05:15 19 the transaction is each of MTR and El Dorado will
:05:19 20 contribute their businesses into a newly formed
:05:22 21 public company. So, the MTR shareholders will
:05:26 22 receive stock in that new public company. They'll
:05:29 23 exchange their existing stock. For that El Dorado's
:05:33 24 shareholders will receive shares commensurate with
:05:38 25 their interest in the new company.

:05:39 1 The transaction following the amendment
:05:43 2 will be based on an MTR share price of \$6.05 per
:05:47 3 share. So, that's the fixed portion of the
:05:50 4 transaction. El Dorado's equity interest would be
:05:55 5 floating. It'll be set prior to closing based on El
:06:02 6 Dorado's equity value basically. It's enterprise
:06:05 7 value less than that debt. If you look at ---
:06:08 8 there's also a cash election option for MTR
:06:13 9 shareholders. That's \$35 million. That was amended
:06:16 10 from \$30 million from the initial petition.

:06:19 11 Based on the September 30th numbers and
:06:23 12 assuming a full election of that \$35 million, the
:06:27 13 ownership percentage ends up about 57 percent to El
:06:31 14 Dorado stakeholders, 43 percent to MTR. But as I
:06:35 15 said, that will float. At combination will be about
:06:40 16 \$1.1 billion combined enterprise value. Equity value
:06:45 17 should be well over \$300 million. Initially in terms
:06:50 18 of how we came to that valuation, we agreed on a
:06:53 19 common multiple for all of our --- for our assets and
:06:57 20 the MTR assets that at the time was 6.81 times.

:07:02 21 That's where the MTR original share
:07:06 22 price fell out at \$5.15 a share. We subsequently
:07:12 23 bumped up in response to competitive situation to
:07:15 24 \$6.05. So, actually the MTR multiple is going to be
:07:19 25 a bit higher than \$6.81. Ours remained at \$6.81, so

:07:24 1 that's how we got there. There is no financing
:07:27 2 needed for this transaction. It's a stock merger.
:07:31 3 The \$35 million in cash will come off a combination
:07:35 4 of our balance sheet and MTR's balance sheet. It's
:07:42 5 important to us. We have not been a company that has
:07:45 6 been aggressive in borrowing money. We're not a
:07:49 7 relative to the rest of the sector. You'll see in
:07:52 8 the numbers that Bob goes through that we're
:07:57 9 relatively low levered versus our peers in the
:08:01 10 sector. And that's important to us. We would expect
:08:04 11 that to continue.

:08:05 12 In terms of the timing, we expect to
:08:08 13 have our S4 Registration, our proxy statement go
:08:12 14 effective in the next 30 days or so. Once that's
:08:16 15 effective, 45 days after that there'll be a
:08:19 16 shareholder vote for the MTR stockholders that would
:08:23 17 approve the transaction. And then closing is
:08:27 18 dependent upon licensing in all the various
:08:31 19 jurisdictions. We're hoping for a mid-2014 close.
:08:36 20 As of yesterday I believe we cleared HSR, so no
:08:36 21 anti-trust concerns. So, really what's left is the
:08:36 22 shareholder voting regulatory.

:08:48 23 If you flip to the next page there's a
:08:52 24 diagram of the transaction structure as I just
:08:54 25 described. In terms of what's brought to the party,

:08:57 1 MTR comes in with a little over \$570 million in debt.
:09:02 2 Nearly \$100 million in cash. We bring \$168 million
:09:08 3 in debt at El Dorado Resorts. By the time this
:09:12 4 closes the facility will be zero and finishes
:09:15 5 amortizing in June. Cash, we're over \$40 million.
:09:20 6 Silver Legacy is separately financed and actually
:09:26 7 just refinanced, so there's now about an \$80 million
:09:32 8 credit facility. The second lien notes are gone and
:09:38 9 there's about \$10 million in cash in Silver Legacy
:09:41 10 --- or at Silver Legacy.

:09:44 11 Page 11 is a busy chart, but basically
:09:47 12 our company is a privately owned company, as Gary
:09:52 13 said. The Carano family, the Poncia family and held
:09:57 14 through various trusts through the patriarchs and
:10:01 15 their children. And then Newport Global Advisors is
:10:05 16 an investment management firm out of the Woodlands
:10:08 17 Texas. Owns 17 percent of the current El Dorado.
:10:12 18 That will dilute that down to about nine or
:10:16 19 ten percent in this transaction.

:10:19 20 In terms of highlights for us, this is
:10:26 21 an exciting transaction for us because we've got high
:10:29 22 quality assets in five different markets, five that
:10:33 23 will be contributors to our company. We're going to
:10:40 24 strengthen the financial profile of the combined
:10:43 25 company. As you guys are well aware, MTR's borrowing

:10:48 1 costs are high relative to the sector. We expect to
:10:51 2 be able to reduce those borrowing costs when we
:10:56 3 refinance pretty significantly so that there'll be
:11:00 4 additional free cash flow --- significant additional
:11:03 5 free cash flow for the combined entity. As Gary
:11:07 6 touched on, we are --- we have a long history of
:11:10 7 reinvesting in our properties, keeping them extremely
:11:13 8 competitive and operating in markets where we compete
:11:17 9 with the biggest companies in the gaming space.

:11:21 10 Our financial profile will allow that
:11:26 11 to continue. It'll allow us to continue to grow.
:11:29 12 There should be significant synergies from the
:11:32 13 combination of the two companies. We're in the
:11:35 14 middle of working through details of that as we
:11:37 15 speak, but there should be some significant cost
:11:40 16 savings as we combine the two entities. I'm going to
:11:45 17 flip back to Joe to take you through what's going on
:11:48 18 at MTR's properties.

:11:48 19 MR. BILLHIMER:

:11:52 20 Just to give you a brief overview of
:11:54 21 the MTR properties, as you can see by the graph,
:11:57 22 while we're centrally located none of our properties
:12:00 23 have very much, if any, overlap in terms of a
:12:02 24 competitive situation. Presque Isle Downs, as you
:12:06 25 know, has 1,720 slots. I'll go through each

:12:10 1 property. I'm not going to go through all these
:12:13 2 numbers. As I go through each property I'll talk
:12:15 3 about some of the competitive situations that we
:12:18 4 face. We go to the next slide.

:12:21 5 You know, Presque Isle Downs is
:12:24 6 actually over 140,000 square feet, 59,000 square feet
:12:28 7 of gaming space. I know some of the Board recently
:12:31 8 toured last month, I'm sorry I could not make that.
:12:35 9 But you could see we've made significant improvements
:12:38 10 to that property in terms of recarpeting, adding new
:12:41 11 machines, redoing the buffet. Obviously, we offered
:12:45 12 live thoroughbred horse racing at the state of the
:12:48 13 art track, and that's been very well received in the
:12:52 14 horseman community.

:12:54 15 The other, I think, unique attribute
:12:57 16 right now for Presque Isle Downs is that clubhouse.
:12:59 17 It's probably one of the more premier clubhouses, you
:13:03 18 know, in the state in terms of being able to view and
:13:05 19 have a fine dining experience. We also recently
:13:09 20 through development efforts were able to get the
:13:12 21 Sheetz development across the street from us as well
:13:15 22 as the New Baymont Inn that we expect to open and
:13:19 23 manage sometime in May. So, we think that that will
:13:23 24 provide some economic growth not only for our
:13:25 25 business, but for that corridor, which will in turn

:13:27 1 be beneficial for our folks that work in that part of
:13:31 2 the company. Briefly, we operate in Ohio --- I'm
:13:37 3 sorry. Can I go back? I forgot one point.

:13:40 4 I do want to point out on the right
:13:42 5 side of that scale, the competitive environment
:13:45 6 there, one, two and three, a year and a half ago were
:13:49 7 not competitors. One, two and three have popped up.
:13:52 8 Two and three just here in the last, you know, nine
:13:56 9 months with Hard Rock opening here this past
:14:01 10 December. So, we want to acknowledge, we're under
:14:04 11 tremendous competitive pressures in that market and
:14:07 12 we're doing everything we can to fight those
:14:11 13 competitive pressures in that particular market.

:14:15 14 Scioto Downs we did participate in Ohio
:14:19 15 as far as the development of it, but over in
:14:22 16 Columbus. It's a leading harness facility. It's a
:14:25 17 brand new build that we put together in two phases.
:14:29 18 Ultimately we have approximately 2,100 slots there, a
:14:33 19 300 seat buffet, a snack bar. And we did integrate
:14:37 20 that facility with the racing facility there as well.
:14:41 21 We do have development opportunities, a couple
:14:45 22 hundred acre site there, much like the hotel
:14:47 23 development up at Presque Isle. We're also looking
:14:50 24 for opportunities to develop there, but that
:14:53 25 property's doing very well in the market competing

:14:56 1 against an original Pennsylvania company, Penn
:15:02 2 National.

:15:04 3 Mountaineer Racetrack is our Legacy
:15:05 4 property. It's an expansive property with
:15:08 5 106,000 square feet of gaming, 2,100 slots, 39 tables
:15:12 6 including 12 Poker tables. We have a 350 room hotel
:15:16 7 there. We're in the process of actually remodeling a
:15:19 8 little over 200 of those rooms. We have a
:15:24 9 13,500 square feet of convention space, an actual
:15:28 10 golf course, multiple restaurants. We also have our
:15:33 11 facility there. It's separate in terms of its racing
:15:37 12 facility. It's actually located on the other side of
:15:40 13 the track.

:15:40 14 And, again, that property faces some
:15:43 15 degree of challenges with the competition in Ohio as
:15:46 16 well, but in the past it has faced significant
:15:50 17 challenges with the opening of casinos in
:15:54 18 Pennsylvania as well and has faired very well. Turn
:16:01 19 it back over to Tom to talk about the combined
:16:01 20 company.

:16:01 21 MR. REEG:

:16:07 22 So page 17 shows you a map of the
:16:09 23 company post transaction. You see that we bring a
:16:11 24 central and western piece to the map. On a combined
:16:18 25 basis we'll have over 10,000 slots, over 3,000 hotel

:16:22 1 rooms, over 7,000 employees. We should be north of
:16:30 2 150 million of EBITDA. That includes our interest in
:16:37 3 the Silver Legacy. And Bob can take you through
:16:42 4 specifics of our financials.

:16:42 5 MR. JONES:

:16:54 6 Robert Jones.

:16:54 7 -----

:16:54 8 ROBERT JONES, HAVING FIRST BEEN DULY SWORN,
:16:54 9 TESTIFIED AS FOLLOWS:

:16:54 10 -----

:16:54 11 MR. JONES:

:16:59 12 I'm going to talk about some of the
:17:01 13 numbers here that have been touched on by Gary, Tom
:17:04 14 and Joe, but the first schedule increased financial
:17:07 15 scale and stability of cash flow. Over the last four
:17:11 16 years, you know, revenue's been increasing slightly.
:17:16 17 EBITDA has maintained a fairly consistent pattern.
:17:19 18 On a combined basis for the nine months ending
:17:25 19 9/30/13 revenues will be slightly in excess of \$800
:17:28 20 million of which almost 40 percent is the El Dorado,
:17:32 21 60 percent is Mountaineer, with total combined EBITDA
:17:36 22 of approximately \$153 million.

:17:40 23 On the next schedule we talked about
:17:43 24 the diversity of the geographic assets of the
:17:46 25 combined properties, which is very attractive to us

:17:50 1 going forward. We have MTR currently at 28, and Ohio
:17:56 2 at 40 percent West Virginia, and 31 percent in
:18:01 3 Pennsylvania. And then we go to on a combined basis
:18:07 4 with Nevada. And I'm not going to talk about EBITDA
:18:13 5 on an individual basis here as you can see they
:18:15 6 pretty well correlate except for Ohio, which is
:18:19 7 substantially outperforming in terms of market --- in
:18:22 8 terms of the market share and contribution of EBITDA
:18:25 9 to the company. Net revenues in our proforma
:18:30 10 combined is a high of Pennsylvania, Ohio, Nevada
:18:36 11 20.6, Louisiana 17.8 and West Virginia 24, which is
:18:42 12 all pretty consistent and gives us geographical
:18:45 13 distribution in five different markets. EBITDA
:18:48 14 follows a consistent pattern with revenues except, as
:18:52 15 I mentioned, Ohio is 29.6 percent.

:18:57 16 On the last page of the presentation
:19:02 17 here and Tom has hit on it, is the improved credit
:19:06 18 file --- profile of the company. And, in fact, the
:19:10 19 MTR is leverage transaction and net leverage
:19:14 20 decreases down to 4.4 or 4.3, and we've done a little
:19:19 21 comparison here to some other properties in the
:19:22 22 industry. And you can see, in terms of our profile
:19:25 23 is combined objected we're in pretty good shape. So,
:19:30 24 that's all I have to say. I'll get it back to Gary
:19:33 25 to wrap up and thank you.

:19:33 1

MR. CARANO:

:19:38 2

I think that concludes our

:19:40 3

presentation. As you can see on this page, we've

:19:42 4

touched on the opportunity that we're very excited

:19:45 5

about to merge with MTR, which we have the highest

:19:48 6

respect for their company. The quality of the assets

:19:52 7

that both companies bring to this merger, we're very

:19:55 8

excited about. The diversification, of course, is

:20:00 9

very important to us. The opportunity for our family

:20:02 10

to grow our company and to diversify, and still have

:20:08 11

a strong financial statement.

:20:10 12

And I think the last thing I think I'd

:20:15 13

like to leave with the Commission is that our family

:20:19 14

is hands on, very involved in our companies. We have

:20:25 15

not had a corporate culture ever. And we're very

:20:29 16

involved and we are very, very excited to have this

:20:33 17

opportunity with MTR. And we've grown up especially

:20:39 18

longer in Nevada than we have in Louisiana, but we've

:20:43 19

all been educated to know that a gaming license is a

:20:47 20

privilege and not a right.

:20:49 21

And we take this opportunity to thank

:20:52 22

you for us being able to present in front of you and

:20:56 23

have this opportunity to be a part of your great

:20:58 24

state. Thank you.

:20:58 25

MR. REEG:

:20:58 1 And I would just like to add to Gary's
:21:09 2 point, the opportunity for our staff at Presque Isle
:21:09 3 to grow into a bigger company. It's very enticing to
:21:12 4 us and we see some great benefits from the management
:21:16 5 side of El Dorado on the food and beverage side. We
:21:20 6 look forward to some of those contributions and we
:21:22 7 also look forward to the contributions of being able
:21:24 8 to offer resorts to our guests from a competitive
:21:27 9 standpoint that we currently don't now. And so
:21:30 10 diversification and joining together for us, for MTR,
:21:35 11 and for really our employees within the Commonwealth.

:21:39 12 We think this is a great opportunity.
:21:40 13 And, as I said earlier, we're very excited to be at
:21:44 14 this point and appreciate the consideration of this
:21:47 15 Board and the staff, and appreciate all the help that
:21:50 16 we've had in getting to this point. Thank you.

:21:53 17 CHAIRMAN:

:21:54 18 Okay. Thank you, gentlemen. Office of
:21:57 19 Enforcement Counsel (OEC), have any questions?

:21:57 20 ATTORNEY PITRE:

:22:01 21 We have no questions, Chairman.

:22:03 22 CHAIRMAN:

:22:03 23 Any presentation?

:22:03 24 ATTORNEY PITRE:

:22:06 25 No, only the conditions that were

:22:07 1 proposed to the Board. Obviously, on its face it
:22:10 2 looks like a win-win situation for both companies.
:22:14 3 However, subject to the background investigation, the
:22:17 4 suitability checks, and the financial fitness and
:22:19 5 character requirements, we would ask that the Board
:22:23 6 not approve the final transfer until all those
:22:26 7 matters have been taken care of. And they're laid
:22:29 8 out in our answer in the conditions --- requested
:22:31 9 conditions.

:22:31 10 CHAIRMAN:

:22:32 11 Okay. Board have any questions?

:22:32 12 MR. FAJT:

:22:36 13 Thank you, Mr. Chairman. I have a
:22:37 14 couple of unrelated questions. On the one page on
:22:40 15 the transaction overview you list a share price of
:22:44 16 MTR in the transaction is \$6.05. And, John, maybe
:22:49 17 this is a question for you, but what was the high and
:22:52 18 low of the MTR stock in 2013? Does anybody have
:22:57 19 that, give or take?

:22:57 20 MR. BITTNER:

:23:02 21 Do I need to be sworn in as a witness?

:23:02 22 CHAIRMAN:

:23:04 23 Could you state your name for the
:23:05 24 record, sir?

:23:05 25 MR. BITTNER:

:23:05 1 John Bittner, CFO of MTR Gaming.

:23:05 2 CHAIRMAN:

:23:10 3 Go ahead. All right. We may as well
:23:14 4 have you sworn. You're not an attorney; right?

:23:14 5 MR. BITTNER:

:23:16 6 Correct.

:23:16 7 CHAIRMAN:

:23:25 8 Okay.

:23:25 9 -----

:23:25 10 JOHN BITTNER, HAVING FIRST BEEN DULY SWORN,

:23:25 11 TESTIFIED AS FOLLOWS:

:23:25 12 -----

:23:25 13 MR. BITTNER:

:23:26 14 All that for a simple answer. It's
:23:28 15 probably about \$5.50 and it jumped to that level
:23:32 16 shortly after the announcement.

:23:32 17 MR. FAJT:

:23:36 18 So that was the prior high or the
:23:37 19 average price for 2013, \$5.50-ish?

:23:37 20 MR. BITTNER:

:23:41 21 To put it in perspective, prior to the
:23:43 22 announcement of the merger it was around \$3.50.

:23:43 23 MR. FAJT:

:23:43 24 Okay.

:23:43 25 MR. BITTNER:

:23:48 1 Subsequent to the merger --- or
:23:49 2 announcement it went to over \$5.50 and it's currently
:23:52 3 around \$5.30.

:23:52 4 MR. FAJT:

:23:54 5 Great. Thank you very much.
:23:55 6 Appreciate that. Couple other questions. We have
:23:58 7 seen and we had some testimony here from Mr.
:24:03 8 Billhimer about the competition from Ohio. We
:24:08 9 obviously pay attention at the Gaming Board to the
:24:11 10 revenues at all of our properties and especially
:24:15 11 Presque Isle. Any specific plans on your part to
:24:19 12 stop the slide in revenues at Presque Isle?

:24:19 13 MR. CARANO:

:24:25 14 Mr. Chairman, Gary Carano again. I
:24:26 15 think that, as I've stated, we've grown up in a very
:24:29 16 competitive nature and we're very obvious of the ---
:24:34 17 like Joe mentioned, the competition that's come into
:24:37 18 the market in the last year. I don't think we have
:24:39 19 the silver bullet, you'd say that would stop the
:24:45 20 slide, as you say, but I think that putting both
:24:48 21 teams together and our experience and what we bring
:24:53 22 as far as a culture, not only food and beverage, but
:24:56 23 employee team and guest service, I think that we put
:25:00 24 those two cultures together with the great team that
:25:04 25 Joe already has in place.

:25:05 1 And then once we get into the property
:25:07 2 we're not afraid to spend money in capital
:25:11 3 improvements. I touched on it earlier, but both in
:25:16 4 El Dorado Reno, which Tom touched on it, we've been
:25:20 5 brought up to --- if you let a property slide ---.
:25:23 6 And even though Presque Isle is a relatively new
:25:26 7 property, we never let a property slide because we've
:25:29 8 been taught by my father if you let them slide,
:25:32 9 you'll never catch up. So we're not afraid to spend
:25:35 10 money both on slot product, which is obviously a
:25:38 11 very, very important piece of the puzzle, but also
:25:41 12 the food and beverage. In this case we think there's
:25:44 13 opportunities to increase, as Joe said, the
:25:51 14 opportunity, the product that we have at Presque
:25:55 15 Isle.

:25:56 16 So, we haven't had a chance yet to see
:25:57 17 --- if we went out and built a beautiful steakhouse
:26:00 18 or improved the buffet, which we just remodeled or,
:26:04 19 you know, a 100 room hotel, which could be opening in
:26:07 20 May. So, we don't have any exact answers, but I
:26:10 21 think that's what we --- you know, casino marketing
:26:13 22 obviously. We haven't had a chance to really get in
:26:15 23 and dive into casino marketing at the property.
:26:18 24 That's very, very key in driving revenues, but I
:26:21 25 think we're excited about the opportunity and feel

:26:26 1 that we have the team to stop the slide and turn this
:26:31 2 around and head north.

:26:31 3 MR. FAJT:

:26:35 4 Thank you. And to Mr. Billhimer's
:26:36 5 point earlier, I mean, we were there recently and
:26:40 6 noted that the increase and the newer amenities that
:26:45 7 you've added and they were impressive. One last
:26:47 8 question on the horse racing. You know, to certain
:26:51 9 members of this Board, and I'm in that group, that's
:26:54 10 a very important issue and I think I noted that you
:26:57 11 don't have experience in that commodity. And so that
:27:03 12 causes me a little bit of concern and just a word
:27:07 13 from --- again, I'm only speaking for me, but that is
:27:10 14 very, very important. We understand the business, we
:27:13 15 understand that horse racing is not where gaming is
:27:17 16 by a long shot in revenue production, but it's who
:27:21 17 brought you to the dance.

:27:23 18 And but for horse racing in this
:27:26 19 Commonwealth we would not have casinos and that's an
:27:29 20 issue that gets lost sometimes by certain properties.
:27:34 21 And so I will just take this, you know, time to
:27:37 22 mention to you that that is a very important issue to
:27:41 23 me personally, so that's it. Thank you, Mr.
:27:42 24 Chairman.

:27:42 25 MR. CARANO:

:27:45 1 I'd like to make a comment, Mr. ---

:27:45 2 MR. FAJT:

:27:45 3 Sure.

:27:45 4 MR. CARANO:

:27:47 5 --- Commissioner. One of our proposed

:27:48 6 Board members is a very --- pretty well known horse

:27:52 7 owner, Mike Pegram who we met through Bobby Baffert

:27:59 8 the horse trainer. He's one of our proposed Board

:27:59 9 members and just recently he won one of the \$1

:28:03 10 million races at the Breeder Cup. But Joe has an

:28:06 11 outstanding lady that runs his horse racing

:28:08 12 department for all three properties. And we're

:28:10 13 excited about her experience, but also, as you said,

:28:13 14 at our properties we have race and sports books that

:28:15 15 cover all of the majority of the tracks in America.

:28:18 16 But we're excited to have Mr. Pegram on

:28:22 17 our Board to bring the horse owner's perspective to

:28:25 18 our team.

:28:25 19 MR. FAJT:

:28:25 20 Thank you.

:28:25 21 MR. MCCALL:

:28:31 22 Just one question. Just for the

:28:31 23 record, Cyrus had mentioned that there are seven

:28:33 24 requirements that you have to follow. You're fully

:28:36 25 aware of those seven requirements that the OEC is

:28:40 1 requiring you to comply with as far as the background
:28:43 2 suitability?

:28:43 3 MR. CARANO:

:28:45 4 Yes.

:28:45 5 MR. MCCALL:

:28:50 6 As well as there will be a fee charged
:28:50 7 for as well, probably in the realm of \$2.5 million
:28:52 8 for the change in control? You're aware of that as
:28:54 9 well?

:28:54 10 MR. CARANO:

:28:54 11 Yes, sir, we are.

:28:54 12 MR. MCCALL:

:28:58 13 And just one little side bar, have you
:29:00 14 taken a look at any of the grapes up in that area?

:29:00 15 MR. CARANO:

:29:05 16 We own all of our own vineyards and so
:29:08 17 we control our own destiny, but I don't think my
:29:10 18 father's been up to northern Pennsylvania to look.
:29:13 19 But he's always looking.

:29:13 20 MR. MCCALL:

:29:17 21 Hint, hint. Thank you very much.

:29:17 22 MR. CARANO:

:29:19 23 Thank you.

:29:20 24 CHAIRMAN:

:29:20 25 Anyone else?

:29:20 1 MR. MCNALLY:

:29:23 2 Just initially I want to welcome Fred
:29:27 3 Clark with us, he's a partner team member with MTR
:29:30 4 and I have the utmost respect for what Fred has done
:29:33 5 for your plan of diversity up there. I want to say
:29:35 6 hello to Fred. To echo what Commissioner Fajt said,
:29:39 7 we were up to the property back in November, the day
:29:42 8 after the first snow storm. So, we were lucky there
:29:45 9 was only a dusting on that date, but the one thing we
:29:47 10 did notice we were impressed with your staff, with
:29:49 11 the amenities and with the capital improvements. I'm
:29:52 12 very happy to hear, quite frankly, there's a
:29:56 13 commitment to continue that investment because I
:29:57 14 think the one thing most of us observed was you
:30:00 15 really need a heated parking garage up there. So,
:30:03 16 we're hoping that that's something that maybe you'll
:30:06 17 consider, but welcome to Pennsylvania.

:30:06 18 MR. CARANO:

:30:09 19 Thank you very much.

:30:10 20 CHAIRMAN:

:30:12 21 Ex-Officio members? Jorge?

:30:12 22 MR. AUGUSTO:

:30:15 23 Just for the record, Mr. Chairman, the
:30:18 24 Thoroughbred Commission has been working with Counsel
:30:19 25 as well as MTR and El Dorado, and its version of the

:30:22 1 stock transfer directed from MTR to El Dorado. And I
:30:26 2 guess just for the record, if Mr. Kramer can tell the
:30:30 3 Board who ultimately or what company will ultimately
:30:34 4 continue to own the PID License, the Thoroughbred
:30:38 5 License specifically. If you can put that on the
:30:40 6 record that'll be helpful for you guys to have that.

:30:44 7 CHAIRMAN:

:30:44 8 Mr. Kramer.

:30:44 9 ATTORNEY KRAMER:

:30:46 10 Well, there will be no change in the
:30:48 11 handling of the license. The license will be held as
:30:51 12 it is presently. Jorge, does that answer your
:30:51 13 question?

:30:51 14 MR. AUGUSTO:

:30:59 15 That was it.

:31:00 16 CHAIRMAN:

:31:00 17 Okay. If Jorge is happy, we're happy.
:31:02 18 Any other questions? Thank you all. This matter is
:31:05 19 now closed.

:31:05 20 ATTORNEY KRAMER:

:31:09 21 Mr. Chairman, just want to make note
:31:10 22 that we move our exhibits at this time and ---.

:31:14 23 CHAIRMAN:

:31:14 24 Any objection?

:31:18 25 ATTORNEY HIGGIN:

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No objection.

CHAIRMAN:

Okay. They will be admitted. Thank you all, gentlemen and lady. We will be discussing this matter further in our Executive Session.

* * * * *

HEARING CONCLUDED

* * * * *

CERTIFICATE

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I hereby certify that the foregoing proceedings,
hearing held before Chairman Ryan was reported by me
on 1/8/2014 and I Lacey C. Gray read this transcript
and that I attest that this transcript is a true and
accurate record of the proceeding.

Lacey C. Gray

Court Reporter

:27:55

:27:55