

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: Greenwood Gaming & Entertainment, Inc. -
Petition for Approval of Updated and More
Detailed Plans for Permanent Facility

PUBLIC HEARING

* * * * *

BEFORE: GREGORY C. FAJT, CHAIRMAN

Raymond S. Angeli, Jeffrey W. Coy, James B.
Ginty, Kenneth T. McCabe, Sanford Rivers,
and Gary A. Sojka, Keith Welks representing
Ex-Officio Member State Treasurer Robert
McCord, Ken Semph representing Ex-Officio
Member Revenue Secretary Steve Stetler, and
Frank Chebalo representing Ex-Officio
Member Secretary Denny Wolff

HEARING: Friday, August 28, 2009, 10:02 a.m.

LOCATION: Hearing Room One
North Office Building
Harrisburg, PA 17120

WITNESSES: Alan C. Kohler

Reporter: Cynthia Piro-Simpson

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I N D E X

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WITNESS: ATTORNEY ALAN KOHLER

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Number Description

Offered

Office of Enforcement:

NONE OFFERED

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CHAIRMAN:

Folks, we're going to continue this hearing with Greenwood Gaming. I'd like them to proceed up here. Folks, you're testing my patience. Folks, we're going to take a five-minute break. We'll take a five-minute break. We'll be right back. Thank you.

SHORT BREAK TAKEN

CHAIRMAN:

Could I ask everybody to please take your seats and also have the Greenwood Gaming and Entertainment folks come up to the front table. Let's get restarted with Greenwood Gaming. And could I have, as we did for the Foxwoods folks, anybody who's presenting testimony on behalf of Greenwood Gaming, please stand up, state your name, spell your name for the stenographer, and then we will have you sworn in. Gentlemen, please stand, state your name for the stenographer, spell your name, and then we'll swear you in.

ATTORNEY KOHLER:

Good morning, Chairman Fajt.

CHAIRMAN:

1 Yes. Please ---.

2 ATTORNEY KOHLER:

3 I am Alan Kohler, K-O-H-L-E-R, with
4 Eckert Seamans on behalf of Greenwood Gaming.

5 -----

6 ALAN C. KOHLER, HAVING FIRST BEEN DULY SWORN,
7 TESTIFIED AS FOLLOWS:

8 -----

9 CHAIRMAN:

10 Thank you. Greenwood Gaming, please
11 proceed with your presentation.

12 A. Good morning, Chairman Fajt. Good morning,
13 members of the Board. I think we have some technical
14 difficulty that we'll get straightened out here in one
15 second, but this is an exciting time for Greenwood
16 Gaming or Philadelphia Park. We are now less than
17 four months away from the grand opening of our new
18 casino. We are looking forward to that day,
19 obviously. We have an obligation under our Statement
20 of Conditions to, from time to time, update you,
21 present any changes and also provide you more detail
22 as that detail develops in advance of opening. That
23 is why we are here today and will likely appear before
24 you at least once more before the opening in mid-
25 December.

1 Things are on schedule. Things are going well.
2 We think we have a great facility to tell you about.
3 And I know, Chairman Fajt, you've toured the facility.
4 Some others have seen the facility. And as the
5 construction proceeds, it's starting to take shape and
6 you can start to see what it will look like when we do
7 open. If you give me one minute, we'll get the
8 PowerPoint going.

9 What I can say until we do that is the facility is
10 now planned to have --- to open with 3,300 slot
11 machines. The size of the gaming floor is 128,855
12 square feet, as planned. This is --- and anybody
13 who's been even on the construction site, the thing
14 that strikes you almost ---.

15 BRIEF INTERRUPTION

16 A. The thing that strikes you --- or at least strikes
17 me almost immediately, even as compared to other
18 facilities at least that I've been to, is the massive
19 size of the facility. It is a very large facility.
20 It will have a very large gaming floor. And we'll be
21 in a position to be prepared to provide amenities, the
22 3,300 slot machines to start, and to react to any
23 developments that may occur.

24 CHAIRMAN:

25 I'm sorry. We do have copies up here. I

1 apologize to the folks in the audience who don't have
2 copies, but hopefully we'll have this straightened out
3 momentarily. Please proceed.

4 A. And Mr. Bonner will chip in here, but we're going
5 to go through this fairly quickly. The front page
6 gives you some idea --- it's a rendering, of course,
7 but some idea of what the fully-constructed casino
8 will look like. I think the thing that catches your
9 eye, which may be a little different from the other
10 facilities, is the video screens in the front of the
11 casino. They are, as you can see from the rendering,
12 very large. The center screen is 61 feet wide and 35
13 --- approximately 35 feet high. The two screens
14 are --- the two side screens are approximately 50 feet
15 wide and approximately 30 feet wide. And we'll go
16 into that a little more. As you move to the second
17 page, you can start to see that --- these are very
18 recent photos, last week. You can start to see that
19 take shape and start to envision what that will look
20 like in real life. The following photos are just
21 construction photos. It gives you, you know, some
22 feeling --- and you really can't appreciate it unless
23 you're inside the construction site, but some feeling
24 for how fast it is. We can skip through those
25 quickly.

1 After the construction photos you have ---. We'll
2 let the audience catch up. This is a rendering of
3 what it will look like as you approach the casino, and
4 then, again, the large video screens being the feature
5 you notice most. And I guess I have to flip now.
6 This is sort of a side view of the portico chair
7 (phonetic) and the entryway as you would drive up to
8 the casino. This is what the plan looks like. You
9 can see the gaming floor, the entrance, back room
10 areas.

11 MR. RIVERS:

12 Could you point out what certain things
13 are on this --- on these sheets?

14 ATTORNEY BONNER:

15 Maybe I can help with that, Commissioner.
16 In the lower portion of the slide we're looking at now
17 is the main entrance. Those areas marked portico
18 cahir to the right of the center and left of the
19 center are the main entrance doors. Folks will enter
20 and in between those two doors, up against the
21 building wall, is the main customer/player desk, where
22 folks will get customer service. Cards are issued at
23 that point. And then there's access straight into the
24 casino from those main entrances. To the right of the
25 main casino area, in the orange color area, is the

1 food court. And staying on the right side of the
2 wall, as you move to the back of the building there's
3 a cage and simulcast area. And then in the gray
4 areas, up towards the top on the right, one is a
5 steakhouse restaurant. And then the one farthest to
6 the back on the right is a Chickie's and Pete's
7 Restaurant that will be open in the casino. The area
8 in the center to the back, the gray area, that is
9 shell space that is being constructed but not being
10 outfitted at this time. That provides for expansion
11 in the future, if the market indicates that it's
12 appropriate for it. But right now the plan that we're
13 showing you would accommodate 3,300 slot machines. We
14 now operate 2,912. So it's a significant increase
15 over the machines that we currently operate, yet with
16 potential to expand beyond that increased number if
17 the market indicates that. We also have a couple bars
18 and lounges. The food court area that I mentioned has
19 five or six outlets for different kinds of food as
20 well.

21 A. And we'll get to see some of these things as we go
22 through the PowerPoint.

23 MR. MCCABE:

24 Where is the Gaming Board's office?

25 ATTORNEY BONNER:

1 The Gaming Board's office is --- in the
2 upper right appendage, all that gray area, that's
3 back-of-house area, and the Gaming Board and State
4 Police offices are in that area to the right but
5 closest to the casino itself. I don't know if I've
6 answered your question, Commissioner.

7 MR. MCCABE:

8 Yes. I just wanted to see because we had
9 a concern early on of letting the public know where
10 we're located. And one of the casinos put us in the
11 basement, away from everybody. And we had to tell
12 them, no, we wanted to be --- have access to the
13 gaming floor.

14 ATTORNEY BONNER:

15 We had those discussions with staff,
16 Commissioner, and the Gaming Board and the State
17 Police space is in the back-of-house area but the
18 closest of that space to the casino floor. So they're
19 literally out of the doorway and into the casino.

20 A. This is what --- a rendering of what the lobby
21 will look like as you come into the casino.

22 ATTORNEY BONNER:

23 That's the main desk between the two main
24 entrances in the lobby area of the casino.

25 A. This is a rendering of what the gaming floor will

1 look like. Another one. This is obviously the
2 cashier's cage. This is --- as part of our Statement
3 of Conditions we were required to do everything
4 possible to put a simulcast area in the actual casino.
5 There will be a simulcast area in the actual casino.
6 This is a rendering of what it will look like.

7 MR. SOJKA:

8 Will you also have one on the trackside
9 as well?

10 ATTORNEY BONNER:

11 Yes.

12 MR. SOJKA:

13 So you'll have two simulcast rooms?

14 A. On the trackside ---.

15 ATTORNEY BONNER:

16 In the grandstand building, yes.

17 MR. SOJKA:

18 Yes.

19 ATTORNEY BONNER:

20 We have it on the first floor and the
21 fifth floor in the existing building, and that will
22 remain.

23 MR. SOJKA:

24 Okay. So you're going to be rich in
25 simulcast areas?

1 ATTORNEY BONNER:

2 We will be.

3 A. This is the center bar, which is in the center of
4 the facility.

5 ATTORNEY BONNER:

6 Right. We have two main bar/lounge
7 areas, and this is one of them.

8 A. This is the entryway to the high limit room. This
9 is the food court, what it will look like. Another
10 picture of the food --- another rendering of the food
11 court.

12 ATTORNEY BONNER:

13 More food court.

14 A. Where you pick up your food. And this is not
15 directly relevant to our petition or the permitted
16 facility, but we did want to give you --- in many of
17 these hearings you've had a question about the
18 backside commitment, so we figured we'd address that
19 in advance.

20 Our backside commitment is dictated by a contract
21 with our Horsemen's Association. It's a contractual
22 obligation. It goes well beyond the obligation in the
23 statute. This gives you some idea of where we're at
24 with that. Even though we haven't even opened our
25 permitted facility, we have expended large amounts of

1 money and made significant progress to a complete
2 renovation of the backside.

3 MR. SOJKA:

4 Does your current plan also call for
5 taking the existing slot machines out of the racing
6 side when you have the new facility up and running?

7 A. Yes. This was an issue that --- this was also an
8 issue when you approved our permitted facility. What
9 you required in your order is that if we were going to
10 keep any slot machines in the grandstand, that it had
11 to be with your approval, which I think goes without
12 saying. Under current plans we will have no slot
13 machines in the grandstand. The company's view of that
14 has evolved. And so to the extent that might have
15 been an issue, it will not be.

16 MR. SOJKA:

17 Good.

18 A. This is the final slide. It gives you, by
19 quarter, some idea of the expenditures that we've made
20 on the backside and continue to make on the backside
21 and will continue in the future. And just the
22 emphasis that, you know, again, pursuant to contract
23 but well beyond the statute we've certainly met our
24 obligation in that regard.

25 ATTORNEY BONNER:

1 Mr. Chairman, on that point, I think it's
2 significant, Alan can correct me, I think the
3 statutory requirement was an investment of \$5 million
4 on the backside. The contract we have with the
5 Horsemen, which we've extended out to year 2018,
6 has --- requires us to do renovations like those
7 outlines. The total cost is going to be about \$25
8 million. So we're significantly exceeding the
9 requirements of the statute but doing it in concert
10 with the Horsemen for the maximum benefit for racing
11 at the track, which continues to be one of the most
12 successful operations in the country. So we're
13 pleased with the results thus far.

14 A. That concludes our presentation, so we'd be glad
15 to entertain questions, or you can turn things over to
16 the Office of Enforcement Counsel.

17 CHAIRMAN:

18 Let me just ask if it's okay if the Board
19 holds questions. Let me ask Office of Enforcement
20 Counsel, do you have any questions for Philly Park,
21 and then we'll let you do your presentation?

22 ATTORNEY PITRE:

23 We don't have a presentation. We filed
24 our Answer, and we are not in objection to their
25 petition. I do have a couple of questions, though.

1 CHAIRMAN:

2 Please proceed.

3 CROSS EXAMINATION

4 BY ATTORNEY PITRE:

5 Q. With regard to your construction timeframe and the
6 opening, we know we're under a December deadline for
7 that to happen; are you guys on track to meet that
8 deadline?

9 A. Yes, we're on schedule. But as you're fully
10 aware, it's a very tight schedule. It was a very
11 tight schedule from the beginning. Our plan is to
12 open on time. We also plan, however, to start meeting
13 with staff, assuming they're amenable, you know,
14 frequently in the fall and keeping in touch on all
15 issues so that if there is a problem, which we don't
16 foresee and, you know, aren't here to notify you of,
17 but if there is a problem which could affect the
18 timeline, we would let you know immediately and would
19 work towards a resolution. But to answer your
20 question directly, we are on schedule.

21 Q. Okay. And the second thing, back when the
22 extension was given, there was some talk about
23 integrating the racing side with the casino. There
24 was some talk of Smarty Jones Way and having a trolley
25 of some sort to transport people back and forth from

1 the racing side to the casino. Has that been fully
2 implemented in your plan?

3 A. Those plans have not changed. You know, you're
4 referring to the requirement of a shuttle bus back and
5 forth. That's in our Statement of Conditions, and I
6 think we did refer to it as Smarty Jones Way. But
7 anyway, a well-developed promenade between the
8 grandstand and the new casino. We are not here to ask
9 for any modifications to our Statement of Conditions
10 today.

11 ATTORNEY MILLER:

12 And can I say, Commissioners, I recently
13 visited the site. I recently saw the entrance where
14 they'll be do the busing to and from the casinos. I
15 bluntly asked Mr. Bonner questions about whether or
16 not they were committed to that, and I'm absolutely
17 satisfied they are committing to integrating this
18 facility with the grandstand.

19 CHAIRMAN:

20 Mr. Kohler or Mr. Bonner, any questions
21 for OEC?

22 ATTORNEY KOHLER:

23 No, sir.

24 CHAIRMAN:

25 I'll entertain questions from the Board.

1 I have two quick questions. I'm a little concerned
2 about the reduction in slot machines. I think your
3 plan, as filed in 2007, stated that you would have
4 4,000 machines in your new facility. Now, I
5 understand you're going to have 3,300, which is, give
6 or take, I guess, 400 more than what you have now. I
7 do understand that you have some room for expansion.
8 And can you tell us why you reduced from 4,000 to
9 3,300?

10 ATTORNEY BONNER:

11 Sure. I'll give it a shot, Mr. Chairman.
12 We think that it's the prudent way to proceed in the
13 market, which is a market that is still developing.
14 We've seen other operators come in with a large
15 complement of machines, which overall have relatively
16 low utilization and low win per units. Our goal is to
17 maintain our relatively high win per unit, and we
18 think that --- although we're in a very vibrant and
19 rich demographic area, we think that increasing what
20 we're currently operating by ten percent in one shot,
21 which his what we're doing actually more than that, is
22 about what the right number is. And this is gained by
23 experience and operation and by the experience we've
24 seen other operators have since we submitted that
25 information to you a couple of years ago. So we think

1 that this is the best way to provide the product to
2 the customer, allow time for it to be absorbed. And
3 as you see, we have the opportunity in the space that
4 is already constructed to expand if the market tells
5 us that the demand is there.

6 ATTORNEY KOHLER:

7 There's been another factor in that
8 decision making, and I think it is basically a
9 decision to serve our patrons in the most efficient
10 manner. As I'm sure you all know, we currently have
11 two floors of casino, the first and the third floor of
12 the grandstand. The third floor --- and this being,
13 you know, something that typically happens in --- you
14 don't see many multi-floor casinos. But where they
15 are, this typically happens, is that people will ---
16 you know, will frequent the first floor. And our win
17 per unit on the third floor has been lower. We have
18 underutilized machines on the third floor. You know,
19 we may have some over-utilized machines on the first
20 floor. We think that all evens out when we go to a
21 single-floor permanent facility. We should be able to
22 maintain the win per unit of machines that were
23 successful and increase win per unit on machines that
24 were formerly on the higher floor. And that
25 ultimately, this will provide, you know, a great

1 economic model. I don't know that we're expecting a
2 whole lot less business than we originally planned
3 for, this just being a more efficient way to initially
4 serve it. The other thing I wanted to say is Philly
5 Park, you know, has not been shy about increasing the
6 number of slot machines when they see a market made.
7 In fact, we've been criticized for --- you know, for
8 being aggressive in that in the past. So you know, if
9 we need more slot machines, we will be talking to you
10 immediately. And you know, more slot machines means
11 more revenue, so we have a business interest in that
12 regard.

13 CHAIRMAN:

14 One other quick question. On the
15 existing grandstand building, I heard you say earlier
16 that you were going to put some simulcast rooms there.
17 Anything else in that building?

18 ATTORNEY BONNER:

19 We currently have simulcast there, Mr.
20 Chairman, and we're going to preserve that in the
21 grandstand. We have an obligation as one of our
22 conditions of existing licensure to restore that
23 grandstand to racing, once we move the casino
24 operation out of it, and to start that within a
25 certain period after we open the new casino. We're in

1 the process now of designing those plans. Our
2 thinking is that we continue and expand the racing
3 operation there. We continue the food and beverage
4 operations that are there and possibly expand them,
5 because we will have additional space. And then we'll
6 have space that could be reserved for special events
7 and occasional activities, perhaps in concert with the
8 racing cards. And that's where we are right now. But
9 we are required to develop plans and submit them to
10 the Gaming Board, which we will be doing in the near
11 future.

12 CHAIRMAN:

13 Okay. Thank you.

14 MR. SOJKA:

15 Just one quick follow up on that, and
16 that is, again, we understand you would have to
17 petition us or come to us, but none of your plans for
18 adding more slot machines would involve putting them
19 back into the grandstand, would they?

20 ATTORNEY KOHLER:

21 Well, no. And there's no plan --- you
22 know, I sit here under oath, and there's no plans to
23 do that. But you know, sometimes things change, and I
24 just want to --- we are not legally precluded from
25 proposing that.

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MR. SOJKA:

That's right. But you would need to come back to us.

ATTORNEY KOHLER:

But there are absolutely no plans to do that right now. That was a possibility that was under very active consideration by management at one time. I'm not guaranteeing you that it might not revisit at some point in the future, but it is not on the table right now.

MR. SOJKA:

Okay.

CHAIRMAN:

Thank you. We're going to take a 45 minute break for executive session. We'll come back and reconvene the public meeting. Thank you.

* * * * *

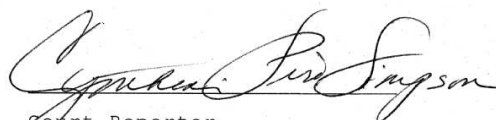
HEARING CONCLUDED

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CERTIFICATE

I hereby certify that the foregoing proceedings, hearing held before Chairman Fajt was reported by me on

1 08/28/2009 and that I Cynthia Piro Simpson read this
2 transcript and that I attest that this transcript is a true
3 and accurate record of the proceeding.

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6 Court Reporter
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