

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: GREENWOOD GAMING AND ENTERTAINMENT, INC.

PETITION FOR GAMING FLOOR EXPANSION

\* \* \* \* \*

PUBLIC INPUT HEARING

\* \* \* \* \*

BEFORE: Gregory C. Fajt, Chairman  
Raymond S. Angeli, Jeffrey W. Coy,  
James B. Ginty, Kenneth T. McCabe,  
Gary A. Sojka, Kenneth I. Trujillo; Members

HEARING: Thursday, December 16, 2010  
10:32 a.m.

LOCATION: Pennsylvania State Museum Auditorium  
300 North Street  
Harrisburg, PA 17120

WITNESSES: Adam Cozen, Tom Bonner

Reporter: Cynthia Piro Simpson

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A P P E A R A N C E S

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ALAN C. KOHLER, ESQUIRE  
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OPENING REMARKS

By Chairman Fajt 5 - 6

PRESENTATION

By Attorney Kohler 6 - 12

QUESTIONS

By Board Members 12 - 23

E X H I B I T S

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<u>Number</u>	<u>Description</u>	<u>Page Offered</u>	<u>Page Admitted</u>
One	Pleadings and Presentation	12	12*

\* Exhibit not attached

## P R O C E E D I N G S

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CHAIRMAN:

I see Greenwood Gaming is here. Any non-lawyers that need to stand for swearing in?

ATTORNEY KOHLER:

No.

CHAIRMAN:

Okay. Thank you. Again, I would just like to reiterate that before you began please state and spell your name for the stenographer. And I want to make one comment. The petition we're going to hear evidence on is essentially a request to expand the casino operations further into the track grandstand. And I understand that it was not until yesterday afternoon that Greenwood received the approval of the Horse Racing Commission. More troubling is my understanding that you submitted this petition before us without even notifying the Commission of the proposal, and as a result the Horse Racing Commission has levied a fine of yesterday, a little bit in excess of \$50,000 against Greenwood Gaming.

Again, this is troubling to me. It's troubling to the Board. And we understand that we don't regulate horse racing but we do regulate the

1 casino operations. And the horse racing industry and  
2 our agency are very closely tied, as you've heard me  
3 say in the past. And as a result, we, as a Board,  
4 take very seriously your actions before our sister  
5 Commission. I'd strongly suggest that moving forward  
6 you continue to keep the Commission in the loop as  
7 early as possible when anything related to casino  
8 operations impacts the track side of your operation.  
9 Are we clear on that?

10 MR. BONNER:

11 We are, Mr. Chairman.

12 CHAIRMAN:

13 Thank you very much, Mr. Bonner. And  
14 with that you may begin, Mr. Kohler.

15 ATTORNEY KOHLER:

16 Good morning, Chairman and Members of the  
17 Board. My name is Alan Kohler, K-O-H-L-E-R. I'm with  
18 Eckert Seamans on behalf of Philadelphia Parx Casino.  
19 I have with me today Tom Bonner, who is vice president  
20 and General Counsel at Parks and who you know well.  
21 We have a little bit of a Power Point for you this  
22 morning. We are here today to present what's marked  
23 as OP16 and if I could just briefly speak to the  
24 initial matter that you addressed.

25 We did have certainly a breakdown of, I

1 guess, two things with the Horse Racing Commission.  
2 One, an understanding of what regulatory filings they  
3 wanted and when, and also a breakdown in  
4 communications. And as you noted the Commission  
5 decided to send us a pretty strong message. You know,  
6 I can tell you that they certainly got our attention.  
7 We now have a very clear understanding with Commission  
8 Counsel as to what they want when. We have apologized  
9 to the Commission and committed to working with them  
10 on --- you know, on a daily basis to make sure this  
11 doesn't happen again, and it won't happen again.

12 CHAIRMAN:

13 Thank you.

14 ATTORNEY KOHLER:

15 With that said, if we can get into OP16,  
16 the presentation isn't that long. I would note that  
17 OP16 should not completely new to the Board members.  
18 We've talked about it on numerous occasions. We've  
19 actually provided you some detail of the plans  
20 previously on a couple of occasions. You know, as  
21 with any plan, it tends to change a little bit around  
22 the fringes as time moves on, but you know,  
23 fundamentally it's remained the same. So this should  
24 be somewhat familiar to you. Do you want to go set it  
25 up?

1                   MR. BONNER:

2                   I don't care.

3                   ATTORNEY KOHLER:

4                   Okay. And basically we'll just go  
5 through the PowerPoint. I guess they are somewhat in  
6 order of priority. The first one is that they'll be  
7 --- we're proposing 50 new banking table games on the  
8 first floor of Parks East, which is the operating name  
9 we've given to both the racing and gaming operations  
10 at Parks. It's now both Parks Gaming and Parks  
11 Racing.

12                   The second bullet is --- and I think  
13 we've addressed this to you previously, you're well  
14 aware of what I call the 30-percent rule between  
15 banking and non-banking games. And with this  
16 Commission's approval we were able to open a poker  
17 room on the third floor of the grandstand back in  
18 November. I think to say that poker room has been  
19 extraordinarily successful is an understatement. The  
20 demand for poker patronage is way beyond the 24 poker  
21 tables that we were allowed to operate under the  
22 statutory 30-percent rule. We're in somewhat  
23 desperate need for additional poker tables. And one  
24 of the things that the 50 banking games does is allow  
25 us to activate additional poker tables in compliance

1 with the 30-percent rule.

2           And you see in the second bullet, just  
3 for clarification purposes, as a result of the ---  
4 OP16 actually occurs over a several-month period, but  
5 the initial operations and the addition of the 50  
6 banking tables will allow us to activate 21 additional  
7 poker tables.

8           For purposes of clarification, if you  
9 look to the end of OP16, we should be able to activate  
10 an additional 36 poker tables, and that will activate  
11 60 of the 61 that the Board permitted us to install on  
12 the third floor as part of OP15. So essentially what  
13 you have is an activation of table games that are  
14 already installed, but not operating at the present  
15 time.

16           The next bullet is the movement of slots  
17 and table games in the main casino. And most of this  
18 is done --- it's to allow for construction of a high  
19 limits table game area. The subcomponents of that  
20 are, you know, listed underneath. First, we're going  
21 to move what we call the E tables, which is your  
22 electronic slot machine positions, which are in the  
23 form of table games. And as part of --- actually as  
24 part of a prior OP, when the Board approves the  
25 software to convert those to table games, we plan to

1 do so. But in any case, regardless of their form,  
2 they'll be moved out. Some of them will be moved to  
3 the third floor of Parks East. Others will be moved  
4 to space in the main casino. That will create open  
5 space, and as you're aware those E tables take up a  
6 lot of space. And we will move traditional table  
7 games into that area from --- I'm sorry, additional  
8 slot machines into that area from the area where we  
9 want to put the high limits table game area. We  
10 actually, because of the way that the spacing works  
11 and the fact that the E tables take up a lot of space,  
12 we actually move in considerably more slot machines  
13 into that area than we're moving from another area.  
14 So there are additional new slot machines,  
15 traditionally slot machines, that are moved into that  
16 area.

17                   Sort of looking to the future, the next  
18 bullet, we then, once that space is cleared out, start  
19 construction of the high limits area. That high  
20 limits area is expected to be completed sometime in  
21 the spring of 2011. They'll be 12 new banking tables  
22 in that high limits area. That in turn, as I  
23 mentioned previously, will allow the activation of  
24 additional poker tables.

25                   Now, the next bullet is something that

1 the OEC asked us to specifically break down for you.  
2 It just has a breakdown of the gaming floor space  
3 between the various components of Parks Casino. You  
4 see the --- actually in what we call the main casino,  
5 there's 130,000 square feet in change. And then over  
6 in Parks East there's a total of 33,728 square feet.  
7 And you see the breakdown there between the first  
8 floor and the third floor and the total of 163,747  
9 square feet.

10           The next bullet sort of breaks down the  
11 slot count and I know you're sensitive to the slot  
12 count issue. As I mentioned previously, some of this  
13 for this particular OP is driven by the spacing  
14 constraints and the fact that, for example, E tables  
15 take up more space than traditional games. So there's  
16 actually an increase of 59 traditional slot machines  
17 resulting from OP16. If and when the Board approves  
18 the software that allows us to convert the E tables  
19 to, what I call F-A-E-G-T, Fully Automated Electronic  
20 Gaming Tables, there'll be a net reduction of 56, with  
21 a final tally of 3,351. The final bullet is as a  
22 result of OP16 there'll be approximately 500 new  
23 additional full and part-time jobs.

24           In your presentation that you have before  
25 you, we also have some gaming floor plans. We

1 actually have them here but they do show secured  
2 areas. They'd be awfully tough to see on this screen,  
3 but with your permission we would like to just leave  
4 them for your review. And we would also ask that you  
5 not post them on your website where actually you would  
6 be able to see the secured areas. And with that said  
7 we'd be pleased to entertain any questions.

8 CHAIRMAN:

9 Thank you. And I assume you want to move  
10 this into the record.

11 ATTORNEY KOHLER:

12 We would move the pleadings and the  
13 presentation into the record. Thank you.

14 (Exhibit One marked for identification.)

15 CHAIRMAN:

16 Thank you. So noted and we take note of  
17 your request to keep certain information confidential.  
18 Questions from the Board? I'm sorry. Yes, thank you.  
19 Office of Enforcement Counsel, do you have comments?

20 ATTORNEY MILLER:

21 Just a couple, Mr. Chairman. In the  
22 petition you provide three scenarios A, B and C.  
23 Which scenario are we on at this point?

24 ATTORNEY KOHLER:

25 I think the answer is we're not

1 completely sure. We'll still not sure. So there's  
2 --- the three scenarios are completely dependent on  
3 when the gaming lab approves the shuffle master  
4 software patch that allows the conversion to take  
5 place. My understanding is that's been delayed  
6 because the first software patch that was submitted  
7 was inadequate. It was sent back to shuffle master.  
8 The next software patch was sent in. I could tell you  
9 Mr. Bonner and I talked to Mike Cruz as recently as  
10 late last week. And he indicated that patch to be  
11 approved. If it has been approved we haven't heard  
12 yet, and so if it's improved in the near future we may  
13 end up being under scenario A. If something happens  
14 that that patch is inadequate and the ability to  
15 convert is delayed indefinitely, we move to either B  
16 or C, depending on the timing of that approval.

17 ATTORNEY MILLER:

18 The bottom line though is that you are  
19 reducing the number of slot positions; correct?

20 ATTORNEY KOHLER:

21 The number of slot positions, as I've  
22 indicated in the presentation, will be reduced as a  
23 result of the conversion.

24 ATTORNEY MILLER:

25 And what's your justification for doing

1 that, because as you know, the tax consequences are  
2 different for slot machines and table games and so on.

3 ATTORNEY KOHLER:

4 I mean I think this is less about the tax  
5 consequences and more about compliance with the  
6 30-percent rule and the need to activate the poker  
7 tables. The conversion of those games allows us to  
8 activate more poker tables, which we're badly in need  
9 of.

10 One thing this is not about is our  
11 ability and willingness to add slot machines when the  
12 demand justifies it. We've never been shy in that  
13 area. We won't be shy in the future. The other thing  
14 I'd add is we are way above our October 2008 threshold  
15 --- or our October 2009 threshold. This is not an  
16 issue that was previously discussed in the last  
17 matter. This reduction of 50-some odd machines  
18 doesn't take us anywhere near that threshold.

19 MR. BONNER:

20 Mr. Chairman, I'd like to add to that as  
21 well. What's before you as OP16 is another step of  
22 the master plan that we have planned for the project.  
23 We are in the process of obtaining final approvals to  
24 expand the existing main Parks Casino building. Part  
25 of that expansion will have us add about 500 or 600

1 slot machines in the Parks building, so we view this  
2 as an interim step in the master plan process, whereby  
3 compared to the 2,912 machines we had in October 2009  
4 we will be at 3,351 assuming all of OP16 is  
5 implemented. And our plan right now is to move to a  
6 total count of about 4,000 slots when the master plan  
7 is completed, which looks like it's going to be,  
8 maybe, the first quarter of 2012.

9 ATTORNEY MILLER:

10 Okay. Thank you. Mr. Chairman, one of  
11 our objections, the main objection actually, was that  
12 we didn't see the justification for the reduction in  
13 the number of slot machines. I see now, based on Mr.  
14 Bonner's representation, that this is part of a master  
15 plan wherein Parks will, in fact, at some point, at  
16 some point, after OP16 increase the number of machines  
17 to get up to that 4,000. Based on that, if the Board  
18 decides to approve OP16 we, OEC, has put forth and  
19 recommended 23 conditions that are put on any order  
20 set by the Board approving this plan.

21 CHAIRMAN:

22 Thank you. Does OEC have a presentation  
23 of its own?

24 ATTORNEY MILLER:

25 We do not, sir.

1                   CHAIRMAN:

2                   Okay. Thank you. Questions from the  
3 Board? Commissioner Ginty?

4                   MR. GINTY:

5                   Just one. Did you hear any of my  
6 discussion with Mount Airy on utilization of slot  
7 machines?

8                   MR. BONNER:

9                   Yes, sir.

10                  MR. GINTY:

11                  Do you keep any count or statistics on  
12 utilization?

13                  MR. BONNER:

14                  We do, Commissioner. I do not have them  
15 in my disposable. That's not information that I  
16 generally am involved with. We would be happy to  
17 provide it if it's of interest to the Commission.

18                  MR. GINTY:

19                  It would be. Not in connection with this  
20 matter, but you know if you could share that with the  
21 staff, and you know, any other information in terms of  
22 industry standard that you might have, would certainly  
23 be helpful to me in some of these issues.

24                  MR. BONNER:

25                  We'll be happy to provide that.

1                   CHAIRMAN:

2                   Other questions? Commissioner Sojka?

3                   MR. SOJKA:

4                   Just a few about the jobs. The proposed  
5 changes that are supposedly going to produce 500 new  
6 full and part-time jobs, how many are those  
7 construction jobs that would be temporary, any of  
8 them?

9                   MR. BONNER:

10                  The construction jobs are largely there  
11 already. We've been engaged in construction for  
12 several months. This is reference to casino worker  
13 jobs. As you know, the tables are fairly labor  
14 intensive and most of these employees would be working  
15 in the table games area. We do have additional need  
16 for security and casino finance folks, in addition to  
17 the table games staff.

18                  MR. SOJKA:

19                  Good. The conversions of the E tables to  
20 the F-A-E-G-T tables that now produces more table  
21 games but does not produce more jobs; right? When you  
22 do that, they still are not staff demand. Does it put  
23 more stress on the count room or anything? Do you  
24 have to add personal there?

25                  MR. BONNER:

1                   We don't, Commissioner. It does not  
2 affect the number of jobs. It affects procedurally  
3 how we do the drop since we're now dropping a table  
4 game as opposed to dropping a slot machine. But  
5 there's no significant impact on capacity or ability  
6 to count. We just have some internal procedural  
7 changes we are in the process in preparing.

8                   Mr. SOJKA:

9                   And then just one small clarification  
10 question on that. You did mention that you're in the  
11 process of trying to get the appropriate software  
12 patch for the conversion. If, as you point, there is  
13 a possibility that there may not be one that passes  
14 muster, would that then create yet another part to  
15 OP16 where you would maybe have to take those games  
16 out and put traditional tables in or something of that  
17 sort to get to your point?

18                   MR. BONNER:

19                   We haven't fully explored that,  
20 Commissioner, but our plan is to relocate those E  
21 tables in January, whether or not the chip  
22 conversion ---

23                   MR. SOJKA:

24                   Without the conversion?

25                   MR. BONNER:

1           --- has been approved. Whether we choose  
2 to operate them in the Parks East building as slot  
3 machines is a decision we have not yet made. Fifteen  
4 (15) of the table units, which is 75 slot seats, are  
5 going to Parks East, and eight units, which are 40  
6 seats, are staying in the main Parks Casino. In the  
7 Parks Casino we probably would continue to operate as  
8 slots, but we currently have no plans for a slot  
9 operation in Parks East, so the plan would be to  
10 relocate them, as we've shown on the plan submitted to  
11 you, but not activate them until the conversion  
12 occurs. And by the way we have no reason to suspect  
13 that the conversion is not going to happen.

14           MR. SOJKA:

15           Right.

16           MR. BONNER:

17           It's a matter of presentation of software  
18 product from the manufacturer to Mike Cruz's office,  
19 which Mike now has in his reviewing.

20           ATTORNEY KOHLER:

21           And one clear repercussion is, as I  
22 understand your hypothetical, the software would never  
23 be approved. And we, I think, built a lot of wiggle  
24 room into scenario C, allowing months for it to be  
25 approved, but if it never were approved one clear

1 repercussion is that we could operate less poker  
2 tables and we would probably have to, you know, adjust  
3 plans accordingly to address that scenario since, as I  
4 indicated previously, those tables are already  
5 installed.

6 MR. SOJKA:

7 That helps. Also, just one absolutely  
8 final question. And I've asked this before and I  
9 never get quite the answer I'm looking for. You have  
10 these E tables that have a very distinct appearance.  
11 They have the imitation people, whatever they're  
12 called, and all that sort of stuff. When it changes,  
13 if it changes, to a real table game, now run  
14 electronically and with a different tax rate, it is  
15 truly a different game. Do you plan to put any kind  
16 of signage or anything on these to tell people this is  
17 no longer a slot machine or if it's remaining a slot  
18 machine, this is a slot machine, so people might  
19 knowledgably choose to play one or another?

20 MR. BONNER:

21 I don't think we've planned that,  
22 Commissioner. In discussions that I've been around  
23 with some of our operational folks, their view is that  
24 the customer --- that the change in the way the game  
25 runs is imperceptible to most of our customers. There

1 may be some highly skilled players who would perceive  
2 the difference, but I've been around those  
3 conversations and I'm not skilled in this area so I  
4 can't comment.

5 MR. SOJKA:

6 Well, the answer that it's imperceptible  
7 to the player is less satisfying to me than if it were  
8 obvious to the player. That's the part that bothers  
9 me. If there's any difference in the likelihood of a  
10 player winning the game and it's not obvious to that  
11 person I might want to revisit that at some point.

12 ATTORNEY KOHLER:

13 I'll be happy to take it back,  
14 Commissioner.

15 MR. SOJKA:

16 Would you?

17 MR. BONNER:

18 I'm not sure which way the odds change  
19 when we make the chip change.

20 MR. SOJKA:

21 That would be useful, I think, to us.

22 MR. BONNER:

23 We can do that, certainly.

24 MR. SOJKA:

25 Thank you.

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CHAIRMAN:

I have one quick question. What is the status of your negotiations, if that's the right term, with the Department of Revenue on the tax rate for the E table?

ATTORNEY KOHLER:

Right now there's no negotiations going on. We did attempt that at one point. We --- I have trouble remembering the time --- several months ago filed a Declaratory Order request with the Commonwealth Court just asking the Court to declare what the law provided in this area. And that proceeding is sort of in the scheduling phase, if you will. Nothing really has happened.

CHAIRMAN:

And is it your contention that the tax rate should be 16 percent and they're saying 50 ---

ATTORNEY KOHLER:

No, we're ---.

CHAIRMAN:

--- or are you saying 34 and 50?

ATTORNEY KOHLER:

--- saying 34 and they're saying 50.

CHAIRMAN:

Okay. Got it.

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ATTORNEY KOHLER:

I believe they're accurate numbers. Yes, it's 34 and 50.

CHAIRMAN:

Yeah, okay. Yeah. Okay. Thank you.

ATTORNEY KOHLER:

Thank you, Commissioner. That concludes the public hearing portion of today's agenda. What we're going to do is we're going to jump a little bit out of order. I understand that Secretary Redding is back in the room, and in the interest of keeping him on schedule, we are going to jump out of the public hearing phase of our meeting and go into the regular meeting phase of our hearing to have Secretary Redding give us his presentation on the horse racing industry in Pennsylvania.

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HEARING CONCLUDED AT 11:00 A.M.

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CERTIFICATE

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I hereby certify that the foregoing proceedings, hearing held before Chairman Fajt, was reported by me on 12/16/2010 and that I Cynthia Piro Simpson read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.



Cynthia Piro Simpson  
Court Reporter