

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: DOWNS RACING, LP - PETITION FOR MODIFICATION OF
FLOOR PLAN

* * * * *

BEFORE: MEMBERS OF THE BOARD:

DAVID M. BARASCH, CHAIRMAN

Sean Logan

Dante Santoni, Jr.

Kathy M. Manderino

T. Mark Mustio

Merritt C. Reitzel

Obra S. Kernodle, IV

EX-OFFICIO MEMBERS/DESIGNEES IN ATTENDANCE:

Jennifer Langan, Esquire, Designee,
Department of Treasury

Christin Heidingsfelder, Designee,
Department of Revenue

Jorge Augusto, Esquire, Designee,
Department of Agriculture

Reporter: Amy Distefano

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2 LOCATION: Pennsylvania Gaming Control Board
3 Strawberry Square
4 2nd Floor
5 Harrisburg, PA 17101
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A P P E A R A N C E S

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3 CHRISTOPHER L. SORIANO, ESQUIRE

4 SAMANTHA L. HAGGERTY, ESQUIRE

5 Duane Morris, LLP

6 30 South 17th Street

7 Philadelphia, PA 19103-4196

8 Counsel for Mohegan Sun Pocono

9

10 CYRUS PITRE, ESQUIRE

11 Chief Enforcement Counsel

12 JOHN CROHE, ESQUIRE

13 Assistant Enforcement Counsel

14 P.O. Box, 69060

15 Harrisburg, PA 17106-9060

16 Counsel for Office of Enforcement Counsel

17

18 ALSO PRESENT:

19 ANTHONY CARLUCCI, President and General Manager

20 GARY DEWITT, JR., Assistant General Manager

21 SUNIL MUKUL, Director of Casino Operations

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CHAIRMAN: And now -

MS. MANDERINO: Change of the Guard.

CHAIRMAN: - change of the guard
coming up.

Downs Petition to Modify the Gaming
Floor.

We have some new faces sitting here.
Same thing, anybody who's going to be speaking today
who is not an attorney, please stand and be sworn for
the court reporter.

WITNESSES SWORN EN MASSE

CHAIRMAN: Okay.

MR. CARLUCCI: Mr. Chairman, I wasn't
sure earlier before this, do I get up and stand or
not?

CHAIRMAN: Oh, if you want to stand -
we can swear you a second time. You might have a
different answer.

MR. CARLUCCI: I'm telling the truth
200 percent.

CHAIRMAN: That's fine. All right,

1 then.

2 Petitioners, you can begin.

3 ATTORNEY SORIANO: Good morning, Mr.
4 Chairman and Commissioners. Christopher Soriano,
5 S-O-R-I-A-N-O, with the Law Firm Duane Morris, LLP.
6 Also with me from Duane Morris is Samantha Haggerty,
7 H-A-G-G-E-R-T-Y. Here on behalf of the Petitioners
8 Downs Racing, LP, on the Petition to Modify the Gaming
9 Floor Plan.

10 The Petition sets forth, in detail,
11 the proposed changes to the gaming floor. With me
12 today to testify and give the presentation and answer
13 any questions the Board or the Office of Enforcement
14 Counsel (OEC) may have, is Anthony Carlucci, President
15 and General Manager, who the Board has already heard
16 from this morning.

17 Gary DeWitt, Jr., the Assistant
18 General Manager and Sunil Mukul, Director of Casino
19 Operations.

20 So, with that, I'll turn the
21 presentation over to Mr. Carlucci.

22 MR. CARLUCCI: Okay.

23 Good morning, again, Mr. Chairman and
24 Commissioners.

25 So, this is just a brief Agenda we'll

1 be going over today. We can probably just go right to
2 the overall -.

3 We're here today to request permission
4 to upgrade our gaming experience. I want to stress
5 that we believe there would be no reduction in revenue
6 and staffing. And as we go through the occupancy
7 number, I think you'll see that that's evident.

8 We're requesting to close our original
9 casino, which was built in 1965. And it has some
10 leaking issues and things of that nature, but I want
11 to stress, that's not -. The - the main reason why
12 we're closing is that the machines that are down there
13 are just not needed. And as we go through occupancy,
14 I believe you'll see that.

15 And we also believe that it'll enhance
16 our gaming experience, because again, it's an older
17 facility about a football field away from our main
18 facility. In all - in all candor, it probably should
19 have been closed when we opened up our phase two at
20 that time. But there was a reason for it at that
21 time, which I'm not aware of, but the machines are
22 just not needed, we believe.

23 We want to relocate our poker room, as
24 I touched on briefly earlier. You know, probably
25 getting a little bit ahead of myself. But we do see

1 this crossover play. But more important than that, to
2 this day, the property on our main floor has been open
3 for ten years, and to this day I've been stopped by
4 customers, and they'll say, you know, oh, you don't
5 have poker. And we do have poker.

6 But the issue is it's just so far off
7 the beaten path. To my experience, even signage
8 today, people don't read signs. You know,
9 unfortunately, it's -.

10 CHAIRMAN: They don't want to walk 300
11 feet.

12 MR. CARLUCCI: Well, that, too. That,
13 too, you know.

14 And again, it's an older section of
15 the building, it's not a great experience, in all
16 honesty. So, you know, we want to relocate this poker
17 room.

18 We do see the synergies, the crossover
19 play in this area, along with some kind of earlier -
20 that we see simulcast customers also betting up in
21 that area.

22 We also believe that we're going to
23 better utilize our high limit square footage, because
24 at the time, sometimes when you're dealing with these,
25 you know, big casinos, things are put on the floor

1 that are just not needed, but you do it for aesthetics
2 looks. As we go through the presentation, you'll see
3 we have 18 poker tables, but only 8 of them are ever
4 opened.

5 But if you took them off the floor,
6 you're going to have an empty-looking space that just,
7 you know, what do you with it, type of thing. And we
8 have a little bit of that in our high limit where we
9 have three or four table games that are never opened.

10 Now, they were put there, originally,
11 for like a high-end customer that just requested, I
12 want by myself over there. I've never seen it before
13 in all of the places I've worked at, but they're just
14 not needed.

15 What is needed in a high limit is some
16 more slot machines that we do plan to add to it.
17 Also, going to be adding - as you're well-aware, you
18 know, Pennsylvania, slightly over 50 percent of the
19 floor has to be non-gaming, as far as square footage.

20 Right? But you can have machine
21 counts, okay, that are, you know, exaggerating, you
22 know, double what they are in the nonsmoking,
23 depending on what you designate as far as smoking to
24 nonsmoking, based on square footage. We're actually
25 going to be adding slot machines, nonsmoking slot

1 machines to our area, where we're going to have more
2 nonsmoking slot machines than slot machines that are
3 in the smoking section.

4 So, I would like to turn over to Gary
5 to go over some of the numbers, so -.

6 CHAIRMAN: Please state and spell your
7 name for the court reporter.

8 MR. DEWITT: Good morning. Hi. My
9 name is Gary DeWitt. G-A-R-Y, D-E-W-I-T-T.

10 Good morning, Mr. Chairman and
11 Commissioners. So, this next slide, it just shows our
12 year over year in regards to our gross terminal
13 revenue, just a graphical representation of where we
14 peaked in 2011 to where we're currently stabilizing in
15 the calendar year of 2018.

16 To the right is just a brief summary
17 of when the facility first opened, how many slot
18 machines we had, to what our current count is now.
19 And then a brief rundown of what our requested
20 reduction is by area.

21 So, if so approved, we want to reduce
22 the floor by 405 slot machines. And then I will talk
23 about - myself and Sunil will talk about each
24 particular area, just so you have an understanding and
25 flavor of each area.

1 If, again, approved, we'd like to have
2 1,920 slot machines on our gaming floor.

3 On the next slide, as we continually
4 do, we analyze our gaming floor, our slot floor, our
5 table games revenue consistently. And one of the
6 things that we look at is our occupancy.

7 So, in the last calendar year of 2018
8 - and actually, you can even count 2019 as well, we
9 took our top five coin-in per hour and occupancy per
10 hour days and analyzed those.

11 And our absolute peak in 2018, this is
12 over one hour of one gaming day, we peaked at just
13 slightly over 1,700 slot machines, which at 2,325
14 games is just a little bit over 74 - 74 percent.

15 Again, if approved, we would still
16 have, with our absolute peak - and again, this was our
17 highest day of 2018, we'd still have over 200 slot
18 machines available to our customers.

19 And then, to the right is - just
20 showing for the calendar year, on an average,
21 Wednesday, our average occupancy is a little over 13
22 percent. On Saturday, if you average all the hours,
23 around 26 percent. And then for the year we average
24 right around 19 percent or 430 slot machines and play
25 at any one time.

1 With that in mind, Mohegan Sun is
2 truly committed to the property from our capital
3 investment side, not just in gaming, for the
4 nongaming amenities as well.

5 Since 2008, we've invested over \$44
6 million in our slot product. Particularly, in the
7 last two-and-a-half years, we've really been focused
8 on keeping our floor as fresh as possible. So, we've
9 actually added - well, swapped out, replaced over 500
10 slot machines on our gaming floor in the last
11 two-and-a-half years, something we're very proud of.

12 Also, again, in regards to our
13 commitment is also the experience our customers have
14 in the nongaming space. We've added - as Tony
15 mentioned earlier, we've actually added an Irish pub,
16 Molly O'Sheas. We've added a new Italian food
17 offering, Slice'd, it's a pizza place, et cetera.

18 We actually remodeled our hotel lobby
19 and bar space. And again, if approved, one of our
20 most exciting projects is our sports betting we just
21 talked about, our sportsbook. And we'll stress that
22 with this in mind, no additional reductions in slot
23 machines will be requested.

24 Again, we did, just recently, in
25 September of 2018, replaced all of the carpet around

1 what we call the river. It's basically the walkway
2 around the casino. And then also in late 2016, early
3 2017 we actually replaced all of the carpet throughout
4 the gaming floor as well, which is quite a task and
5 project.

6 Pardon this graphical representation,
7 it's about the best we can do, trying to show the
8 overall facility, including our Phase 1.

9 If you look to the - kind of the right
10 is the two spaces that have the green highlights
11 around them. That's our original casino, or Phase 1.
12 And they really are - you know, it's a two-floor
13 situation.

14 And then, if you go down a little bit,
15 you'll see kind of a small like walkway there. That's
16 that 300 feet or over football that we refer to that
17 gets our guests to our main gaming and
18 nongaming, basically the entire facility.

19 So, on the bottom right-hand portion,
20 which we're going to talk about, highlighted in blue
21 is the proposed new poker room space. On the very
22 north of it is what we're going to talk about
23 regarding the high-limit repositioning.

24 And then to the left, in orange, is
25 where we currently have nine table games that we want

1 to remove and add 73 slot machines. That's a brief
2 overview of the casino.

3 MS. MANDERINO: May I interject, just
4 very briefly?

5 MR. DEWITT: Sure.

6 MS. MANDERINO: To the direct right of
7 the blue section, which is the new proposed poker
8 room, the smaller rectangle, that's the sportsbook
9 that you showed us earlier?

10 MR. DEWITT: Yes, ma'am. As you walk
11 directly up in that main entrance where that kind of
12 diamond is -.

13 MS. MANDERINO: Right. So, the
14 diamond is the entryway, that little rectangle is the
15 sportsbook. And then the big blue rectangle is what
16 we're talking about now, the new poker room?

17 MR. DEWITT: That will be part of the
18 poker room. Other slot machines in that space, and
19 we're going to propose reducing some slots to add the
20 poker room as well.

21 MS. MANDERINO: Right. Okay.

22 MR. DEWITT: Thank you.

23 So, just some summary of the Phase 1
24 of the original casino. Our proposal is to close this
25 existing space. As we've discussed, it was built in

1 1965. It really is disjointed from the rest of the
2 gaming floor.

3 We are encountering some high
4 maintenance costs in this space, as Tony mentioned,
5 some leaking, et cetera, some AC electrical,
6 et cetera.

7 We just believed that we could better
8 utilize both our operating funds and our capital funds
9 in locations that would benefit our guests and our
10 team members better.

11 Overall, in this particular space,
12 there are 383 slot machines with an average age over
13 11 years old. Again, we want to relocate and remodel
14 the poker room, and we don't project any reduction and
15 revenue or staffing by closing this space. We will
16 simply reallocate all of our team members to the main
17 floor.

18 And lastly, just a brief summary about
19 Phase 1. Extremely low occupancy in this space. As
20 you can see, some of the revenue and coin-in fair
21 share numbers. And then also, just currently, there
22 are 18 tables in this space that really well over half
23 sit empty all of the time.

24 And with that, I'm going to turn it
25 over to Sunil Mukul, who's our Director of Casino

1 Operations.

2 MR. MUKUL: Good morning, Mr.
3 Chairman, Commissioners. The name is Sunil,
4 S-U-N-I-L. Last name is, M-U-K-U-L.

5 So, this slide - this is just a
6 representation of the poker revenue, you know, the
7 decline year over year. We had peaked out at about a
8 little over \$4 million in 2011. Last year, in 2018,
9 we were a little bit over \$2 million.

10 So, you know, the poker revenue has
11 steadily been declining over the years, you know, due
12 to increased competition, other casinos opening,
13 Upstate New York, Maryland, et cetera.

14 CHAIRMAN: Can I ask - interject just
15 a quick question? If you go back one slide, please?

16 What point in this timeline did your
17 permanent facility open?

18 MR. MUKUL: The Phase 2?

19 CHAIRMAN: Yes.

20 MR. MUKUL: That opened in 2008, but
21 this is only since 2010, because that's when we added
22 table games and poker. So, starting with -.

23 CHAIRMAN: Okay.

24 I was just wondering whether some of
25 the decline in poker revenue was once you had a flashy

1 new thing there was no poker there, people just
2 stopped going to Phase 1.

3 But this graph doesn't show me that?

4 MR. MUKUL: Correct.

5 CHAIRMAN: Okay. Thank you.

6 MR. MUKUL: So, again, one of the
7 things with the closure of Phase 1, we want to
8 relocate that poker room, to the main floor, put it in
9 a more prominent location.

10 The current room in Phase 1 is 18
11 tables. But again, with the decline in revenue, we
12 believe eight tables would be more than enough to
13 accommodate our demand. That's pretty much what we
14 are scheduling and opening on a daily basis right now,
15 so -.

16 As Gary mentioned, the card room is
17 outdated. We've had some issues with water,
18 et cetera. Another part of it, again, is very
19 isolated. So, there's no opportunity for crossover
20 play.

21 So, we believe, again, with it being,
22 you know, adjacent to the sportsbook, very close to
23 the table games, the main slot gaming floor, we will
24 have that opportunity for, you know, people to peak
25 their interest, you know, to try other areas of the

1 casino as well.

2 Also, you know, increased visibility,
3 guest comfort, proximity to the restaurants. Right
4 now there's really no food service offering down in
5 Phase 1. Now, the poker room will be very close to
6 the restaurants on the main gaming floor.

7 And then, we are committed, you know,
8 the capital spent to do this whole relocation, it is,
9 you know, over \$400,000.

10 This next - next slide, just, you
11 know, depicts - the left is currently how that Penny
12 Grove area is, where you see all the slot machines.
13 The slide on the right, where you see the eight green
14 poker tables, that is the section that we are, you
15 know, taking from the Penny Grove to relocate the
16 poker.

17 This is a photograph of the existing
18 poker room in the Phase 1 area, and we have a couple
19 artist renderings of the new space in that Penny Grove
20 area.

21 All right.

22 The next area that we're going to talk
23 about is the high limit. So, as Tony had mentioned
24 earlier, we do have - you know, there's currently nine
25 tables in the high-limit room. We believe that's too

1 many. We haven't opened four of them at all this
2 current fiscal year, and we do have a demand for more
3 high-limit slot machines.

4 So, the plan is to remove - remove the
5 four tables, add 16 high-limit slot machines to that
6 area. These additional 16 machines will be
7 nonsmoking. So, now we will have smoking and
8 nonsmoking games in the high-limit room.

9 And again, just, you know, more
10 variety, more comfortable for the guests. This slide,
11 again, just a diagram of, you know. The space
12 outlined in red on the right is where the new 16 slot
13 machines would be placed. The slide on the left is
14 the current configuration where the four tables are
15 now. So, -.

16 And I'll turn it back over to Gary.

17 MR. DEWITT: Thank you, Sunny.

18 And as the last portion of the
19 presentation in regards to our proposal is we want to
20 reduce nine table games in our current nonsmoking area
21 of the gaming floor, and as we mentioned, add 73 slot
22 machines to this space. This would get us to our
23 1,920 count.

24 Also, too, at our center bar, our
25 Sunburst bar, right now it's a circular bar and we're

1 going to segregate part of that as nonsmoking as well.
2 Currently it's all smoking. We want to give our
3 nonsmoking customers an opportunity to sit at that
4 center bar as well, if they so choose. So, that's
5 also part of the presentation.

6 And as we've continued to talk, is
7 these nine table games, we truly only open maybe eight
8 hours during the week on a Saturday night, maybe on a
9 Friday night, if peak demand. So, they really do sit
10 empty most of the time.

11 So, we believe we could actually
12 generate more revenue, give our guests more
13 opportunity for slot play. So, again, to propose
14 closing nine table games in this space.

15 And just a quick depiction of that as
16 well is, as you can see what we highlighted in red is
17 where the nine table games are currently. And then
18 what we propose to do is add the 73 slot machines
19 within that existing - that gaming square footage.

20 And with that, in closing, I'm going
21 to turn it over to Tony to talk about our summary and
22 close it out.

23 MR. CARLUCCI: So, just in
24 summarizing, you know, obviously, it's a large
25 reduction in machine count. However, I do want to

1 point out that -.

2 CHAIRMAN: Speak up.

3 MR. CARLUCCI: I'm sorry.

4 CHAIRMAN: Can't hear you.

5 MR. CARLUCCI: Okay.

6 I apologize. But I just want to point
7 out that although it is slightly over 2,300 machines,
8 the most I've ever seen at the property in three years
9 for one night, it hit 1,700 machines in play.

10 But just - we just have too many
11 machines that you just really don't need in a bad -
12 well, not a bad experience, but not as enhanced in
13 gaming experiences as Phase 1.

14 I also wholeheartedly believe that
15 this will increase poker revenue, because it's right
16 off the floor. Hopefully if we receive permission to
17 add the sportsbook. It's in the prime location to do
18 that.

19 It's a better experience for the
20 guests and a better overall atmosphere. And it also
21 opens the door for future enhancements to the
22 property, because you can't remodel an open casino
23 type of thing, okay. But we believe that we can
24 enhance the property.

25 I can't disclose what it may be, but

1 we believe that we can add some things to that area
2 once it's fixed up that would draw people to the
3 property and also have - of course, for play. So,
4 that is our presentation.

5 CHAIRMAN: I want to make sure I
6 understand what you're saying.

7 MR. CARLUCCI: Yes.

8 CHAIRMAN: You're saying that the area
9 that's being - that would be vacated - that was one of
10 the questions, is what were your future plans for use
11 of that space?

12 MR. CARLUCCI: We don't have exact
13 plans yet. The first thing would be to do - is to
14 make sure that we fix leaks that are leaking. We've
15 had to close the poker room several times on high -
16 rainy days because of the leaks, which we had to work
17 with our local enforcement, but that has to be fixed
18 first. And is - I'll never get this close, because
19 we're looking at several things.

20 CHAIRMAN: Okay.

21 MR. CARLUCCI: That would be
22 nongaming amenities, but would draw people to the
23 property, and a different incremental business that we
24 don't have now. Such as going after Millennials and
25 things of that nature and thinking about the future.

1 But first, obviously, we would have to
2 close it. And you know, we've tossed around several
3 things. I really don't want to say publicly, because
4 then people will think you're definitely doing it.
5 But I mean, we have plans to do something in that
6 location, because it does us no good to have an
7 asset sitting there.

8 CHAIRMAN: Right. Okay.

9 Is that the end?

10 MR. CARLUCCI: Yes, Mr. Chairman.

11 CHAIRMAN: Questions or comments from
12 Enforcement Counsel.

13 ATTORNEY CROHE: Good morning,
14 Chairman, Members of the Board. John Crohe,
15 C-R-O-H-E, for the OEC.

16 Yes, we do have a few follow-up
17 questions.

18 Are any of the slot machines that are
19 on the list to be terminated progressive slot
20 machines?

21 MR. DEWITT: Yes, they will be. And
22 as we do with all of our moves, et cetera, we will
23 work with our TFR to ensure that all the proper
24 progressive transfers take place before they're
25 physically removed from the floor.

1 ATTORNEY CROHE: Thank you.

2 ATTORNEY PITRE: How many?

3 ATTORNEY CROHE: And approximately how
4 many of those machines are Progressive?

5 MR. DEWITT: I would have to get back.
6 I wouldn't want to estimate. I'll get back to you
7 with that number.

8 ATTORNEY CROHE: Thank you.

9 MR. DEWITT: Uh-huh (yes).

10 ATTORNEY CROHE: And how do you - how
11 do you believe that reducing the number of poker
12 tables that you currently have available will affect
13 poker revenue?

14 MR. DEWITT: Yeah. Sir, as we
15 mentioned earlier is where the poker room currently is
16 located, it really is kind of out of sight, out of
17 mind.

18 We have our regulars, but there really
19 are, even to this day, guests that ask the question if
20 we have poker. So, we certainly believe that we're
21 going to move to, if approved, is the visibility is
22 going to be fantastic. We're going to get some
23 synergies with the sportsbook.

24 But also, what wasn't mentioned is the
25 location that it's - again, we hope it's going to go,

1 is right across from our table games area as well.

2 So, the location and the general
3 synergies of that main entrance now is going to drive
4 traffic to that space. So, we believe that at the
5 very least, it won't reduce, if anything, it'll only
6 go up, because of that - those reasons.

7 ATTORNEY CROHE: Okay.

8 Even though you're reducing the actual
9 number of the tables?

10 MR. DEWITT: That's correct. Because
11 we don't open that many tables anyhow.

12 ATTORNEY CROHE: Okay.

13 Are the 73 slot machines that are
14 being added to the nonsmoking area the same machines
15 that you're removing from what will be the new poker
16 room or are you getting brand new machines into the
17 facility?

18 MR. DEWITT: No. Currently we're
19 going to take - there's 109 machines being removed
20 from the Penny Grove area. We're going to take those
21 games and place them, temporarily, at least to fill
22 the spots, John, in that space. And then as we always
23 do, once we get them in their locations, we'll analyze
24 the floor and decide where the best locations for
25 continual capital improvements.

1 ATTORNEY CROHE: Okay.

2 And do you have an estimate on the
3 average age of the slot machines that are being moved
4 to a different part of the gaming floor? Are they
5 older machines or new machines?

6 MR. DEWITT: It's a mixture. From -
7 particularly because the games in the Penny Grove
8 area, there are some newer games in there, John.
9 Again, I wouldn't want to speculate on the age. I can
10 certainly get that to you.

11 But the games out of Phase 1, as
12 mentioned earlier, they're our most dated machines.
13 Most of them are ten years old.

14 ATTORNEY CROHE: Okay.

15 And to follow up on a point you made
16 earlier, you believe that reducing the number of
17 high-limit table games available, but increasing the
18 number of high-limit slots available will, hopefully,
19 positively affect revenue at the facility?

20 MR. DEWITT: That's our hope.

21 ATTORNEY CROHE: Okay.

22 And if the Board should grant this
23 Petition today, when do you anticipate the entire
24 project to be complete?

25 MR. DEWITT: We believe it will take

1 us around 180 days to complete this, based on the bids
2 that are received from our general contractors to
3 complete the poker room. And of course all the moves
4 that then relate to that.

5 ATTORNEY CROHE: Okay.

6 But that would not include any
7 potential upgrades to the existing Phase 1, that would
8 essentially - the area would still be closed after 180
9 days?

10 MR. DEWITT: That's correct. That
11 would - yes, exactly. So, from the time we start
12 until when we could get Phase 1 physically closed.
13 And then after that six months, we would then, as Tony
14 mentioned - we've already engaged talking with some
15 individuals, but that would then happen thereafter.

16 ATTORNEY CROHE: Okay.

17 ATTORNEY PITRE: Mr. Carlucci, just by
18 way of history, since you weren't here, but back in
19 2006, when that green area of the original part of
20 Mohegan Sun that was open, once that was opened, those
21 slots weren't removed from that area. And then when
22 table games came online in 2010, slots were removed
23 and placed in different areas, and - then to make room
24 for table games.

25 And then at that time, the GM of

1 Mohegan believed that the poker players wanted to be
2 away from the casino floor. And they thought they
3 could get some ancillary business, also, on the slots
4 in that area. But obviously that has not taken place.

5 So, you think that this - this
6 proposal is something to create some synergy within
7 the main building.

8 So, with regard to the racing, as Mr.
9 Augusto pointed out so vehemently, how do you plan to
10 further integrate racing now that there's no reason -
11 or wouldn't be any reason for anyone to walk in that
12 direction, or really outside that main circle of the
13 casino floor?

14 How do you plan to integrate racing
15 onto the main casino floor? You talked about offering
16 parimutuel wagers, you talked about showing races. Is
17 there any thought to adding parimutuel counters in
18 that area?

19 MR. CARLUCCI: I think that, again,
20 there was a misunderstanding how something was worded
21 earlier. We're going to be putting simulcasting into
22 the sportsbook. It's just, you know, how much. And I
23 think the full question is, was possibly, you know,
24 somebody was thinking about just Sundays, that type of
25 thing.

1 We're going to integrate the simulcast
2 with this area. All right? And it's going to work
3 out in the sportsbook, it's going to work out in the
4 area of Molly O'Shea's. You know, we'll probably put,
5 you know, on screens, you know, possibly even a kiosk,
6 okay, into where the poker is at. It also has a
7 service bar that can, you know, do that.

8 Because we see the biggest crossover
9 play in, you know, the poker customer and the table
10 games' customer. So, we will be integrating the
11 simulcast in several areas.

12 And also, one final point that we
13 mentioned - and you know, again, the GM at that time
14 made the decision that may have been - very well been
15 the very right decision at that time, but we see this
16 as prime opportunity because of the aging of the
17 property, the issue that we're adding sportsbook.

18 And it is slightly secluded from the
19 main casino floor, because it's over across the aisle
20 in that location. And it's not right out in the
21 middle of the floor. So, you're kind of looking at
22 all things being considered, you know, best for the
23 public customer.

24 CHAIRMAN: Is that - are you going to
25 follow up on that or are you moving on to another

1 subject now, Mr. Cyrus?

2 ATTORNEY PITRE: No, you can go ahead.

3 CHAIRMAN: Well, I didn't want to
4 interrupt you.

5 ATTORNEY PITRE: No, I'm fine. I'm
6 fine.

7 CHAIRMAN: What I thought I heard
8 Cyrus's question, just slightly different question, or
9 maybe my question is slightly different. Once you -
10 I'm using the terms on purpose.

11 Once you basically abandon those areas
12 for everything other than racing, if you're not
13 getting enough - you're not drawing enough traffic
14 there when you have poker and some slot machines,
15 physically, how - what's going to be done to encourage
16 people to go to the racetrack, once there's only one
17 reason to go there?

18 MR. CARLUCCI: Fair enough.

19 CHAIRMAN: It's a physical problem. I
20 understand the parimutuel and all the rest. But now
21 you're going to have - and even if you put a
22 restaurant there, whatever, what's going to cause
23 people - the whole idea was to have table games and
24 slot machines to - among other things, encourage more
25 handle at the racetrack.

1 And physically, now, there's - once we
2 do this, absent whatever else you intend to do, it's
3 going to be a total physical separation. If people
4 didn't want to walk 300 feet to go play poker, what's
5 going to cause them to go over there - to go over
6 there to place a bet?

7 MR. CARLUCCI: In the race book - I'm
8 sorry, in the -.

9 CHAIRMAN: Yeah.

10 MR. CARLUCCI: Well, honestly, 99
11 percent of the race book customers come there now and
12 is a different entrance for the racetrack. I know
13 that's not your question, but I do want to - 99
14 percent of the racetrack customers that go there for
15 the racetrack are coming in the old main entrance.

16 CHAIRMAN: Uh-huh (yes).

17 MR. CARLUCCI: But again, by putting
18 the screens up, showing the simulcast races -. And
19 we're not opposed to putting up, you know, signage to
20 say where it's down here, how exactly I can draw
21 customers to the racetrack, particularly based on
22 racetrack, I'm not sure at this point, in all honesty.
23 And it's a very tough industry to get new customers to
24 go there.

25 CHAIRMAN: I guess what I'm trying to

1 understand here, and I'm - perhaps, Jorge was going to
2 ask this question, so now you're being twice
3 preempted.

4 MR. CARLUCCI: Yeah.

5 CHAIRMAN: Is - you're running two
6 separate operations here. You have a gaming operation
7 and you have a horse - horse track. I haven't heard
8 any consideration of what the impact of this is going
9 to be on the horse side of your operation.

10 ATTORNEY PITRE: Well, I view this as
11 an opportunity for - if they're closing this area, and
12 that project is still up in the air, that they
13 seriously consider integrating racing into that part
14 of the area, things that would draw to people to that
15 area and also draw them to the racing side.

16 So, I would seriously encourage them
17 to take the opportunity, if the Board approves this
18 Petition, to use that closed space to integrate racing
19 further into that facility.

20 CHAIRMAN: Any questions?

21 MR. LOGAN: We would concur with that.
22 The Racing Commission would absolutely concur with
23 that.

24 CHAIRMAN: Well, I just - I guess I
25 was wondering -.

1 MR. CARLUCCI: We're not opposed to
2 that.

3 CHAIRMAN: Without asking for your
4 specific plans, we usually spend all our time thinking
5 about the gaming side of the operation, but your
6 physical layout presents unique problems and we all
7 understand that.

8 And the whole idea of adding gaming to
9 horse racing was to produce some synergies. And now
10 you're going to be physically making it even harder on
11 the racing side of the operation.

12 I'm just wondering what had you
13 thought about that - as you were making these other
14 plans?

15 MR. CARLUCCI: The only thing, without
16 disclosing, is - and the only thing that we believe,
17 is by adding something that's a nongaming amenity -

18 CHAIRMAN: Uh-huh (yes).

19 MR. CARLUCCI: - to draw people to
20 that area. And while they're at that nongaming
21 amenity, they're more than likely to do it.

22 CHAIRMAN: I'll take that for now.

23 MR. CARLUCCI: Okay.

24 CHAIRMAN: That's fine. I'm sorry.
25 Go ahead, Cyrus.

1 ATTORNEY PITRE: No, I'm done. I just
2 wanted to encourage them to integrate racing into that
3 closed area now that they have the opportunity to do
4 so.

5 CHAIRMAN: Okay.

6 Are there questions or comments from
7 the Board? I'm sure there are.

8 Mark?

9 MR. MUSTIO: There's a couple of us
10 that are, I believe, touring there on Friday, so maybe
11 you can highlight those areas for us?

12 MR. DEWITT: With pleasure.

13 MR. CARLUCCI: I'm conducting the
14 tour, and I'll be glad to.

15 MR. MUSTIO: And I'll wear my Fitbit.

16 CHAIRMAN: Kathy?

17 MS. MANDERINO: Yeah. Can we put the
18 overall property map up on the big screen, just so
19 they can - there you go.

20 It was on my screen, it just wasn't up
21 there. So, I want to understand what I'm looking at
22 here today. The two areas off to the right that have
23 the green sections that you're phasing, are really -
24 that's a split? That's a one building like the little
25 key that's at the bottom there, and those are on top

1 of each other.

2 But - so it's kind of like this three
3 sectioned arm off of your circle. Right? Now, is the
4 racetrack, like is - I'm just looking at that one area
5 and wondering is that the grandstand and the racetrack
6 is right over further to the right, so to speak?

7 MR. CARLUCCI: Yes, ma'am. Yeah, so
8 it's - yeah, it's exactly like you said. The two
9 greens are really on top of each other. It's one
10 building, and then you're right - to the upper right,
11 a little bit further down, that's where the racetrack
12 is.

13 MS. MANDERINO: Okay.

14 Now, so I - that part I am now
15 picturing. I'm going to go back to the circle, the
16 main - the main thing. Where is that circular bar
17 that now is all smoking and you're going to make some
18 slots on that bar nonsmoking? Is that the thing
19 that's literally in the physical center of that
20 circle?

21 MR. CARLUCCI: Yes, it is. It's
22 literally right in the middle.

23 MS. MANDERINO: Okay.

24 So, it seems to me there's no natural
25 division for - unless you're just going to take two

1 machines and say these two machines are nonsmoking
2 machines. So, if I'm sitting at a nonsmoking machine,
3 Dave's sitting at the smoking machine with his
4 cigarette, is that literally what's going on there?

5 MR. CARLUCCI: To some degree, yes,
6 but we are actually going to remove a couple slot
7 machines from the center of that bar, just to show a
8 little separation between the two, but -.

9 MS. MANDERINO: So, is the - but part
10 of what I recall when I read the more detailed package
11 in preparation of this meeting, is that there is, in
12 the overall, scheme of things still meeting the
13 Board's requirement, there is a small overall
14 reduction in the percentage of space that is
15 nonsmoking in this proposal.

16 So, are we kind of just pretending
17 that we're not decreasing the nonsmoking even more by
18 sticking two machines here versus -? I mean, I guess
19 where I'm trying to go is how realistic is that, that
20 those are really nonsmoking machines, and that - that
21 the nonsmoking experience is not being further
22 diminished in addition to some of the other things
23 that we've talked about?

24 MR. CARLUCCI: Let me answer the one
25 part, and then I'm going to have you guys - I'm sorry,

1 I'm going to have you guys answer on the bar itself.

2 But I do want to point out that this
3 entire Phase 1 is nonsmoking. So, - and many times,
4 there's 30 people playing down there. So, in a way
5 we're kind of cheating the system by having that,
6 because it's just a huge space that nobody's up there.
7 And you basically are saying to people, you know - and
8 we have nonsmoking up in our main section. I want to
9 make that point.

10 But you're driving people down to this
11 huge space that's all nonsmoking -.

12 MS. MANDERINO: So, you're saying your
13 old square footage that delineated smoking versus
14 nonsmoking included those green areas, not just the
15 area in the circle?

16 MR. DEWITT: That's correct.

17 MR. CARLUCCI: That's correct.

18 MR. DEWITT: That's all part of our
19 gaming square footage.

20 MS. MANDERINO: So - so, what you're
21 saying to me now, if I'm hearing you correctly, is
22 that in the circle, which if approved, would be the
23 extent of the Mohegan Sun gaming experience, you're
24 actually increasing square footage in that round for
25 nonsmokers?

1 MR. DEWITT: Yes.

2 MR. CARLUCCI: That is correct.

3 MS. MANDERINO: Okay.

4 During - or was there something else
5 that you wanted - I mean, I'm satisfied with the
6 answer.

7 MR. CARLUCCI: Yeah, I just wanted to
8 make sure we - you know.

9 MR. MUKUL: Yeah. I just wanted to
10 say out of the - you know, out of the - you know, out
11 of the reduction, the 405 game reduction, we're
12 reducing the smoking machine count by 320.

13 We're reducing the nonsmoking machine
14 count by 85.

15 MS. MANDERINO: So, technically on the
16 floor there, there are more nonsmoking machines under
17 the new plan versus under the current plan?

18 MR. MUKUL: That is correct.

19 MS. MANDERINO: Okay.

20 When - and I apologize, I can't
21 remember who was talking about the poker tables coming
22 upstairs. And that's because of the visibility and
23 the synergy, you believe it will increase poker
24 revenue. And I saw the slides. I understood that.

25 My question is, increased poker

1 revenue, absolutely irrespective of slot revenue or
2 increased poker revenue at the expense of an
3 anticipated reduction in slot revenue?

4 MR. CARLUCCI: I'll answer that. We
5 don't see any reduction in the slot revenue at all.
6 And we believe that, if anything, we will increase the
7 poker revenue because of the location and the
8 proximity to the other amenities we're adding.

9 MS. MANDERINO: Okay.

10 So, that increase would be just poker
11 today versus poker in the future comparison?

12 MR. MUKUL: Correct. Incremental
13 Poker, yeah.

14 MR. CARLUCCI: That is correct.

15 And again, it's just a matter of the
16 stresses that the machines in this area - frankly, no
17 one's playing them?

18 CHAIRMAN: Jen?

19 ATTORNEY LANGAN: I have a question
20 for Enforcement Counsel. Did we do - do we do any
21 kind of assessment when this gaming floor proposal is
22 for a reduction of slot machines -?

23 I mean, this is probably one of the
24 biggest that we've seen is the reduction of slot
25 machines. I guess the Treasury's obvious concern is

1 revenues to the Commonwealth and the Gaming Fund. Did
2 we do any kind of assessment that these are really
3 nonrevenue-producing slot machines, or can we - you
4 know, when we get these proposals?

5 ATTORNEY CROHE: Yeah. So, BIE's FIU
6 did a report, which basically confirmed the
7 proposition that the - a majority of the slot machines
8 that are being moved or terminated are low-producing
9 slot machines.

10 ATTORNEY LANGAN: And when we say
11 low-producing, it's in relation to everything else or
12 when we say low-producing, it's in relation to - it's
13 in relation to everything else at Mohegan? Or - okay.

14 ATTORNEY PITRE: In relation to what's
15 on Mohegan Sun's floor right now.

16 ATTORNEY CROHE: Correct. 262 of the
17 slot machines are in the lowest 25th percentile.

18 ATTORNEY LANGAN: Okay.

19 ATTORNEY CROHE: Of the gaming
20 terminal revenue at Mohegan Sun.

21 ATTORNEY LANGAN: Okay.

22 I mean, that's just a main concern for
23 Treasury, is when we see a reduction in slot machines
24 - I mean, whether you like it or not or whether any
25 casino wants to believe it or not, the Commonwealth is

1 the biggest revenue producer out here. You guys are
2 secondary, we're the biggest one.

3 MR. CARLUCCI: Sure.

4 ATTORNEY LANGAN: And so that is a
5 main concern for Treasury. Thank you.

6 CHAIRMAN: Okay.

7 ATTORNEY AUGUSTO: Mr. Chairman, if I
8 may, one last thing. If I could ask, in the future,
9 that if there are any reductions, additions, any
10 changes to the racetrack facility, the building,
11 anything touchy - I understand that this is a gaming
12 proposal, but it impacts racing - would you please
13 provide notice, an appropriate Petition to the
14 Commission, to the State Racing Commission? That
15 would be helpful.

16 MR. CARLUCCI: Yes, absolutely.

17 ATTORNEY AUGUSTO: Thank you.

18 MR. CARLUCCI: Okay.

19 CHAIRMAN: If no one else has
20 questions, I have a few. I'll try to be brief, I know
21 it's - we're getting pretty long here.

22 You have a unique situation here
23 because your physical location. And you've made a
24 compelling argument that you can close this down with
25 no reduction in revenue and all the rest.

1 But just humor me. You're really in
2 an all-or-nothing proposition relating to the Phase 1.
3 It might be, if you had total flexibility, that the
4 actual reduction of slot machines might be some number
5 different than 380 or whatever, but in a sense, you're
6 either shutting that down or you're not. And what you
7 can move over is limited by the space limitations that
8 you have in Phase 2.

9 But humor me, for you to say that's
10 the optimal level, it's really, I believe, the optimal
11 level given the physical restraints that you're
12 operating under.

13 Is that fair?

14 In other words, if you had other
15 space, perhaps you might decide that you want to have
16 more than 200 extra slot machines around at a peak
17 time, but you don't really have that flexibility,
18 because leaving extra machines over in Phase 1, as you
19 move over is just going to make it even more of a
20 wasteland.

21 Okay?

22 But if you had the space - the total
23 flexibility, would the reduction necessarily be 385 or
24 might it be 200? I'd like to understand that. I want
25 to understand how much of this decision -. We are

1 faced with physical limitations here, but I want to
2 understand how much of this - this decision is a
3 function of the physical limitations of your space, as
4 opposed to what might be optimal.

5 MR. CARLUCCI: Yes, Mr. Chairman, fair
6 enough. You know, obviously the space closing on
7 Phase 1 is very vague. But I can stress to you this,
8 if we were opening this casino today, we would be
9 going with this number, perhaps even less.

10 At best, 1,700 machines in play for
11 one night in the past three years at the peak time and
12 very little - maybe one hour in a whole year and still
13 be in just at 1,700 when you have 1,900 machines, it
14 wouldn't make sense to open it up.

15 If I was - if I was presenting to open
16 this casino today in the present location, I would be
17 going with this number of slot machines or less.

18 CHAIRMAN: Okay.

19 Would you say the same thing about the
20 number of table games that you're going to have
21 available, to what extent is that also -? After you
22 do all this, is the - in the perfect world, is the
23 right number eight instead of 18, or is the right
24 number 10 or 12, instead of 18?

25 MR. CARLUCCI: For poker?

1 CHAIRMAN: Yes.

2 MR. CARLUCCI: Eight - I believe eight
3 is the right number, I think.

4 CHAIRMAN: But is that because of the
5 physical limitations?

6 MR. CARLUCCI: No. I -.

7 CHAIRMAN: So, if you had another
8 several hundred square feet available to you, you
9 wouldn't put ten instead of eight or something?

10 MR. CARLUCCI: No. No, I wouldn't.
11 I mean, you could debate, we could
12 look at numbers and say, would you put nine?

13 CHAIRMAN: Okay.

14 MR. CARLUCCI: That would be
15 debatable, in all honesty.

16 CHAIRMAN: Okay.

17 MR. CARLUCCI: But again, when you
18 have 18 tables and at most you're opening eight -.

19 CHAIRMAN: Okay.

20 Now, the punchline. We're talking
21 about what's inside the circle. You have the ring
22 around the circle. It's like the same area that
23 you're going to be using for your high-limit poker.

24 All the rest of that area is a
25 decision you've made about how much of this total

1 space is going to be spent on gaming versus other
2 ancillary things like restaurants or whatever else
3 lies outside of the river.

4 Is it possible that portions of the
5 area outside the river might be more profitable if
6 they were given over to table games or slot machines?

7 MR. CARLUCCI: I don't believe so.
8 But we would certainly analyze that.

9 CHAIRMAN: Well, I was wondering if
10 you did analyze that as you were deciding to make
11 these decisions or you assumed that everything outside
12 the ring was going to be left alone?

13 MR. CARLUCCI: No, no. No, we did
14 look at that at this point, and at this point, we
15 believe that this is the right number. We did look at
16 that.

17 CHAIRMAN: Okay. All right.

18 Are there any other questions? If
19 not, Enforcement Counsel, do you have a presentation
20 or -?

21 ATTORNEY CROHE: The OEC does not have
22 a public presentation today. However, we'd
23 respectfully request that should the Board grant
24 Mohegan Sun's Petition to Modify its gaming floor,
25 that the approval be made subject to the 11 conditions

1 set forth in the OEC's April 5th, 2019 Answer.

2 CHAIRMAN: Thank you.

3 Any questions or comments from
4 Petitioners?

5 ATTORNEY SORIANO: Mr. Chairman, if I
6 may, we concur with the conditions set forth by the
7 OEC. We'd have no objection to following those
8 conditions should the Board be inclined to grant the
9 relief requested.

10 CHAIRMAN: Okay.

11 ATTORNEY SORIANO: If I may, Mr.
12 Chairman, I'd like to move the presentation that was
13 made into evidence and make it a part of the record.

14 CHAIRMAN: Yes, so moved.

15 ATTORNEY SORIANO: And if I may call
16 to the Board's attention that with the Petition we
17 filed a motion to protect confidential information in
18 terms of the exhibits that were attached to the
19 Petition that contained the detailed schematics. And
20 we would ask that to be - that information be
21 maintained as confidential as well.

22 CHAIRMAN: I understand.

23 Anything else at this moment.

24 ATTORNEY CROHE: No. And that we have
25 no objection to the motion for confidentiality.

1 CHAIRMAN: Okay.

2 If there are no further questions or
3 comments from the Board, we're going to take a brief
4 recess, go into Executive Session and then come back
5 and pick up your matter later in this meeting.

6 Thank you.

7 * * * * *

8 HEARING CONCLUDED

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CERTIFICATE

I hereby certify that the foregoing proceedings,
hearing held before Mr. Barasch, was reported by me on
05/15/19 and that I, Amy N. Distefano, read this
transcript, and that I attest that this transcript is
a true and accurate record of the proceeding.

Dated the 17th day of June, 2019



Amy N. Distefano,

Court Reporter