

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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PRESQUE ISLE DOWNS PUBLIC HEARING

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BEFORE: WILLIAM H. RYAN, JR., CHAIRMAN  
Gregory C. Fajt, Commissioner  
Keith R. McCall, Commissioner  
John J. McNally, III, Commissioner  
David W. Woods, Commissioner  
Anthony C. Moscato, Commissioner  
Annamarie Kaiser, Commissioner  
Eileen McNulty, Acting Ex-Officio Member  
Fred R. Strathmeyer, Jr., Deputy Secretary,  
Representing Russell Redding, Acting  
Ex-Officio Member, State Treasurer  
Jennifer Langan, Esquire  
Robert Coyne, Esquire

HEARING: Tuesday, March 31st, 2015

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

WITNESSES: Nebiyu Bellete

Reporter: Derrick Ferree  
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CHAIRMAN:

All right, ladies and gentleman. We will now have a public hearing. We will first have a public hearing today on Presque Isle Downs Petition to reduce the number of Slot Machines and Table Games they presently have on their gaming floor. I see all representatives from Presque Isle are here. I would ask everyone speaking to please state and spell your name for the court reporter prior to your presentation. And also, because this is a formal proceeding, I would ask all non-attorney witnesses to please stand and be sworn in.

ATTORNEY SCHRIER:

Good morning Mr. Chairman, members of the Commission, Ex-officio members. What I'll do is I'll introduce the folks that we have, I'll have them stand up and then they can be sworn in in case they need to testify in the process.

CHAIRMAN:

That's fine.

ATTORNEY SCHRIER:

Okay. My name is Stephen D. Schrier. I'm with Blank Rome, LLP on behalf of Presque Isle

1 Downs Casino and Resort. And with me today is ---  
 2 sitting next to me on my left is Jeff Favre, who is  
 3 the General Manager of Presque Isle. And sitting on  
 4 his left is Jeff Sayer who is the Director of  
 5 Compliance and Human Resources. Also, with us today  
 6 is Kevin O'Sullivan who is the Director of Gaming  
 7 Operations for the property. And Joseph Billhimer,  
 8 who's directly behind me, Executive Vice President and  
 9 Chief Operating Officer of Eldorado Resorts. And  
 10 Thomas Deal (phonetic) who is the Deputy General  
 11 Counsel of Eldorado Resorts. So, I would ask that  
 12 they all be sworn appropriately.

13 -----  
 14 WITNESSES SWORN EN MASSE  
 15 -----

16 CHAIRMAN:  
 17 Thank you, gentlemen. You can sit down.  
 18 Mr. Schrier?

19 ATTORNEY SCHRIER:  
 20 Thank you, Mr. Chairman. The Petition  
 21 that's before you today seeks some very simple relief.  
 22 It's a reduction of slot machines and table games at  
 23 the Presque Isle Facility. The reduction is from slot  
 24 machines from 1,720 to 1,580, which is 140 games, or  
 25 an 8.1 percent decrease. And the tables, it's a

1 reduction from 46 to 42, for a nine and a half percent  
2 decrease in tables.

3           Very briefly, the reduction that is  
4 being sought today by Presque Isle is primarily driven  
5 by the significant changes in the market conditions in  
6 the Erie region since the Gaming Act was passed and  
7 since the last time that Presque Isle Downs was before  
8 you approximately two years ago.

9           The presentation that we have for you  
10 today will illustrate the increase in competition in  
11 the region and actually will serve as the first step  
12 in Presque Isle Downs' plans for a significant capital  
13 investment in new amenities for the property. They  
14 also seek in adding these amenities to create the  
15 right mixture and size, number of machines and games  
16 at the property to be more productive while enhancing  
17 their customer's experience.

18           Once you approve this Petition today,  
19 Presque Isle Downs intends to work closely with the  
20 Board's staff and BIE on its enhancements and its  
21 exciting new floor plans. We're here today because  
22 under the Gaming Act and the regulations, a Petition  
23 is required to be filed if the reduction in slot  
24 machines exceeds two percent of the current amount  
25 authorized, or if the reduction in tables is more than



1 ten percent of those authorized tables.

2                   Presque Isle Downs filed its Petition  
3 with the Board on February 18th and the Office of  
4 Enforcement Council (OEC) filed its Answer with  
5 confidential exhibits on March 18th. OEC did not  
6 object to the relief, but did request that certain  
7 conditions be imposed.

8                   What I'd like to do is introduce again  
9 Jeff Favre who's the General Manager of Presque Isle  
10 Downs who will provide you with the background and the  
11 reasons for today's requested relief. And the others  
12 that we have here are standing by to elaborate on any  
13 questions that you may have. So, with that, I'd like  
14 to introduce Mr. Favre.

15 -----  
16 JEFF FAVRE, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED AS  
17 FOLLOWS:

18 -----  
19 A. Thank you, Steve. Mr. Chairman, members of the  
20 Board, Control Board staff. I'd like to thank you for  
21 the time today and the opportunity to be in front of  
22 you. As Steve said, the Act requires that we must  
23 file a Petition for the Reduction of Games. But it's  
24 really more than a reduction of games in our opinion.  
25 It's more of an opportunity to enhance our floor,

1 create an ambiance and atmosphere in an environment  
2 that has more energy and creates the excitement that  
3 we believe that the guests desire.

4       The competitive environment in western PA with  
5 Ohio coming in line as grown very immensely and it's  
6 much more intense than it was many years ago. In fact  
7 in 2007 --- we'll kind of go through it. The  
8 competition in 2007, you'll essentially have four  
9 casinos, one of those being us. But then in 2013, of  
10 course, you had more come online with the Horseshoe,  
11 kind of starting that in May of 2012. Then in 2015,  
12 we have 11 casinos, which includes us.

13       So, you know, the primary battle and challenge  
14 that we have is without a doubt certainly competition.  
15 You've had an increase in supplier inventory of  
16 approximately 40 percent since 2011. It's a very  
17 competitive market that, you know, we have to find our  
18 way to compete and when. And we believe that the  
19 enhancements and the changes that we intend to make  
20 will certainly help us do that.

21       The Petition being filed is in our opinion, my  
22 opinion, a result of the enhancements and the changes  
23 that we want to make. So, certainly, you know, that's  
24 essential in getting approved and necessary before we  
25 can actually move forward and start these. The timing

1 of it is very important also because we consider or  
2 peak season starting on June 1st and it continues  
3 really into October then starts to die down. So,  
4 getting these down prior to that going into the peak  
5 season, so we have very little interruption or  
6 disruptions to guests, is in our best interest as well  
7 as the Commonwealths.

8       So, you know, the competition has certainly had a  
9 big impact on our gross Gaming revenues. Since 2011  
10 through 2014 we've seen approximately a 28 percent  
11 decrease in gross Gaming revenues. We feel that we  
12 would start the level off, so to speak, or it's kind  
13 of --- its reaching it's, you know --- it's made a  
14 point of impact, we think. The brunt of the storm is  
15 behind us. Again, we have to find our niche and find  
16 a way to compete. And we believe that these changes  
17 is the beginning of that. It's an opportunity to  
18 right-size our floor, to generate a better pattern  
19 flow, traffic flow, ingress, egress, a more  
20 comfortable space environment. Not too crowded, not  
21 too tight. Better sight lines, symmetry. As better,  
22 you know, group banking's and the way that we lay out  
23 our floor, as well as designate a smoking and  
24 non-smoking floor, which I'll kind of touch on a  
25 little bit later.

1           So, the reduction of game count is required  
2 because of the Act, but really it's an opportunity to  
3 enhance and improve the atmosphere and ambiance of the  
4 environment of our property and to compete in this,  
5 you know, intense market.

6           To talk about Eldorado, you know, the Eldorado  
7 philosophy is very, very guest focused. Not to say  
8 that we wasn't focused before Eldorado because we  
9 certainly were, but I think the focus on the guests  
10 has even been enhanced more. We all understand that  
11 the reason why we exist is because of our guests and  
12 we have to make them our primary focus and make sure  
13 that they have the experience that they desire. So,  
14 you know, Eldorado being very focused on the guest  
15 experience primarily with food driven and, you know,  
16 the slot experience, slot signage, these games, new  
17 technology, you know, putting capital back into our  
18 property and give yourselves the opportunity to  
19 compete.

20           So, you know, Eldorado is certainly supportive  
21 and behind us and willing to support us as well as the  
22 Commonwealth. And it's going to be a great partner.  
23 I'm excited about the things --- of course the, you  
24 know, merger didn't take place until September. But  
25 here we are at the beginning of the new year and I can

1 tell you that my experience has been very good and  
2 very supportive. And there's no doubt in my mind that  
3 Eldorado's going to have a positive impact for the  
4 Commonwealth as well as Presque Isle Downs.

5 Of course the relief requested, as Steve stated,  
6 the reduction in game count to 1,580 units of slots  
7 and 42 in table games. We believe that is the right  
8 number. We, you know, did a lot of research, did a  
9 lot of analyst, did a lot of, you know, backwards with  
10 looking and trying to do some forward thinking.  
11 And, you know, 1,580 games on slot side doesn't put us  
12 in any harm in any way in regards to utilization.  
13 Utilization being, you know, the number of games being  
14 in play with the total count. We don't really see  
15 those being a problem because the game count for 850  
16 games, with 1,580 games totaling with 54 percent  
17 utilization.

18 850 is about our average in peak season on a  
19 Friday and Saturday. And peak time being really  
20 between 6:00 p.m. and 10:00 p.m. We would be at 60  
21 percent with 950 games, 66 percent of 1,050, 73  
22 percent at 1,150 games. During that peak season last  
23 year from June 1st until October 1st, we only exceeded  
24 1,250 games of play one time. So, we don't believe  
25 that utilization by reducing the game count will be an

1 issue. We actually think that it will help us in many  
2 ways.

3 For example, we have approximately 1,100 games  
4 that are not supported by the manufacturers anymore.  
5 They give us an opportunity to reduce, you know, those  
6 games that are no longer supported. Those 140 games  
7 that come off, we're able to strip them of their parts  
8 to be able support the remaining games within our  
9 footprint, so therefore reducing, you know, our  
10 maintenance costs or our supply costs to maintain  
11 those games to keep them on the floor while we move in  
12 to future capital cycles to replace those. And that  
13 process will continue until we replenish those older  
14 cabinets that's on our floor.

15 Balancing the removal of the right games. So,  
16 take, for example, you know, IGT is the vendor that  
17 has the largest presence on our floor. So, of course  
18 we'd want to try and remove more IGT games then  
19 balance that with the different vendors on our floor,  
20 so that we can maintain those part supplies and keep  
21 the right manufacturing mix on our floor. That allows  
22 us to do that. And then future capital cycles allows  
23 us to eventually replace all those games and continue  
24 to refresh and enhance our floor for our guest because  
25 at the end of the day, you know, 90 percent of our

1 revenue comes from, you know, our slot customers and,  
2 you know, they're chasing the best games and the best  
3 programs. And I think that this will certainly help  
4 us, not hurt us.

5 Win per unit. We believe win per unit will  
6 certainly go up. Part of the reason for that is  
7 reduction in the game count. But also the game mix of  
8 --- your denom mix as well as having some newer  
9 programs on your floor. Some of the older programs  
10 have less, you know, approved games in the library.  
11 Therefore you're limited in what you can actually put  
12 in play and the guests can play. New games refresh  
13 capital. That allows us to put better games, better  
14 programs. So, that will help as far as with the win  
15 per unit. So, we don't see win per unit going down.

16 In fact in 2011, we had 2,070 units. The win per  
17 unit was 223. In 2012, we reduced it down to 2,031  
18 units. The win per unit was 202. 2013 is when the  
19 last reduction took place when they were originally in  
20 front of you. Win per unit actually went up \$4 in  
21 206. And in 2014, 1,720 units and a win per unit if  
22 190.

23 It's not really the reduction of units that is  
24 the problem. The problem is competition. You've had  
25 an increase of about 40 percent in supply. Right in

1 our, you know, primary market. That's the challenge  
2 and the hurdle that we face. And reducing down to  
3 1,580 is only rightsizing our self. Giving us the  
4 opportunity to enhance the amenities, the ambiance,  
5 the environment, create the center bar, enhance and  
6 improve our high limits, improve the interest and the  
7 exterior façade to LBV Steakhouse, enhance the north  
8 sidebar by giving it a facelift and improvements. So,  
9 a lot of these things are really what we believe is  
10 going to help us improve the guest experience.

11 As a result of that, the game reduction is why  
12 we're in front of you today. The 46 games down to 42  
13 in table games, we currently have four games on our  
14 floor that we don't even have floats on them. For  
15 example, we have two blackjacks, one roulette, one  
16 craps that we have no chips on those tables at all  
17 right now. So, reducing those four games,  
18 technically, they're not there now. They're like a  
19 piece of furniture because they have no action, no  
20 chips. So, table games we really see it as zero  
21 impact because they're never in play.

22 To kind of give you an idea, and we're excited  
23 about it, is to show the pictures in the presentation  
24 --- it's kind of a global overview. Go back to the  
25 overall. So this is kind of the overall --- and I'll



1 kind of walk you through it. The A part is the center  
2 bar, which is right in the center. That's why we call  
3 it the center bar. We believe that's going to kind of  
4 be the hub, the focal point, the meeting point. As  
5 you can see right below that, if you went straight  
6 down from A, the center part, that's our valley  
7 entrance, main part ---. So, you have a nice  
8 sightline coming in from that entrance.

9       And then over to the far left where F is is our  
10 primary entrance for the north side where the bulk of  
11 our parking actually takes place, south parking. You  
12 have a nice sightline to the bar from there as well.  
13 And then over to the far right is our south side  
14 entrance, which you'll have a nice sightline into that  
15 center bar as well. So trying to create the  
16 sightlines into that center bar, being a focal point,  
17 the hub of energy and kind of the meeting point is the  
18 concept, with nice TVs, nice sound package. That it  
19 will be, you know, the energy that kind of bleeds out  
20 from that point.

21       B on that is basically an existing bar that we  
22 look to close in and make a service bar as well as  
23 storage. Because one of the things that we're doing  
24 with these changes is --- right now, I'm kind of  
25 embarrassed to even say this, but we have plastic on

1 our floor as far as cups and glassware. We're looking  
2 to change that to actual glass and try and improve the  
3 guest experience to the perception of value. So, you  
4 know, we need a place to store some of the stuff  
5 because we don't have it currently. So, really  
6 there's a service bar and storage area.

7       If you look down to the bottom right, that is D  
8 which is basically our high limit room as it currently  
9 sits today. So, we're looking to enhance that area,  
10 give it, you know, a better feeling, you know, better  
11 energy. We'll show pictures here shortly that will  
12 kind of give you an idea of what we're actually  
13 looking to do and what it will look like as its end  
14 product.

15       E is where the La Bonne Vie, our steakhouse is,  
16 LBV. If you was to walk by LBV right now, if you  
17 really wasn't paying attention, you probably wouldn't  
18 even know there's a restaurant there. It's probably  
19 one of the best restaurants in Erie and we're proud of  
20 it. And I can tell you that it's actually getting  
21 better with Eldorado's, you know, improvements and  
22 changes they're making. It's a shame that, you know,  
23 you don't really know it's there unless you just  
24 happen to stumble on it. So we want to try and  
25 actually create a, you know, point of entry, make it

1 stand out. So, that's the LBV.

2 And then F is the north side bar which currently  
3 exists. And we're just going to refresh it and  
4 enhance it, put new TVs in and tie it into some of the  
5 same, you know, finished materials, color patterns and  
6 materials for it, to kind of start to tie it in and  
7 make it all one look and feel. To kind of give you an  
8 idea, if you look at the first slide, that's the LBV  
9 entrance, kind of what it would look like. Again, try  
10 to give it a point of entry, give it some appeal so  
11 where you actually see it rather than not see it as  
12 you walk by it.

13 The next one is the high limit room. Give you an  
14 idea what that looks like. You know, we have made  
15 some changes to high limit within the past year that  
16 have already had a positive impact. We originally had  
17 only two blackjack tables there. And more games did  
18 not have a very good feel and we changed it where we  
19 put five games in; four blackjack one mini bac.  
20 Changed the game layout, the configuration. And we've  
21 already seen, you know, quite a bit of improvement.

22 We believe that by doing what we intend to do  
23 here, that only gives the opportunity to improve it  
24 even further and potentially recapture some of the  
25 play, particularly the play that we've lost around the

1 Cleveland area when the Horseshoe opened in May of  
2 2012. May of 2012 when the Horseshoe opened, it made  
3 a material, negative impact that we want to try and  
4 recapture some of that. And I believe that we have  
5 recaptured some of it. And this will only help us,  
6 including some of the Asian play that we've made a  
7 focus and trying to recapture, which we're starting to  
8 see some of it resurface.

9 And then the main one, which is the center bar,  
10 again, being right in the center bar, center of the  
11 floor. Nice TVs, trying to make it, you know, the  
12 place where you want to go watch a game and be at in  
13 Erie. You want to make it the, you know, place hey,  
14 let's go to Presque Isle Downs and make it that focal  
15 point and get it to bleed out from there.

16 So, you know, these are the reasons really in my  
17 opinion why we're in front of you today. The Petition  
18 is essential because of the Act. But those changes is  
19 really what --- you know, it's the catalyst that got  
20 this moving and started in that direction. To kind of  
21 give you an idea of the end product which what it will  
22 look like when all is said and done. So, today with  
23 the Petition, you know, we're asking for the reduction  
24 in game. We can get started. The end result of what  
25 you see, that will not be that way until December

1 because we will work with OEC and BIE, as well as the  
2 --- you know, onsite and all of our routine  
3 submissions to make sure that we do everything as  
4 required and necessary in all of our projects to get  
5 where we need to be. So, that will be ongoing.

6       Once we get the approval, we would begin  
7 immediately in removing the games in that center bar  
8 area, as well as some games from the LBV entrance and  
9 the high limit room to start construction and try and  
10 expedite it as quickly as possible and try and get  
11 done by that June 1st date.

12       As soon as we get done with that and the  
13 construction gets turned back over to us, then we  
14 would start back on our regular OP processes to  
15 basically reconfigure the floor to get the smoking and  
16 non-smoking designated areas as well defined. That's  
17 going to take some time because the last thing that I  
18 want to do is going into our peak season is have our  
19 floor all messed up and disrupt the guests and create  
20 frustration.

21       So the concept is to, you know, start on Monday  
22 morning, figure out exactly what our game count will  
23 be for that project. Say if it's, you know, 60 games,  
24 we work on doing those 60 games for that week. We're  
25 starting in the section that is our most least played

1 section and work through the most least played section  
2 all the way up until we get into the busy sections  
3 during that peak season, so hopefully we get out of  
4 peak season. And now, we're going to the more busier  
5 part of our floor.

6 That way, come Friday, you know, my objective and  
7 mandate to my team will be that come Friday when the  
8 guests --- which is our busiest time where we make the  
9 majority of our revenue on Friday evening on until,  
10 you know, Sunday evening, I don't want any disruptions  
11 to the guests and I don't want them to be frustrated.  
12 I don't want to be an obstruction zone. Games are  
13 back in play, it seems normal to them. Come Monday  
14 morning, we start it again. And, you know, Friday,  
15 they're back in play. You know, it seems like  
16 everything is back to normal. So that process will  
17 take from June well into December to methodically do  
18 it. So, we minimize and mitigate the frustration and  
19 disruptions to guests, so we don't have any further,  
20 you know, revenue erosion.

21 When all said and done, there's no doubt that I  
22 believe that we're moving in the right direction. And  
23 we're certain to be the right thing to do. Otherwise,  
24 I wouldn't be sitting in here in front of you today  
25 asking you for this if I didn't think it was the right

1 thing to do. I think that when we're completely done  
2 with it, the first full 12 months, that we will  
3 actually see a revenue increase, both from slots and  
4 tables, from what our trailing 12 months was  
5 previously before that.

6 The smoking and non-smoking designation in our  
7 opinion gives us an opportunity to market to both the  
8 smoker and the non-smoker. Of course, Ohio is  
9 non-smoking. Ohio is where we've had the biggest  
10 impact of course from competition. And we believe  
11 that if you can have an entrance where I'm a  
12 non-smoker and go into the entrance and have access to  
13 a restroom, have access to the cage, have access to  
14 the food and beverage venues, have access to the table  
15 games without even having to go through a smoking  
16 section, that gives us an opportunity to have a  
17 competitive advantage. We believe that we will be  
18 able to do that.

19 So, you know, the Petition today allows us to  
20 just get the project started. Thereafter, through the  
21 regular OP submissions, we will eventually get to the  
22 non-smoking, smoking destination where we're able to  
23 market to both of those guests. And we believe that,  
24 you know, we have that done. It's going to need, you  
25 know, a little bit of tweaking but we'll tweak that

1 through, you know, the OP submissions process once we  
2 get done with the projects to eventually get there.  
3 And as always, we'll work with the architect as well  
4 as your team to make sure that everything that's being  
5 done and being done in the right way and compliant.

6         And at the end of it, we certainly believe we'll  
7 be better positioned to move forward and recapture  
8 market share and make positive things happen. So it's  
9 kind of it in a nutshell. You know, I've tried to  
10 answer as many of the questions before we go into  
11 questions. So, we won't have any reduction in force  
12 or staff. In fact, we think that it actually helps us  
13 a little bit to improve our guest service because now,  
14 you know, we're able to kind of refocus some of these  
15 resources and pay more attention to the guests.

16         And, you know, so no reduction in force. We  
17 believe the game count is right-sized. And we believe  
18 the smoking/non-smoking with the enhanced amenities  
19 and offering is a good plan. And we certainly  
20 appreciate your support and approval to move forward  
21 and give us the opportunity to execute it and prove to  
22 you that we all made the right decision.

23                     CHAIRMAN:

24                     Okay. Any questions or comments from  
25 the OEC?



1                   ATTORNEY PITRE:

2                   Cyrus Pitre, Chief Enforcement Council.  
3 P-I-T-R-E. Assistant Enforcement Council Kim Adams,  
4 A-D-A-M-S, will present the matter on behalf of the  
5 OEC.

6                   ATTORNEY ADAMS:

7                   Thank you. Good morning, Chairman Ryan  
8 and other Board members.

9 CROSS EXAMINATION

10 BY ATTORNEY ADAMS:

11 Q. Jeff, you talked about how Ohio is non-smoking.  
12 Do you believe the fact that you're going to have your  
13 segregated non-smoking and smoking sections will help  
14 bring the Ohio customer-base back to Presque Isle?

15 A. I believe it has the potential to. You know, we  
16 have our guest surveys that, you know, we receive on  
17 the daily and weekly basis. And, you know, one of the  
18 major complaints is, you know, that they have to go  
19 through smoking to get to non-smoking. You know, of  
20 course, you know, smoking always performs better than  
21 non-smoking. And, you know, the Clean Air Act of  
22 being 50/50 balanced is --- really, it's a difficult  
23 chore and something that we must comply with and we  
24 understand that and we intend to do so.

25                   But trying to position the non-smoking to where

1 the non-smoking to have the opportunity to not go  
2 through the smoking, as well as give them the right  
3 game mix to where it's attractive to them as well as  
4 having the table games right there to create energy  
5 --- Because the last thing that we want to do is  
6 create dead pockets to where you have a non-smoking  
7 section and you go in and it just seems like wow, man,  
8 this place is not too busy. And then you go into the  
9 smoking section and it's hopping.

10 And you're trying to balance that is really a  
11 challenge. But we think that, you know, the plan that  
12 we have addresses that and gives us the opportunity to  
13 go back and market to the Ohio guests as both smoker  
14 and non-smoking.

15 Q. And after your last reduction of slot machines  
16 and table games in 2013, Presque Isle implemented a  
17 pretty aggressive marketing campaign to draw more  
18 customers to the casino. Do you guys have any plans  
19 for any new marketing campaigns once the reduction and  
20 enhancements have been completed?

21 A. Since I've been here, which about 15 months ago,  
22 we haven't stopped. We will continue various plans  
23 that are actually in place now. There will be more  
24 plans that we will be ruling out here shortly. We are  
25 testing things that is actually in the field or in the

1 market as we speak. Those tests kind of give us an  
2 idea of where we need to make adjustments or  
3 modifications to eventually kind of rule it out to the  
4 entire population.

5 We have certainly had some positive results in  
6 what we call the battleground area, which is right  
7 across the state line, going into Ashtabula and to  
8 Mentor, that area, which is really a key area for not  
9 only ourselves, but for Hollywood Mahoning Valley,  
10 Horseshoe Cleveland, Thistledown and Hard Rock because  
11 they're right there. And it's almost, you know, same  
12 drive time to any of those places. But we believe  
13 that our location, you know, give them the opportunity  
14 to basically get right off the exit, you're at our  
15 doorstep, not having to go through Cleveland or any  
16 other traffic. And the drive time is not any, you  
17 know, worse really than going into Cleveland.

18 So that area is an area that we have really  
19 focused on and have seen some positive results. But,  
20 you know, our primary focus has really been in our  
21 backyard which is Erie County and, you know, making  
22 sure that we take care of the people that's right  
23 there around us.

24 Q. You said most of your competition for the new  
25 casino is obviously in Ohio. Since the opening of

1 those final casinos in Ohio, have you done any  
2 tracking of the number of players or percentage of  
3 players you've lost from the Ohio base?

4 A. Well, I can tell you that, you know, the revenue  
5 --- when you look at the revenue distribution, the  
6 allocation of contribution by state, you know, prior  
7 to the Ohio casinos opening, the contribution to  
8 revenue was much, much higher than it is today, which  
9 kind of goes back to, you know, my comment on focusing  
10 on Erie County. At one time, you know, Ohio was  
11 closer to 50 percent of our revenue contribution,  
12 where today, you know, Erie County is 50 percent of  
13 our revenue contribution. And that mix just, you  
14 know, it's all due to competition. It just means that  
15 now the Erie customers are more important.

16 And trust me, you know, I'll take, you know, any  
17 guest from any jurisdiction in the state. And, you  
18 know, we've identified the areas where we've had  
19 erosion or what we consider inactive guests, at risk  
20 guests, fading guests. And like I said, we are  
21 testing some things to try and get them, you know,  
22 back into our door. It's part of the reason that we  
23 believe the enhanced amenities and atmosphere gives an  
24 opportunity to recapture some of those, making changes  
25 and go back out and be able to communicate to them,

1 hey, come see what we've done, you know, it's changed,  
2 that's new. And give them an opportunity and be able  
3 to market that. So we believe that we certainly have  
4 some potential to recapture.

5 Q. Okay. And you said that slot machines that  
6 you're looking to be removed are no longer supported  
7 and you're going that for parts for the future. Are  
8 the vast majorities of those machines owned by Presque  
9 Isle or are they all?

10 A. They're all owned by Presque Isle. For the most  
11 part of them, I'd say that all 140 have zero book  
12 value, been fully depreciated.

13 Q. And you talked about four table games being  
14 removed that you don't even have chips on them at this  
15 point, so you basically consider them dead tables.  
16 What's the performance of the slot machines that  
17 you're looking to be removing, those 140 machines?

18 A. The process was, you know, of course first we  
19 wanted to make sure that the 140 units that we would  
20 be removing we be a part of the 1,100 non-supported  
21 units. So it would be nice to remove those because  
22 they're no longer supported. So it kind of starts  
23 your dead process. And then we looked at, you know,  
24 the utilization of the occupancy. In other words, how  
25 often is it played, then the coin in per unit as well

1 as the win per unit. Then you have to take into  
2 consideration of how many of those units that we  
3 currently have.

4       So, you know, if you just say, you know, Game A,  
5 if Game A has, you know, 15 of those on the floor,  
6 we're able to maybe possibly to remove move of those  
7 than Game B where we only have three of them on the  
8 floor. We had to take into consideration location,  
9 smoking, non-smoking, the game count that you have on  
10 the floor, the actual cabinet manufacturer. So, a lot  
11 of variables went into it. We believe that we're  
12 removing the best 140 games that we could remove from  
13 that floor.

14 Q. Now, with the center bar, you are actually adding  
15 11, I believe, bar table games; correct?

16 A. We're adding 11 bar top unit, poker units, into  
17 that bar.

18 Q. Okay. And you said that you hope to have the end  
19 product done by December of this year. And with your  
20 Petition, you filed the first three phases, I believe,  
21 of OP 22. Do you know about how many more phases are  
22 going to be before we end in December or is that going  
23 to depend on how everything goes?

24 A. It kind of depends on how everything goes and how  
25 aggressive we get or try not to be. I mean, it just

1 kind of depends of business volumes. If some of the  
2 marketing programs that we're working on are more  
3 successful, meaning that we're driving more volume in,  
4 then that means we may have to slow down, you know,  
5 the reconfiguration for the end product being in  
6 December. Because I don't want to have, you know, any  
7 games down on the weekend unless it is absolutely  
8 necessary. I don't want to have it appearing like a  
9 construction zone and people have to walk around and  
10 there's barricades or walls are put up.

11 So, the more successful we are with marketing,  
12 the more that the other projects will be slowed down.  
13 I hope that they are slowed down because that means  
14 that we are successful in some of the strategies and  
15 programs that we're working on. I believe that the  
16 six-month window gives us enough time to get it done  
17 because, you know, moving out of the peak season, we  
18 should be okay then to kind of expedite it and get it  
19 done by the end of the year.

20 Q. Okay. I don't know if you can also this for  
21 somebody else. But Eldorado also owns Scioto Downs in  
22 Ohio and Mountaineer in West Virginia. Have there  
23 been like declines in customer base at those casinos  
24 with all the added Ohio competition, to your knowledge  
25 or ---?

1 A. You know, I can have Mr. Billhimer, our COO, kind  
2 of touch on that.

3 MR. BILLHIMER:

4 Hi. Joseph Billhimer,  
5 B-I-L-L-H-I-M-E-R, Executive Vice President and Chief  
6 Operating Officer for Eldorado Resorts. Yes, we've  
7 seen declines in West Virginia as a result of the  
8 competition in Ohio, as well as Pittsburgh over the  
9 years. Outside of Downs, we have not. We've seen a  
10 steady and slow market growth in that mark.

11 ATTORNEY ADAMS:

12 Well, I guess now specifically with  
13 Mountaineer, have you had to do any enhancement slot  
14 reduction of the table games, with that casino due to  
15 the market saturation?

16 MR. BILLHIMER:

17 Yeah, we've gone from well over 3,000  
18 units down to about 2,100 units in that particular  
19 facility over the last three years.

20 ATTORNEY ADAMS:

21 And have you seen improvements in the  
22 customer base or the revenues coming in since you've  
23 done this?

24 MR. BILLHIMER:

25 We've seen, as Jeff mentioned earlier, a



1 higher win per unit, a more efficient property, as we  
2 downsized the property.

3 ATTORNEY ADAMS:

4 So, you've seen it actually helping  
5 Mountaineer then with the changes you've made?

6 MR. BILLHIMER:

7 Yeah, you know, as Jeff was saying we  
8 don't want dead sections within the property. And if  
9 you have too much supply, it has a lack of ambiance  
10 and excitement.

11 ATTORNEY ADAMS:

12 Okay. Thank you.

13 MR. BILLHIMER:

14 Thank you.

15 BY ATTORNEY ADAMS:

16 Q. And I think, Jeff, my last questions are going to  
17 be for you. You said with the final floor plans that  
18 you plan a more segregated smoking/non-smoking area.  
19 Do you know what the breakdown of the number of slot  
20 machines and table games will be in each area?

21 A. Yes, let's see. The slot count for smoking will  
22 be approximately 919 and then the non-smoking will be  
23 661. And then the square footage is, you know,  
24 approximately the 50/50 ratio.

25 Q. Okay.

1 A. And of course, like I said, we will work with you  
2 guys on every time we do those and have the architect  
3 involved.

4 Q. Okay. And I believe you said earlier that you're  
5 planning on offering the same type of slot machines in  
6 each area; is that correct? Like the type of games  
7 and ---?

8 A. We're trying to do our best to, you know, spread  
9 the game type, game type being manufacturer, as well  
10 as being theme, as well as denomination. And you try  
11 and balance that as best as you can, in smoking and  
12 non. I can tell you that it's not a perfect science.  
13 And I'm not sure that we will ever get there as far as  
14 it being a perfect science. But we will do our best.

15 The challenge is that, you know, spending the  
16 capital dollars as wisely as we can to get the best  
17 return is sometimes difficult in managing that  
18 process. I believe that the mix that we're going to  
19 have in the non-smoking is more attractive than it is  
20 today, while not reducing or minimizing anything in  
21 the smoking section.

22 Q. And I'm assuming that's going to be the same with  
23 table games; do you plan to have both smoking and  
24 non-smoking table games available ---

25 A. Yes.

1 Q. --- once you finish?

2 A. Yes.

3 Q. Okay. And you had talked about having a  
4 non-smoking entrance. Which entrance would this be at  
5 the casino, if you know?

6 A. That entrance would be the south side entrance.  
7 If you show the slide, I can kind of point it to the  
8 right ---. If you look, it's really --- it's the one  
9 to the far right. For those of you that's familiar  
10 with the property, that is the parking that's near the  
11 administration building.

12 Part of the reason why we chose that is because  
13 the parking on the north side is our primary entrance  
14 as the most guest counts entering in through that  
15 door. But it's also into our smoking section, which  
16 is our busiest section, performs, you know, much  
17 better than the non-smoking. In fact, I think, you  
18 know, it does about 70 percent of our total, you know,  
19 slot win, which is in the smoking section. So we have  
20 more smoking places than we do have non-smoking, so  
21 naturally you would want the parking to be on the  
22 north side.

23 Q. Okay. And you talked about being able to go  
24 navigate through the casino without leaving the  
25 non-smoking section. And I believe you talked about

1 being able to go up to the bar. Is that the center  
2 bar that they'll be able to get to without leaving the  
3 non-smoking section or is there going to be another  
4 bar area?

5 A. They will have their own bar. When we close the  
6 one bar and turn it into a service bar and storage  
7 area, the bar then is currently back in --- which will  
8 be the entire non-smoking section near the mutual,  
9 which actually is our --- currently our best bar on  
10 the property right now which is really not in use  
11 except on weekends which is a shame. We're going to  
12 change that and put it in use all the time, which will  
13 be the non-smoking bar.

14 But they will also have an opportunity on some of  
15 the center bar to enter into, some of it being  
16 non-smoking. So we're trying to balance that as well.  
17 The only venue that they will not be able to get to  
18 while having to go through a smoking section would be  
19 the La Bonne Vie Restaurant. Outside of that, they  
20 will be able to go into the Clubhouse, Parrot Café,  
21 the buffet and the gift shop without having to go  
22 through smoking.

23 Q. And do you plan to market the fact that Presque  
24 Isle is going to have this more segregated  
25 smoking/non-smoking areas?

1 A. Absolutely.

2 ATTORNEY ADAMS:

3 Okay. I don't have anything else.

4 Thank you.

5 CHAIRMAN:

6 Does OEC have any presentation?

7 ATTORNEY ADAMS:

8 I do not. However, representatives from  
9 the Bureau of Investigations and Enforcements (BIE),  
10 specifically the Financial Investigative Unit and the  
11 Bureau of Casino Compliance, are present here today if  
12 you have any questions.

13 Essentially we do not have any objection  
14 to Presque Isle Downs Petition to reduce the number of  
15 slot machines and table games pursuant to the OP 22,  
16 phases one through three that they've already filed.  
17 We would request that --- that you approve --- that  
18 the approval is subject to the 13 conditions set forth  
19 in our Answer filed March 18th. And it's my  
20 understanding that Presque Isle does not having any  
21 objection to those conditions.

22 A. No, we do not.

23 CHAIRMAN:

24 Okay. Why don't we see if any questions  
25 from the Board. Greg?

1                   MR. FAJT:

2                   Thank you, Mr. Chairman. Mr. Favre, you  
3 mentioned this and I didn't write the numbers down.  
4 But you're currently proposing 1,580 slots and 42  
5 tables. What was the high watermark for both slots  
6 and tables at Presque Isle?

7 A. You know, I can't speak for the tables. I'm not  
8 entirely sure there.

9                   MR. FAJT:

10                   Okay. I'm more interested in slots.  
11 A. The slot side, it was 2,071, if I'm not mistaken.

12                   MR. FAJT:

13                   2,071, thank you. You also talked a  
14 little bit about utilization and specifically on the  
15 weekends. And with the new proposed number of slot  
16 machines at 1,580, I recall that your high utilization  
17 on the weekends was, you know, somewhere around 1,260  
18 I thought you had mentioned.

19                   Why not reduce slot machines even more?  
20 I'm not proposing that because that causes us angst  
21 from a tax standpoint and the horse racing revenues  
22 and all that. But why not do that? And is this going  
23 to be a two or three step transaction where you're  
24 going to come to us six or nine months from now and  
25 ask us to reduce slots even more?

1 A. I surely hope not. In fact, if anything, I'm an  
2 optimist, meaning that I believe that some of the  
3 changes that we've already made and the changes that  
4 we will be making will drive our utilization higher.

5 MR. FAJT:

6 Okay. But again, if you're proposing  
7 1,580 and you're high water, you know, utilization is  
8 1,260 and that's on your busiest weekends, why not  
9 propose a reduction of even more?

10 ATTORNEY PITRE:

11 Commissioner Fajt, I can answer that  
12 question.

13 MR. FAJT:

14 Thank you, Cyrus.

15 ATTORNEY PITRE:

16 They can't go below 1,500 slot machines.  
17 The Act won't allow it.

18 MR. FAJT:

19 Got you. Thank you. I forgot about  
20 that.

21 MR. BILLHIMER:

22 I would also add, too, that even 80  
23 percent utilization is a good number, too. We  
24 definitely don't want to be at 95 percent utilization  
25 where people are walking around and don't have access

1 to various devices. So, it's a pretty good number for  
2 any of our jurisdictions given that 70, 80 percent  
3 during peak periods, outside of the New Year's Eve and  
4 occasional, you know, crazy busy day.

5 MR. FAJT:

6 Okay. Thank you. Your timeline for  
7 completing your reservations, Mr. Favre, I think you  
8 said by the end of this year, by the end of 2015 all  
9 the renovations that you outlined; is that correct?

10 A. The actual enhancements, renovations and the  
11 addition of the center bar ---.

12 MR. FAJT:

13 You wanted to do this summer?

14 A. That, we would love to get done by June 1st.

15 MR. FAJT:

16 Right.

17 A. June 15th at the latest depending on how quickly  
18 we can get started and how well things go. Being that  
19 we don't run into any obstacles or roadblocks that  
20 delay the time. So ideally, June 1st. And then  
21 thereafter, we would start submitting the routine OPs  
22 like we normally would to get the reconfigurations  
23 done by the end of the year, while minimizing and  
24 mitigating floor disruption and, you know, revenue  
25 erosions to the best extent possible.



1                   MR. FAJT:

2                   Okay. Has capital already been  
3 allocated to do all the renovations that we talked  
4 about today?

5 A. Yes, sir. Been allocated, approved and we're  
6 waiting for, you know, wanting to be spent, ---

7                   MR. FAJT:

8                   Right.

9 A. --- work to be done.

10                   MR. FAJT:

11                   And one last comment. You know, the  
12 non-smoking entrance I think is a smart idea. Again,  
13 I've said this before. It is the number one complaint  
14 that I hear and that I think other Board members hear  
15 when we're out doing speaking and just talking to our  
16 friends and neighbors. So the ability to enter a  
17 casino and play, you know, have a drink, have  
18 something to eat, without going into a smoking area, I  
19 think is a smart play. And I can tell you that the  
20 legislature is also looking at issues like that. So,  
21 thank you very much, Mr. Chairman.

22                   CHAIRMAN:

23                   Thank you. Keith?

24                   MR. MCCALL:

25                   I'm good.

1                   CHAIRMAN:

2                   John?

3                   MR. MCNALLY:

4                   I have just a couple questions. If we  
5 can pull up the photos, the screens from pages 14 and  
6 15 on your program. There's no graph. I'm assuming  
7 that the black tables are non-smoking and the red  
8 tables are smoking; correct?

9                   A. Yes.

10                  MR. MCNALLY:

11                  So based on that presentation with your  
12 end product, you're not going to have any table games  
13 back in your non-smoking area; is that correct?

14                  A. No. The non-smoking will actually be on the ---  
15 if you look at center bar where --- kind of the  
16 purple ---

17                  MR. MCNALLY:

18                  Uh-huh (yes.)

19                  A. --- and you go to the far right, those will be  
20 the smoking tables that will boarder all the non-  
21 smoking slots from that entrance. And I can tell you  
22 that, you know, by the time we submitted this and  
23 having conversations with the OEC, you know, we  
24 would've probably moved some of that around to make it  
25 flow better and have it segregated better, which we

1 will have the opportunity to do once we submit the OPs  
2 and work with the OEC making sure that we get the  
3 right mix and the right flow because I think that we  
4 can actually do a better job than what's on this  
5 drawing. But we were kind of out of time. And not  
6 being able to get the architect to do everything that  
7 we need to do to be able to be here today. So I think  
8 we can actually improve it from the way that it sits  
9 today to have a better flow to keep them segregated to  
10 the best extent possible.

11 MR. MCNALLY:

12 I think you had indicated that there  
13 would be no reduction in staffing; is that correct?

14 A. Yes, sir.

15 MR. MCNALLY:

16 With regard to the staffing. Would  
17 there be designated staffing for the non-smoking area  
18 versus the smoking area?

19 A. Yes, sir. I mean, there already is today. So  
20 really it's just a matter of, you know, changing the  
21 spread a little bit and reallocating the current  
22 resources.

23 MR. MCNALLY:

24 And with regard to the non-smoking  
25 entrance, at that chokepoint, I assume that there will

1 be a security stand outside?

2 A. Yes, sir. It's there today.

3 MR. MCNALLY:

4 Are there any changes contemplated to  
5 your live racing or your pari-mutuel areas?

6 A. Not at this time. We've had some discussion,  
7 thinking about some things, potentially for next year.  
8 The improvements that we are making this year is not  
9 material in regards to changing the existing floor  
10 layout or configuration. It's just making  
11 enhancements and improvements to what's already there,  
12 you know, making the guest experience better.

13 We've worked with the HBPA and the Racing  
14 Commission on those projects and the desired  
15 approvals. And we've actually started some of those  
16 projects, I believe last week or the week before, in  
17 enhancing that experience for our racing guests.

18 MR. MCNALLY:

19 No further questions. Thank you,  
20 Chairman.

21 CHAIRMAN:

22 Dave?

23 MR. WOODS:

24 (Indicates no).

25 CHAIRMAN:

1 Tony?

2 MR. MOSCATO:

3 No, thank you.

4 CHAIRMAN:

5 I guess one question, Mr. Favre. Has  
6 Pennsylvania's policy on smoking, especially vis-à-vis  
7 Ohio, has that helped you up at Presque Isle get back  
8 and of the business you at first lost to Cleveland?

9 A. You know, I certainly believe that --- the fact  
10 that we do have the ability to offer, you know, a  
11 smoking experience is a competitive advantage. And  
12 without a doubt gives us the opportunity to protect  
13 some of the Ohio play that otherwise we might lose  
14 entirely if Ohio was smoking.

15 CHAIRMAN:

16 Ex-officio members?

17 MR. REDDING:

18 Mr. Chairman, thank you. As you know,  
19 one of the many legislative reasons for the enactment  
20 of the Racehorse Development and Gaming Act was to  
21 enhance live horse racing and breeding programs  
22 through the infusion of monies into the racehorse  
23 development fund based upon gross terminal revenues.  
24 We are concerned as a department, as time goes on that  
25 more slot machine operators reduce the number of slot

1 machines at their facilities, it will threaten to  
2 lower gross terminal revenues, which ultimately  
3 negatively impacts the equine racing industry as a  
4 whole. We would like to go on record.

5 CHAIRMAN:

6 Okay. Thank you very much. Any other  
7 questions?

8 ATTORNEY PITRE:

9 Mr. Chairman, just one change. We'd  
10 request that based upon the presentation today, which  
11 I assume will be moved into the record, that we change  
12 OEC conditions H and I to reflect instead of 120 days,  
13 that they be given until December 31st, 2015 to  
14 initiate all phases and implement them.

15 CHAIRMAN:

16 Agreed, Counselor?

17 ATTORNEY PITRE:

18 I'm sure you won't have an objection.

19 ATTORNEY SCHRIER:

20 No, sir.

21 CHAIRMAN:

22 Okay. That will be done.

23 ATTORNEY SCHRIER:

24 Yes. And thank you, Cyrus, for  
25 reminding me that we should move our presentation into

1 the record as evidence.

2 CHAIRMAN:

3 Okay. Any objections?

4 ATTORNEY PITRE:

5 No objection.

6 CHAIRMAN:

7 So moved. Anything else?

8 A. No. I want to thank you very much, members of  
9 the Board, Ex-Officio Members and members of  
10 Enforcement Council and your staff for your  
11 consideration today. Thank you.

12 CHAIRMAN:

13 Thank you, ladies and gentleman.

14 ATTORNEY SCHRIER:

15 Thank you very much.

16 CHAIRMAN:

17 Appreciate it. Okay. Ladies and  
18 gentlemen, at this time, the Board will take a brief  
19 recess to deliberate on this matter. It's 20 of  
20 12:00. Let's say ten minutes. At ten of 12:00 we  
21 will reconvene.

22 \* \* \* \* \*

23 PRESENTATION CONCLUDED

24 \* \* \* \* \*

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CERTIFICATE

I hereby certify that the foregoing proceedings,  
hearing held before Chairman Ryan was reported by me  
on 03/31/2015 and that, I Derrick Ferree, read this  
transcript and that I attest that this transcript is a  
true and accurate record of the proceeding.



Court Reporter

Derrick Ferree