

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: WASHINGTON TROTTING ASSOCIATION, LLC -
PETITION TO MODIFY GAMING FLOOR PLAN

* * * * *

BEFORE: MEMBERS OF THE BOARD:

DAVID M. BARASCH, CHAIRMAN

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Sean Logan

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T. Mark Mustio

Merritt C. Reitzel

Dante Santoni, Jr.

EX-OFFICIO MEMBERS/DESIGNEES IN ATTENDANCE:

Jennifer Langan, Esquire, Designee,
Department of Treasury

Radee Skipworth, Designee, Department of
Revenue

Jorge M. Augusto, Esquire, Designee,
Department of Agriculture

HEARING: Wednesday, August 14, 2019

Reporter: Lindsey Deann Richardson

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1 LOCATION: Pennsylvania Gaming Control Board
2 Strawberry Square
3 2nd Floor
4 Harrisburg, PA 17101

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ALSO PRESENT:

TONY FRABBIELE, Vice President and General Manager

BENJAMIN BAUGH, Director of Slot Operations

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P R O C E E D I N G S

CHAIRMAN: Next up, Washington Trotting Association, LLC Petition to Modify their Gaming Floor at The Meadows Track and Casino.

Once again, before we begin, make sure that we're all identified, spell your names prior to any presentation. And also have - any nonattorney witnesses that may be called this morning, I'd like to have them sworn - stand and sworn at this time.

WITNESESES SWORN EN MASSE

CHAIRMAN: Thank you.

ATTORNEY FABIOUS: Good morning, Chairman, Commissioners. My name is Michael Fabius, F-A-B-I-U-S, representing Washington Trotting Association. With me today are Tony Frabbiele, Vice President and General Manager, spelled, F-R-A-B-B-I-E-L-E. And immediately to my right is Benjamin Baugh, who is Director of Slot Operations. So, Baugh is, B-A-U-G-H.

We are pleased to be here today to present to you another Gaming Floor Plan modification. It's part of the broader investment

1 strategy in the property.

2 Tony will speak broadly to that
3 Investment Plan. We're obviously here today in
4 particular because the Gaming Floor Plan
5 modification involves a net reduction of 485 slot
6 machines. Then we'll speak to that - give you
7 specifics on that reduction, including a background
8 about the slot operations and the business - why we
9 believe - why we concluded that the net reduction
10 will improve the customer experience and will not
11 affect revenues.

12 So, with that, I will turn it over to
13 Tony.

14 MR. FRABBIELE: Thank you, Mike.
15 Again, my last name, F-R-A-B-B-I-E-L-E. First name
16 Tony. Thank you, Mr. Chairman, members of the Board
17 for your time today.

18 We thought it would be good to start
19 off and walk you through the overall Master Plan for
20 The Meadows and what we're working on today with the
21 current configuration and the business that we have
22 there. It's a very healthy business and we strongly
23 believe in that business and how well it performs in
24 Washington County.

25 We want to continue to see that growth

1 for a long period of time underneath the Penn
2 National flag. And it starts with the investment
3 into our food and beverage amenities. We currently
4 are under construction, started back in mid-July,
5 bringing in the Fabio Viviani concepts that have
6 been very successful at our Penn National Race
7 Course property, Charlestown and also in
8 Lawrenceburg, Indiana.

9 We expect the Fabio concept to
10 conclude in early November. We'll open with four
11 brand new concepts from a food perspective. So,
12 we'll have an American concept, an Italian with the
13 Mercato. An Asian offering with Zen. And then also
14 a Joe & Dough, which will be our primary sweets and
15 coffee.

16 We're also placing into that space a
17 40-seat bar with 36 tap handles that overlooks our
18 racetrack. So, we believe that really complements
19 our horseracing business and gives that customer a
20 place to go, a completely nonsmoking bar, to enjoy
21 the experience and amenities that we offer at the
22 property.

23 Another focus for us - and this is
24 part of why we're here today and doing some of the
25 modifications to our Floor Plan is we really want to

1 enhance that customer experience and continue to
2 have other amenities that drive them into our
3 property. And we believe entertainment is a great
4 strategy for us to go after to do that.

5 So, we currently have the Headliners
6 space, which is tucked back in the south side of the
7 property back in the corner. We want to bring that
8 forward, bring that marquee forward, so it really
9 invites you into that space, and you see it from any
10 vantage point inside of the property. A brand new
11 bar with a rectangle shape that's pulled out into
12 the floor a little bit further with gaming positions
13 on it, as well as about 350 seats that will be
14 inside of the venue.

15 We anticipate this going under
16 construction in October and being complete before we
17 finish 2019.

18 Beyond this, we've also started
19 construction on our brand new cage, which we
20 anticipate opening August 30th, which is currently
21 where our mychoice counter was before. And we just
22 opened our new mychoice for our customers, which was
23 right off the main entry of the floor.

24 In total, including what they will
25 talk about from a slots reinvestment standpoint,

1 we're putting over \$14 million back into this
2 facility just in our first year of operation. So,
3 we're very excited about it. We have a lot going on
4 and appreciate your time again today.

5 With that, I'll turn it over to Ben,
6 so he can start to walk you through some of the
7 things we have going on slot side.

8 MR. BAUGH: Thank you, Tony.

9 First off, Mr. Chairman, Board, thank
10 you for the opportunity to come before you today
11 with this proposal. Additionally, we would like to
12 express our gratitude towards the Financial
13 Investigations Unit for the assistance and support
14 that they extended to us during this process.

15 On the topic of the investment in our
16 property, in 2018 The Meadows purchased a new slot
17 system for \$4.35 million, enhancing the player
18 experience as it relates to efficiency and use of
19 promotional and mycash downloads.

20 Furthermore, with the - in acquisition
21 there's been a substantial increase in investment to
22 our slot product. This year alone The Meadows will
23 be spending more than \$2.3 million to obtain 126 new
24 cabinets and multiple game conversions.

25 With all new game purchases, we make a

1 conscious effort to ensure strong presence on all
2 social online platforms in which we are currently
3 active.

4 Historically, in 2009, as it relates
5 to gross terminal revenue, we peaked at \$278
6 million. We've seen a decline in GTRs. The market
7 stabilized and became more saturated, having, over
8 the last year, settled between the \$200 and \$215
9 million mark.

10 Coinciding with the stabilization and
11 saturation of the market, The Meadows has been
12 periodically removing slot machines each time with
13 prior PGCB approval to a current number of 2,991
14 games. This is currently the third most slot
15 machines on any Gaming Floor in Pennsylvania, with
16 the second lowest win per unit in the state.

17 This proposal seeks a net reduction of
18 485 slot machines. And furthermore, three table
19 games will be removed due to space limitations with
20 the improvement of our amenities. The table games
21 removed are Blackjack table games, with the
22 contribution of less than one-fourth of one percent
23 to overall Blackjack drop for our facility.

24 We expect no negative effects on GTR
25 or table games revenue due to low overall occupancy

1 and utilization.

2 Our current offering of 2,991 slot
3 machines results in a significant oversupply. The
4 chart on the left shows our peak weekday and weekend
5 and average overall occupancy rates for April 1st,
6 2018 through March 31st of 2019.

7 You can see even on Fridays, our
8 busiest day of the week, an on average of nearly
9 eight out of ten machines, more than 2,300 games are
10 unoccupied and available for guest play. At right
11 you can see that even during our busiest hours, by
12 volume and occupancy in this time period,
13 approximately four out of ten machines, nearly
14 1,200, were unoccupied and available for guest play.

15 During the evaluation, we use a
16 comparison of occupancy at the new proposed count of
17 2,506 units on our floor, with all other data
18 remaining the same. And we found that we did not
19 exceed 75 percent occupancy during any one hour
20 during this 365-day period. This tells us that our
21 new count still allows ample supply to serve an
22 increased demand.

23 We seek to address this significant
24 oversupply by reducing our machine count by 485 slot
25 machines. The selected machines are among the

1 oldest least desired and worst performing on our
2 floor. The reduction will not only better optimize
3 but build excitement on the floor for all customers
4 and provide the nonsmoking customers with more
5 separation from the smoking areas of our floor.

6 From a revenue perspective, this
7 removal is expected to have no negative effect on
8 GTR due to low occupancy results identified during
9 this evaluation. The Meadows will remain the third
10 largest count of slot machines on any casino in
11 Pennsylvania following this proposed reduction.

12 The 25 - the 2,506 slot machines will
13 be a sufficient quantity to serve demand. And
14 remaining diversity is sufficient so that no one
15 would stop coming to The Meadows because they would
16 not be able to find the desired game of similar
17 style type or game play.

18 From a team member perspective, the
19 removal will not result in any staffing level
20 changes for operations or surveillance. And the
21 property stands to realize a significant cost
22 savings and reduction of electricity maintenance and
23 repair.

24 Here you'll see as our Gaming Floor
25 currently stands with 2,991 slot machines. The

1 orange is our current smoking section and blue,
2 nonsmoking.

3 As you'll see in our after - you can
4 see the nonsmoking section is more clearly defined
5 from the smoking section. There's more elbow room
6 and wider aisles for our guests.

7 Further you'll note that our Vibe
8 Lounge will become nonsmoking. In addition to that,
9 our mychoice or player services counter, cage and
10 both entrances to the casino floor will now be
11 nonsmoking with nonsmoking pathways for the
12 nonsmoking guests to freely move to a nonsmoking
13 section for their desired area of play.

14 And with that, I will turn this back
15 over to the Vice President and General Manager, Tony
16 Frabbiele.

17 MR. FRABBIELE: Thank you, Ben.

18 Before coming in front of you today,
19 we also met with the MSOA Board and companions to
20 review this plan. And we wanted to share with you
21 that the MSOA is fully in support of our
22 modifications and plans that we have moving forward
23 and is available if you have any questions.

24 CHAIRMAN: Thank you.

25 ATTORNEY FABIUS: With that, that's

1 our presentation for the morning. I ask that our
2 presentation be moved into evidence with your
3 permission. We'll take questions.

4 CHAIRMAN: So moved. Counsel?

5 ---

6 (Whereupon, Exhibit 1, Presentation, was marked
7 for identification and admitted.)

8 ---

9 ATTORNEY MANIFESTO: Beth Manifesto on
10 behalf of the Office of Enforcement Counsel (OEC).
11 While we do not have a presentation for the Board,
12 we do have several follow-up questions.

13 So, at the conclusion of all of the
14 requested modifications, you are going to have 2,506
15 slot machines on the Gaming Floor?

16 MR. BAUGH: That is correct.

17 ATTORNEY MANIFESTO: And at the
18 conclusion, how many table games will be on the
19 casino floor?

20 MR. BAUGH: Eighty-five (85).

21 ATTORNEY MANIFESTO: And can you give
22 us the percentage of table games in smoking and
23 nonsmoking sections? And also, if you would have
24 the numbers that would accompany those percentages.

25 ATTORNEY FABIOUS: I don't know that we

1 have the percentage breakdown of smoking/nonsmoking
2 for table games.

3 Do you know, the three that are being
4 removed, are they being removed from smoking or
5 nonsmoking?

6 MR. BAUGH: They're being removed from
7 nonsmoking sections, following any reconfiguration
8 of the floor.

9 ATTORNEY FABIOUS: We can follow up and
10 give you the percentage calculation.

11 ATTORNEY MANIFESTO: Okay.

12 Do you know the number that will
13 remain in each section?

14 MR. BAUGH: There will be eight tables
15 remaining in the nonsmoking section. Nine, excuse
16 me.

17 ATTORNEY MANIFESTO: And will there be
18 any staff reductions as a result of the changes to
19 the Gaming Floor?

20 ATTORNEY FABIOUS: Hold on.

21 ATTORNEY PITRE: What number of slot
22 machines will remain in the nonsmoking versus the
23 smoking?

24 MR. BAUGH: There will be 1,140 games
25 in nonsmoking versus 1,366 games in the smoking

1 following the completion of this project.

2 ATTORNEY PITRE: Okay.

3 So, that's a little bit more balanced
4 than the table games. Because the majority of your
5 table games will be in nonsmoking - I mean, in
6 smoking?

7 MR. BAUGH: Correct.

8 ATTORNEY PITRE: And I know that you
9 guys have a Sports Wagering Petition pending, so I'm
10 not going to get into too much detail about that,
11 but you are aware that that is a separate part of
12 the - that will be considered, the smoking and
13 nonsmoking that has to be 50/50 also?

14 MR. FRABBIELE: We are aware of that,
15 and that is being prepared at this time.

16 ATTORNEY PITRE: I have no further
17 questions.

18 CHAIRMAN: I have a question. I'm not
19 sure who to direct it to. Counsel, either side,
20 just eyeballing the two charts to the casual
21 observation, it surely looks like a lot less
22 nonsmoking area afterwards.

23 If you look at the before and after,
24 the entire right quadrant of the picture, which is
25 nonsmoking, okay. In the before comes smoking

1 after. And I notice - I'm not sure I understand it,
2 the whole chunk of the area that is labeled as blue
3 are pathways leading through smoking areas.

4 You're labeling - if I understand what
5 I'm reading - I'm seeing here, you're labeling it as
6 nonsmoking, but there's no real - there's no
7 nonsmoking table games in those areas. It's a
8 pathway in the -.

9 ATTORNEY PITRE: There are a few
10 tables, not very many in a nonsmoking area, right
11 above the orange - on the table game area. You can
12 see it.

13 CHAIRMAN: Oh, no, I can - I see that.
14 I guess what I'm - having looked at a lot of Floor
15 Plans over the last several years, it hit home, but
16 I've never really seen pathways that go through
17 smoking areas being labeled as nonsmoking. They're
18 kind of neutral, I mean, as neither -.

19 MR. FRABBIELE: I can answer that
20 question.

21 CHAIRMAN: I'm having a hard time
22 seeing -

23 MR. FRABBIELE: I understand.

24 CHAIRMAN: - how you end up with these
25 square footages, unless what you're really doing is

1 just counting a lot of pathways nonsmoking, but it's
2 really not a nonsmoking gaming area, at least not to
3 my eye it isn't.

4 ATTORNEY PITRE: Well, it is part of
5 the Gaming Floor. Just because they don't have
6 games on that particular spot, it is part of the
7 Gaming Floor.

8 CHAIRMAN: I guess that I'd be curious
9 to see how somebody's going to police that somebody
10 walking down a pathway with a cigarette. Like it
11 just seems like it's a pathway. And I guess - I
12 don't know how to calculate it, but I'd sure like to
13 know what the balance is, when you talk about areas
14 where people can actually game as opposed to
15 walkways.

16 Maybe I'm not being fair. That's what
17 I see.

18 MR. LOGAN: You don't have a chart you
19 can show us that - before and after nonsmoking?

20 CHAIRMAN: Oh, there is. It's number
21 two. That's what I was trying to do, Sean, is -
22 what you see in the after, the large amount of new
23 space there are no slot machines in them. That it's
24 being labeled as nonsmoking, but that really seems
25 to be consistent with what our goals here are.

1 MS. MANDERINO: Can I ask, Mr.
2 Chairman, a question a different way? If the blue
3 area right in the middle - let's go back to the
4 Gaming Floor after. If the blue area pathway going
5 straight down the middle of the two orange sections
6 in the center, as well as the blue area pathway
7 between the two orange sections, middle and right
8 were orange, would it meet the required Gaming Floor
9 nonsmoking requirements of our statute?

10 Do you understand what I'm saying? Do
11 you want me to get up and point at it?

12 CHAIRMAN: I understood it. Do you
13 see it?

14 MR. LOGAN: Yeah.

15 MR. FRABBIELE: What we're trying to
16 do is create a better experience for our smoking and
17 our nonsmoking customer in this process. So, as you
18 enter into our facility, we want the customer that
19 is a nonsmoking customer not to have to be exposed
20 to that.

21 So, as you come through our south
22 entrance, our new cage is located right to your left
23 and can come through there, and you can access the
24 new food court and go into that space.

25 You can cut across and you can go into

1 where Vibe is today or over into the Non-Gaming - or
2 the nonsmoking space without having to have that
3 impede on your experience. I've worked in multiple
4 jurisdictions that have had percentages of smoking.
5 I can tell you, it's a challenge everywhere, but our
6 security team is prepared for that challenge, and
7 they will be the ones that will be out there to help
8 enforce that. And when customers are seen in places
9 they shouldn't be, we will address that.

10 MS. MANDERINO: My question to our
11 Enforcement Counsel, if this blue pathway between
12 these two orange sections and the blue pathway
13 between those two orange sections - now can you see
14 where I'm pointing?

15 ATTORNEY PITRE: I know exactly what
16 you're talking about.

17 MS. MANDERINO: Okay.

18 If those were designated on the Floor
19 Plan as smoking, would this plan meet the required
20 statutory - or the statutory requirement that at
21 least 50 percent of the Gaming Floor be nonsmoking?

22 ATTORNEY PITRE: I'm not sure, because
23 I don't know the measurements of those areas.

24 MS. MANDERINO: Okay.

25 That's my question that I'd like to

1 have an answer to.

2 CHAIRMAN: That's where I was heading.

3 MS. MANDERINO: Yes, I knew that.

4 CHAIRMAN: Thank you very much.

5 ATTORNEY FABIOUS: If I may for a
6 moment? The margin of difference in terms of square
7 footage on the smoking and nonsmoking, if you go
8 back to slide eight, it's 65,123 square feet versus
9 63.55. So, it's about 2,000 square foot difference.

10 That pathway that we're talking about is - should
11 not be 2,000 square feet.

12 And the key reason it needs to be
13 nonsmoking pathway is if you look in the top -
14 towards the top right, it's neither blue nor orange.
15 That's the food court. That's an area where we want
16 people nonsmoking passengers, nonsmoking customers
17 to be able to pass through without walking through
18 the smoking area to get to the food court.

19 MR. MUSTIO: So, how does that happen,
20 the walking through smoking - smoking slots to get
21 there?

22 ATTORNEY FABIOUS: The - the pathway
23 that's in bluish, there will not be smoking in that
24 area.

25 MR. MUSTIO: No, you're sitting in the

1 terminal right there. They're sitting, they're
2 smoking cigarettes. Just because -.

3 ATTORNEY FABIUS: Correct. Our point
4 is to try to minimize the amount of smoking that
5 would impede on our customers' experience. Because
6 today it does impede on their experience, and so our
7 point is to try and clean it up as much as we can
8 and do everything that we can to keep both customer
9 bases.

10 MR. MUSTIO: So, you're saying
11 currently that was smoking, people will be standing
12 in the walkway smoking cigarettes kind of hanging
13 out?

14 MR. FRABBIELE: Does it happen today,
15 yes. Absolutely.

16 MR. MUSTIO: So, when a person gets up
17 from that slot machine, gets to put his cigarette
18 out to stand in that pathway?

19 MR. FRABBIELE: Correct. Or go in a
20 different direction.

21 MR. MUSTIO: Good luck with that.

22 CHAIRMAN: Any other questions or
23 comments from the Board?

24 MS. MANDERINO: Yeah, if I may. On
25 the Gaming Floor after picture, in the blue section,

1 kind of middle -. If it's labeled, my eyes just
2 aren't good enough, but the section that I think is
3 your Vibe bar, it looks like a white trophy, for
4 lack of a better way to say it, is that what I'm
5 looking at there?

6 MR. FRABBIELE: Correct.

7 MS. MANDERINO: Okay.

8 Where am I seeing the newly visible
9 Headliners' bar entertainment area that you talked
10 about reshifting in the Floor Plan?

11 MR. FRABBIELE: So, if you look to the
12 far right, encompassed in the smoking is the
13 rectangular bar to Headliners and then the seating
14 that goes into the lounge.

15 MS. MANDERINO: Okay.

16 So, adjacent to - or right adjacent to
17 the food court, colored neither blue nor yellow, but
18 colored white is the Headliners venue?

19 MR. FRABBIELE: Correct.

20 MS. MANDERINO: And when the food
21 court or the Headliners' venue is not colored blue
22 or red or white is because it's Non-Gaming activity,
23 and that's why it's not in that calculation?

24 MR. FRABBIELE: Correct.

25 MS. MANDERINO: Okay. Thank you.

1 CHAIRMAN: Other questions? Anything
2 to be moved that hasn't already been moved into
3 evidence here?

4 ATTORNEY FABIUS: Not on our end.
5 Thank you.

6 CHAIRMAN: Okay.
7 No further questions we'll be taking
8 this matter up shortly as well. Thank you.

9 * * * * *

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CERTIFICATE

I hereby certify that the foregoing proceedings, hearing held before Chairman David M. Barasch, was reported by me on 08/14/19 and that I, Lindsey Deann Richardson, read this transcript, and that I attest that this transcript is a true and accurate record of the proceeding.

Dated the 16th day of September, 2019



Lindsey Deann Richardson,
Court Reporter