

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

\* \* \* \* \*

IN RE: PID, LLC, d/b/a PRESQUE ISLE DOWNS AND CASINO

- CATEGORY I LICENSE RENEWAL HEARING

(GID # 107697-2)

\* \* \* \* \*

HEARING

\* \* \* \* \*

BEFORE: MEMBERS OF THE BOARD:

DENISE J. SMYLER, CHAIR

Frank Dermody

Shawn Dillon

George Dunbar

Sara Manzano-Diaz

Nedia Ralston

Frances J. Regan

MEETING: Wednesday, May 21, 2025

11:34 a.m.

Reporter: Jessica L. Ashman

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EX-OFFICIO MEMBERS/DESIGNEES IN ATTENDANCE:

Fred Strathmeyer, Ex-Officio Member,

Department of Agriculture

Adria Zimmerman, Ex-Officio Member,

Department of Revenue

Jennifer Langan, Ex-Officio Member,

Department of Treasury

LOCATION: Pennsylvania Gaming Control Board

Strawberry Square Complex

303 Walnut Street

2nd Floor

Harrisburg, PA 17101

WITNESSES: Gary Hendricks, Michael Meagher, Jon

Rauch,

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## A P P E A R A N C E S (cont.)

ALSO PRESENT:

Oz Shariff, Corporate Counsel - Churchill Downs

Jill Snyder, Director of Human Resources, Presque

Isle Downs

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

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CHAIR SMYLER: Good afternoon. Well, no, it's still morning. We will now go back on the record and have a public hearing on Presque Isle Downs and Casino's request to have its Category 1 License renewed.

As the first order of business for this hearing, I will note that for the record, the Board received a request from Representative Pat Harkins of Erie to be heard on this matter. Representative Harkins' District is in Erie, near Presque Isle and as a result, the Board believes it is appropriate to have him provide testimony, as we have allowed testimony from other elected officials and the general public in this licensing process.

It is also noted for the Record that Representative Harkins is joining us via videoconference. Representative Harkins, can you hear me?

MR. HARKINS: Yes. Good morning. Thank you.

CHAIR SMYLER: Good morning. Thank you for being here. We are first going to ask you to allow the Court Reporter to swear you in.

1                   MR. HARKINS:    Sure.

2                   COURT REPORTER:   Can you raise your  
3 right hand, please?

4                   CHAIR SMYLER:   Can you raise your  
5 right hand, Representative?

6                   MR. HARKINS:    Yes.

7                                       ---

8                                       PATRICK J. HARKINS,  
9 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND  
10 HAVING FIRST   BEEN DULY SWORN, TESTIFIED AND SAID AS  
11 FOLLOWS:

12                                       ---

13                   CHAIR SMYLER:   Thank you.  
14 Representative, could you just state and spell your  
15 name for the court reporter, please?

16                   REPRESENTATIVE HARKINS:   Sure.  
17 Patrick J. Harkins, H-A-R-K-I-N-S, District 1, Erie.

18                   CHAIR SMYLER:   Thank you.  
19 Representative Harkins, the floor is yours.

20                   REPRESENTATIVE HARKINS:   Thank you,  
21 Madam.   Good morning to everyone.   I would just like  
22 to spell out some of the observations, I guess for  
23 lack of a different term, of Presque Isle Downs in my  
24 capacity with the Gaming Oversight Committee as the  
25 Chairman.

1                   On July 26, 2018, I met with officials  
2 from Churchill Downs at a restaurant in Downtown  
3 Erie. They were about six of us in attendance and  
4 the mood was very upbeat. I was told by then  
5 legislative person for Churchill, how excited they  
6 were to now own Presque Isle Downs and that they  
7 intended to be good neighbors and even better  
8 business partners with us in the Erie region.

9                   They spoke of all these grandiose  
10 ideas that they had and plans for and that they  
11 intended to do not only to reinvest in Presque Isle  
12 Downs, but also to become partners with the City of  
13 Erie, Millcreek and Summit Township where they are  
14 located, to put us on the map as far as our casino  
15 being a shining star for others to emulate and  
16 emulate in the industry.

17                  At first we had a great start. The  
18 facility was being managed by Jeff Favre and if there  
19 was ever a minor concern or a major problem, and  
20 there were, all I had to do was give Jeff a call and  
21 he would take care of things, no questions asked and  
22 he made sure things were in order. In late 2021,  
23 Jack Sours became the manager of Erie facility, But I  
24 don't really remember much interaction with Jack.

25                  And in 2022, Gary Hendricks was named

1 the General Manager of Presque Isle Downs. I met  
2 with Gary early on and discussed his new role and my  
3 background with the legislature and more specifically  
4 my role as Gaming Oversight Chairman.

5                   What I noticed with Gary from the  
6 start were the calls I began receiving from concerns  
7 from patrons at the casino, from the restaurants and  
8 from food and drink choices, to the times of the  
9 horse races and the appearance and quality of the  
10 facility overall. I also noticed an uptick in  
11 concerns from employees regarding the way Presque  
12 Isle was being operated, and that was something that  
13 I never experienced under any of the previous  
14 management while I was Gaming Oversight Chairman  
15 since 2016.

16                   Occasionally, I would meet with Gary  
17 with a group of people from Churchill and he always  
18 seemed fine and up to date with his game plan for the  
19 facility. However, last year, me and my staff with  
20 the Gaming Oversight Committee met in Harrisburg in  
21 my office with Gary and his team in Harrisburg. And  
22 we discussed a number of issues affecting Presque  
23 Isle Downs, including the skill machines. The state  
24 allowing casinos in PA to remove outdated machines  
25 and a host of other things that he had on his plate.

1                   One of my staff people, Hank Beaver,  
2 brought up the question to Churchill Downs of them  
3 reinvesting in the Erie property and the noticeable  
4 cuts in the employees over a period of time. Gary  
5 seemed uneasy with this line of questioning, and as I  
6 remember it, one of Churchill's people interrupted us  
7 and said something to the effect of, quote, good in  
8 Erie, not great, but good, end of quote.

9                   Last September, at the license renewal  
10 in Erie for Presque Isle Downs, Gary and the others  
11 from Churchill Downs painted a picture of content  
12 with the Erie casino and really led us all to believe  
13 that, including the Gaming Control Board Members that  
14 were - that they were happy with their operations and  
15 looking forward to continuing operations in Erie.

16                   On Wednesday, April 23rd, 2025, we had  
17 a previously-scheduled meeting in my Harrisburg  
18 office with myself, my staff, Drew from Malady and  
19 Wooten, Gary and some people from Churchill Downs,  
20 along with Representative Bob Merski, my counterpart  
21 from Erie County, who was also on the Gaming Control  
22 Board - Gaming Control (sic) Committee with me.

23                   As we began the meeting, I sensed a  
24 negative tone from Gary and another guy from  
25 Churchill. They seemed very upset about something

1 and we went over what we were - what we were trying  
2 to do with regards to the unregulated and untaxed  
3 skill games currently operating in the Commonwealth.

4 I, again, reminded them that the  
5 Republican leadership was holding things up as far as  
6 legislation and that the House Democrats and  
7 Republicans were working with the Shapiro  
8 Administration to find common ground to pass  
9 something that would work for everyone, everyone  
10 involved and that the other casinos we were working  
11 with were in agreement with that and we were doing  
12 what we seemed - what seemed fine with everyone else  
13 and all the other 16 casinos had never complained or  
14 really come to us with any problems like we were  
15 seeing from Presque Isle Downs and Gary.

16 On Monday, April 28th on WJET in Erie,  
17 ABC affiliate, the lead story at five o'clock and six  
18 o'clock, quote, Presque Isle Downs in danger of  
19 closing. Here is who will it will impact. End of  
20 quote. I watched the story and I was shocked to see  
21 and hear Gary Hendricks, the Manager of Presque Isle  
22 Downs called me out specifically and say that the  
23 state isn't doing anything to help his casino. To  
24 say I was flabbergasted is an understatement.

25 I thought back six days prior to the

1 meeting in my Harrisburg office when I graciously  
2 gave Gary and the others from the Churchill Downs 45  
3 minutes of my valuable time and then to realize it  
4 wasted - wasted time. Gary obviously didn't  
5 understand or realize that me and the  
6 representatives, the others in the room, including  
7 representative Bob Merski, have always been staunch  
8 supporters and we are constantly working regulate -  
9 working on regulating the skill games in  
10 Pennsylvania.

11 I immediately began receiving calls  
12 and texts from friends who are employed at the casino  
13 and who are patrons asking, quote, when is this place  
14 closing and, quote, should I be looking for other  
15 employment, end of quote. I told all of them, hey,  
16 check with Gary Hendricks. This guy seems like he  
17 knows everything. But six days ago, we met with him  
18 and there was no mention of any closing and that the  
19 casino was stable and fine. The next day I made some  
20 calls to a number of people regarding what was said  
21 on WJET and I received an earful of opinions on Mr.  
22 Hendricks, Churchill Downs and the overall operations  
23 of Presque Isle Downs. None of it was positive.

24 The next day at noon, I called CEO of  
25 Churchill Downs, William Carstanjen. He wasn't

1 immediately available, but he did call me back a bit  
2 later and we had a decent conversation about Mr.  
3 Hendricks and Presque Isle Downs and their  
4 operations.

5 I asked Mr. Carstanjen if he had seen  
6 the TV interview and he said he had not. I asked him  
7 to watch the video and to also read the many negative  
8 comments on the Facebook part of the story; at that  
9 time I believe there was over 150.

10 I told him those are the many complaints we receive  
11 about the casino, and Mr. Carstanjen told me that the  
12 Erie casino was not a money maker for Churchill  
13 Downs.

14 I asked if he ever considered selling  
15 the facility and he said no one wants it. Well, I  
16 explained to him that the casino in Seneca, New York  
17 is his strongest competitor and they run a hell of a  
18 business up there. Many people are more than willing  
19 to drive an hour one way for what they offer compared  
20 to what is offered at Presque Isle Downs.

21 I asked Mr. Carstanjen and how much  
22 money Churchill has reinvested in the Erie property  
23 and he said we are not making money and they're at  
24 that facility, so we are not really reinvesting in  
25 the place. The conversation was amicable, but I

1 sensed no love for Erie or Presque Isle Downs Casino.

2                   On the day of the Kentucky Derby. I  
3 watched the coverage from morning to evening  
4 throughout the day of the happenings at Presque Isle  
5 Downs and Churchill Downs. Something interesting  
6 caught my eye when a broadcaster came on with a story  
7 that William Carstanjen announced earlier in the day  
8 that unfortunately, Churchill Downs was going to hold  
9 off from making major investments in their facility.

10                   As the story read, quote; in a company  
11 earnings call On April 24, 2025, Churchill Downs  
12 Incorporated CEO William, Bill, Carstanjen said the  
13 decision to delay its infield renovations and Skye  
14 Terrace projects came as a result of the changing  
15 economic conditions, largely influenced by inflation  
16 and ongoing global trade disputes resulting from  
17 tariffs, end of quote.

18                   I have very serious concerns about  
19 Churchill Downs and their management of Presque Isle  
20 Downs. They have not followed through with any of  
21 their promises of reinvestment in the facility when  
22 they had ample opportunities to build adjacent  
23 hotels, restaurants and at least a hall for  
24 entertainment that we told them from the start would  
25 be a competition with the Salamanca Casino.

1           Last fall, we were led to believe that  
2 everything was going well and they were optimistic  
3 about the future in Erie. And eight months later,  
4 they are threatening to shut this things down and get  
5 out of town. I'm curious if the Gaming Control Board  
6 could ask the management of Churchill Downs and  
7 Presque Isle Casino under oath what their plans truly  
8 are? What a possible closure might look like and  
9 what is the financial stability of Churchill Downs  
10 like overall given all the recent negative financial  
11 news coming out?

12           I would also ask that the Gaming  
13 Control Board if it might be possible to grant a  
14 provisional year, one year, three-year renewal of the  
15 license for Presque Isle Downs and Casino in Erie, PA  
16 to safeguard our employees and our community in and  
17 around the casino.

18           I would like to take this time to  
19 thank the Gaming Control Board for their time today  
20 and for their continued commitment to making sure  
21 that the gaming industry in Pennsylvania is run by  
22 the highest levels and standards and a model for  
23 others to emulate around the country. Thank you.

24           CHAIR SMYLER: Thank you,  
25 Representative Harkins. We appreciate your

1 perspective. Before you go, I would ask the Board if  
2 you have any questions for the Representative?

3 There are no questions for you,  
4 Representative. So thank, thank you again for your  
5 time.

6 REPRESENTATIVE HARKINS: Thank you all  
7 very much. I appreciate it.

8 CHAIR SMYLER: Okay.

9 We will now hear from Presque Isle  
10 Downs and then from the Office of Enforcement  
11 Counsel. Before we begin, I would ask all non-  
12 attorneys who will be presenting evidence for either  
13 party in this proceeding to please stand and be sworn  
14 in by the Court Reporter at this time.

15 ---

16 (WHEREUPON, WITNESSES SWORN EN MASSE.)

17 ---

18 CHAIR SMYLER: Thank you. I would  
19 also ask that anyone who's going to speak, please  
20 state and spell your name for the Court Reporter  
21 prior to speaking. So, Presque Isle, you may begin.  
22 Kevin?

23 ATTORNEY KAYES: Good morning, Madam  
24 Chair. As a matter of housekeeping, I did give the  
25 list of names of the today's witnesses to the

1 stenographer. So hopefully that'll alleviate the  
2 spelling portion of the proceeding.

3 CHAIR SMYLER: So the Stenographer  
4 agreed that's appropriate.

5 Okay.

6 ATTORNEY HAYES: Okay.

7 Good morning - or I guess, is it good  
8 afternoon?

9 CHAIR SMYLER: No, it's still morning.

10 ATTORNEY HAYES: Oh, good. We're  
11 ahead of schedule. Good. Madam Chair, Members of  
12 the Board, I'm Kevin Hayes from the Saiber Law Firm,  
13 and I appear before you today on behalf of PID, LLC,  
14 a Category 1 Slot Machine Licensee who operates the  
15 race track and licensed casino facility in Erie  
16 county known as Presque Isle Downs and Casino. As  
17 you know, Presque Isle Downs is owned by Churchill  
18 Downs Incorporated.

19 I appear before you today with a  
20 considerably large delegation of representatives from  
21 Presque Isle Downs and Churchill Downs Incorporated,  
22 including the following; Gary Hendricks, who is the  
23 Vice President and General Manager of Presque Isle  
24 Downs. Michael Meagher, who is the Vice President of  
25 Gaming Operations for Churchill Downs. Lou

1 Frascogna, who is the Vice President Corporate  
2 Compliance Office and Senior Counsel for Churchill  
3 Downs Incorporated. Jon Rauch, who is the Vice  
4 President and Chief Accounting Officer for Churchill  
5 Downs. Oz Sharif, who is the Corporate Counsel for  
6 Churchill Downs. And last, but certainly not least,  
7 Jill Snyder, who is the Director of Human Resources  
8 at Presque Isle Downs.

9                   Now, when it opened its doors to the  
10 public in February of 2007, Presque Isle Downs became  
11 the first casino in Western Pennsylvania and the  
12 first thoroughbred race track to open in Pennsylvania  
13 in decades. Since acquiring Presque Isle Downs in  
14 2019, Churchill Downs has delivered on its  
15 commitments made to this Board and fulfilled its  
16 duties and responsibilities under the Gaming Act, the  
17 Board's regulations, and the conditions to its  
18 license. For those reasons and for reasons that the  
19 Applicant will set forth here today, I respectfully  
20 submit the PID, LLC's Category 1 Slot Machine License  
21 should be renewed.

22                   At this time, I'm going to introduce  
23 Lou Frascogna, who is the Vice President, Corporate  
24 Counsel and Senior Counsel for Churchill Downs to  
25 begin today's presentation. Thank you, Madam Chair.

1                    ATTORNEY FRASCOGNA:    Madam Chair,  
2 Commissioners, members of staff, as Kevin introduced  
3 me, I'm Lou Frascogna, I've appeared before you in  
4 the past and happy to be here again to address this  
5 renewal of our Category 1 License.

6                    Here with me is the team from  
7 Churchill and Presque Isle. And shortly, we will  
8 give a presentation about Churchill Downs, Presque  
9 Isle, our time operating the property since 2019 when  
10 we acquired it, and where the property stands today.

11                   However, I'd like to go ahead and  
12 address the recent headlines that were just discussed  
13 by Representative Harkins regarding the future of the  
14 property. I'll say that we were as surprised as  
15 probably many of you were at the headlines coming out  
16 in the news article. The media had reached out to  
17 Gary to ask about the potential closure of the  
18 property, and you've seen the headline. I think the  
19 exact quote is Presque Isle Downs in potential danger  
20 of closing. It's not exactly a subtle headline, but  
21 to be clear, again, we were not the ones that wrote  
22 that headline or wrote that narrative.

23                   When that call was made from the media  
24 with that approach, we felt it best to address that  
25 head on and allow Gary time to speak to the news

1 media, primarily in the interest of what  
2 Representative Harkins addressed, the interest of our  
3 team, the employees, the people of Erie, the many  
4 businesses and other stakeholders that directly are  
5 connected to and rely on Presque Isle as an employer  
6 in Erie, and that we felt it best to respond to that  
7 inquiry.

8 I think that the headline sort of  
9 mischaracterizes the content of that interview and  
10 there are a number of statements along, you know,  
11 what is the long term suitability? What is - you  
12 know, are you in danger of closing? But nowhere in  
13 that interview does Gary make a statement that, yes,  
14 we're closing the property or there's any imminent  
15 intent to close the property.

16 In my opinion, the interview didn't  
17 necessarily reveal anything that we haven't been very  
18 public about over the last few years. When I was  
19 here earlier this year to address a consent agreement  
20 regarding the minimum game count on the floor of  
21 Presque Isle at that time, I made a statement  
22 regarding the increasing competition in the market as  
23 well as the proliferation of skill games throughout  
24 the Commonwealth as and also in and around Presque  
25 Isle.

1                   When we held our public input hearing,  
2 we presented many of the same slides you'll see  
3 today. And in those slides you'll see a revenue  
4 picture which presents a declining revenue over the  
5 last five years. So that wouldn't have been news.  
6 That would have been in the public record. And we  
7 will present it again here today as the same as we  
8 did when that public input hearing was held.

9                   So Representative Harkins gave a  
10 timeline of our assessment of the market, where we  
11 were in 2018, when we first arrived in Pennsylvania,  
12 and where we are, as he said. more recently, 2022,  
13 2023. But I will say that again, what we've been  
14 very public about the market has changed  
15 significantly since 2018. There's been a drastic  
16 increase in competition both in other states,  
17 unregulated skill games, the current tax structure,  
18 the decrease in the population of Erie and an overall  
19 decline in the Pennsylvania retail gaming market that  
20 are well known contributing factors that we continue  
21 to contend with and will continue to contend with.

22                   In fact, referenced was the Seneca  
23 casino, which as you may know, has a significantly  
24 different tax structure than what we do in  
25 Pennsylvania. I believe it's - it's a 25 percent tax

1 rate as opposed to -

2 ATTORNEY HAYES: Twenty-five (25)  
3 revenue share.

4 ATTORNEY FRASCOGNA: - 25 percent  
5 revenue share -

6 ATTORNEY HAYES: No tax on table  
7 games.

8 ATTORNEY FRASCOGNA: - and no tax on  
9 table games.

10 But ultimately, what I want to be here  
11 today and say is that, you know, contrary to the  
12 headline in the news that there have been threats to  
13 shut the property, that is not true. And the  
14 statements that Gary gave are a fair assessment of  
15 the market in Pennsylvania that I think that every  
16 operator is aware of. We're here seeking a five-year  
17 renewal license because we believe in Prescott and we  
18 believe in the Erie market and the larger market that  
19 visits that property.

20 Following our presentation, I think we  
21 have everyone here that all the right people to  
22 answer any questions you may have. Chief accounting  
23 officer from Churchill Downs Incorporated. If there  
24 are questions about Churchill Downs as a corporate  
25 entity and its financial viability and suitability,

1 we have the team from the property to answer  
2 questions about Presque Isle and its future and its  
3 current state, but also what's been done over the  
4 last five years and what we continue to do to make  
5 Presque Isle a viable and great property for Erie and  
6 Pennsylvania.

7                   So I'm going to turn it over to Gary  
8 Hendricks to start walking through our presentation  
9 and I expect there will be questions and we'd be  
10 happy to answer them.

11                   CHAIR SMYLER: Thank you.

12                   MR. HENDRICKS: Good morning, Chair  
13 Smyler, Board Members, staff members, thank you for  
14 having us here to present today. What we are showing  
15 here, these are slides that you've seen before from  
16 our fall presentation. This is a timeline of Presque  
17 Isle Downs from its licensing into 2002 through the  
18 years with some of the key highlights during that  
19 time. Most notably the acquisition of the property  
20 by Churchill Downs in 2019.

21                   In 2022, we took on a project to  
22 revamp the entire casino floor. Moving machines. We  
23 touched almost every machine on the floor. 2023, we  
24 actually put in new carpet, similar process where we  
25 touched almost every game. Here we have some

1 pictures of our gaming amenities in the casino and  
2 race track. Racing just kicked off Monday.  
3 Fantastic start for the first of the meet and we'll  
4 have a little more information on racing a little bit  
5 later on.

6                   Here we have some pictures of our food  
7 and beverage amenities, including the Le Bonne Vie  
8 Steakhouse we call LBV, which has been recognized by  
9 Open Table as a highly rated option in the Erie area.  
10 It's one of our favorites. We participate in the  
11 fine dining program in the area with several other  
12 restaurants. With that, actually, I'm going to turn  
13 it back over to Lou to talk a little bit about  
14 Churchill Downs.

15                   ATTORNEY FRASCOGNA: So yeah, we'll  
16 delve further into Presque Isle after we talk a  
17 little bit about Churchill Downs and its role as a  
18 parent company. As you can see from the slide,  
19 Churchill Downs footprint has changed significantly  
20 since we were here in 2019 for our initial licensure  
21 or Presque's initial licensure, expanded to a number  
22 of properties significantly with HRM expansion in  
23 Virginia and Kentucky, as well as acquisition of  
24 properties in Upstate New York, Iowa and more or less  
25 expanded across most of the eastern half of the

1 United States.

2 Churchill Downs is a diverse company  
3 of gaming assets. Obviously we just held the 151st  
4 Kentucky Derby at Churchill Downs Racetrack. That's  
5 our landmark event, the longest continuously held  
6 sporting event in the United States. I think there  
7 was wall-to-wall coverage by NBC this year. We have  
8 just completed a grandstand project there.

9 Representative Harkins addressed the  
10 delay on a reinvestment of I think around \$900  
11 million on that investment call. I think there were  
12 comments made about that. Obviously anyone can  
13 listen to that and the public about the decision to  
14 delay that.

15 However, one of the things I'll note  
16 is it's not a normal construction project. You have  
17 a deadline of the first Saturday in May every year,  
18 so if you don't start it on the first Sunday in May  
19 every year, you pretty much have to delay it because  
20 it might not be ready for the next running of the  
21 Kentucky Derby, which of course we want to ensure  
22 goes off without a hitch every year.

23 We've expanded significantly into  
24 historical racing machines over the last five years  
25 in Kentucky, as well as Virginia and we have a

1 license in New Hampshire. I'll note that we did  
2 operate HRMs in Louisiana until just recently when  
3 the Supreme Court there decided that the law that it  
4 would passed which allowed for HRMs was  
5 unconstitutional under the Louisiana Constitution.

6                   At which time following denial of a  
7 motion for rehearing, we removed all of our - we have  
8 deactivated all the machines and are in the process  
9 of removing from the state in cooperation with the  
10 Louisiana Gaming Control Board and Louisiana Racing  
11 Commission. Obviously, if you have any more  
12 questions about that, we can address that at any  
13 point. We also offer a number of wagering services  
14 and solutions through Twinspires, United Tote, which  
15 provides totalizer equipment for racetracks as well  
16 as Exacta, which provides HRM technology.

17                   And then finally Presque Isle sort of  
18 straddles the line here there both gaming and racing,  
19 but with over 14,000 slot machines, video lottery  
20 terminals and table games across the country. That  
21 is the sort of final piece of the Churchill Downs  
22 family of wagering, I guess would be this.

23                   This next slide just shows Churchill  
24 Downs performance and year-over-year growth. This is  
25 broken out by segment so you can see each one of

1 those segments and how they fit into the overall  
2 picture and the overall revenue and continued growth.  
3 Ultimately we maintain a healthy ratio of wagering as  
4 well as -.

5                   And then lastly, this is just a bit  
6 about Churchill Downs as a company. Talked to you  
7 about the many verticals that we operate, but you  
8 know, this is sort of the linchpin of how we operate.  
9 You have your Kentucky Derby which is sort of the  
10 foundation of the company. You have diverse growth.  
11 We Talked about through HRMs, gaming properties,  
12 online wagering and gaming services. As a company,  
13 we have a strong financial profile. You can see we  
14 have strong free cashflow which you can delve deeper  
15 into the Suitability Report.

16                   We have continued to demonstrate the  
17 ability to pursue organic reinvestment and organic  
18 growth through M&A, dividend share purchases and the  
19 ability to maximize shareholder returns. I think  
20 that the company's growth over the last five years  
21 and the demonstration in the first slide, if you  
22 could go back to 2019, where we were, as to where we  
23 are in 2024, it would bolster this statement about  
24 the ability to continue to pursue organic growth and  
25 strategic reinvestment and then ultimately maintain,

1 as I said, a conservative balance sheet with  
2 financial flexibility and access to capital.

3 And lastly, we have a, you know,  
4 management team that, you know, includes both people  
5 in Louisville and people like Gary that we believe in  
6 and that can execute on that growth piece and  
7 demonstrate that we can acquire properties and run  
8 them well. And that's been our - our approach over  
9 the last - well longer than five years. We're  
10 talking about five-year period here, but obviously a  
11 lot longer than that.

12 And with that I'll turn it back over  
13 to Gary.

14 MR. HENDRICKS: So since CDI assumed  
15 ownership, we've spent over \$19 million in capital on  
16 the property. Last fall we showed you the same slide  
17 with \$17 million number. That was at the end of the  
18 year quarter four, we put in 60 new slot machines.  
19 So this is updated to indicate that also in '24 we  
20 opened the new food outlet, giving our new page our  
21 patrons another option in dining. And in '25 we have  
22 maintenance capital plan totaling about \$2.3 million  
23 consistent with where we've been over the last few  
24 years. We've got more details on that if you need.

25 We do have a commitment to diversity

1 within our purchasing and employment practices. With  
2 regard to purchasing, we recently partnered with a  
3 company called Supplier.io. I introduced this last  
4 fall and had some statistics about where we were with  
5 diversity spending.

6                   This is an update showing the last two  
7 quarters of the year where our diversity spend is the  
8 highest it's been since fiscal year of '19 and '20.  
9 So making a significant impact with that, really  
10 happy with the efforts that's giving and it's not  
11 just -. It's helping us identify people that are  
12 minority that weren't identified before. So it's  
13 clarifying a lot of things within our purchasing  
14 area.

15                   For our commitment to hiring a diverse  
16 talent pool, we have here several examples of how we  
17 do this resulting in a team member that is more team  
18 member based - sorry, that is more diverse than our  
19 surrounding community. Over 36 of our employees are  
20 women and this continues through management executive  
21 teams with 40 percent of the executive team being  
22 women and 37 percent of the overall management team  
23 being women.

24                   Executive team also is seven percent  
25 minority, while the management team is ten percent

1 minority. As noted last fall, most of the executive  
2 team or day-one employees most have been promoted  
3 from within including our new director of finance  
4 that just started back in February, Ross Dahlquist,  
5 he started at Presque Isle in our account room 13  
6 years ago. So we're happy to have him in that role.

7                   We recently did participate in a  
8 spring job fair with the local NAACP representative  
9 you may remember from the hearing. We did identify  
10 three candidates out of that we offer positions to  
11 and we're going to continue to partner with Mr.  
12 Horton going forward.

13                   So shown here are some examples of  
14 benefits available to our employees. Since its  
15 inception, Presque Isle has paid over \$384 million in  
16 payroll taxes and benefits. Our employee stock  
17 purchase plan is a unique benefit allowing all team  
18 members to become equity owners in the company and  
19 its benefits available both to full time and part-  
20 time employees as long as they've been employed 30  
21 days and work 21 hours per week.

22                   We offer a 401k plan where you are 100  
23 percent vested in the company match on day one. This  
24 is a hundred percent up to three percent and the  
25 following four and five percent are matched at 50

1 percent.

2                   We have an Employee Assistance Program  
3 that is a resource for full and part-time employees  
4 and their families. Benefits are in effect the first  
5 month following. Excuse me, the first of the month  
6 following 30 days of employment, except for 401k and  
7 ESSP, the stock purchase, which are three months.  
8 Part-time employees are eligible for - they earn PTO  
9 paid time off, the stock plan and our EAP plans. And  
10 we're showing on the slide 482 employees. This was  
11 taken before racing started. So as of yesterday, we  
12 were at 502, so - but I don't necessarily have the  
13 statistics on the diversity for that group yet.

14                   So we do also remain committed to our  
15 Compulsive Problem Gaming and Responsible Alcohol.  
16 Employees are trained at new hire and have annual  
17 training refreshers for all employees as well as  
18 events to raise awareness. RAMP's training is  
19 required for all service employees. We also train  
20 all gaming management and all security staff within  
21 six months of hire on RAMPs. Employees are required  
22 to recertify RAMPs every two years.

23                   This is a slide just showing an  
24 example of some of the employee activities that we  
25 put out with our Director of Compliance Terry each

1 year during Responsible Gaming Months. So actually  
2 some of these I showed you in the fall, but some of  
3 these were used again this year as well and some  
4 trivia searches and those kind of things for  
5 employees to participate in.

6                   So preventing unattended minors and  
7 underage has been a key focus here at Presque Isle.  
8 You can see some of the signage, which have around  
9 property. Additionally we have a man security  
10 patrolling the parking lots throughout the day.  
11 Surveillance also continually monitors those parking  
12 lots. Some of the signage is included in the casino  
13 and we have a recurring message, you may remember  
14 that it is broadcast every couple of hours on the  
15 floor.

16                   Surprisingly with all of this, we saw  
17 earlier today a couple of incidents that other  
18 properties had seen. We also just this last Saturday  
19 had a patron leave a nine-year old in his car.  
20 Within 15 minutes he was detected by our mobile  
21 patrol, and that mobile patrol stayed with him until  
22 his parent was identified, brought to them and then  
23 he was brought inside with the state police.

24                   So since opening, over \$1.5 billion in  
25 tax revenue has been generated. You see the kind of

1 breakdown here. And since Churchill ownership in  
2 2019 generated \$364 million in tax revenue.

3                   So this is another slide that we  
4 showed you last year. It's our complete competitive  
5 landscape kind of where we are in conjunction to  
6 several other casinos we have unique in this part of  
7 the state in that we have pressure coming from both  
8 Ohio, which has a lower tax rate than we do. We also  
9 have New York, which has, as we stated earlier a 25  
10 percent revenue share versus what we're paying.  
11 We'll show that in just a few moments.

12                   The smaller map to the side shows a  
13 five mile radius around the property. Last fall we  
14 identified upwards of 150 skill games in that area.  
15 Today, we believe this has been increased  
16 dramatically. We've seen estimates all the way up to  
17 200,000 games in the Commonwealth. We don't know how  
18 many are anywhere, but assuming a slot floor of 1,500  
19 games, 200,000 of those units in the Commonwealth  
20 equate to 133 additional casinos. So we are  
21 definitely seeing some impact.

22                   And we have some pictures of some  
23 facilities near the property and within that zone,  
24 most notably Lake Erie Games. They advertise on  
25 Facebook that they have the biggest game floor in the

1 area. They actually have two locations, one near the  
2 casino and one in the Harbor Creek area, Buffalo  
3 Road.

4                   So we talked about - this is another  
5 slide we showed you last year that's now been updated  
6 for this year. These are some of the impacts we've  
7 seen in this local market since Churchill assumed  
8 ownership, highlighting the downward trend of revenue  
9 that we've seen over the last several years.

10                   Beginning in 2018, you know, operators  
11 began to accept retail sports wagers. 2019, we came  
12 in, PA operators began to accept the sports wagers.  
13 July, we began December, Presque Isle begins to -. I  
14 think I have a typo there, I'm very sorry. January  
15 2020, we began to accept interactive wagers - oh  
16 retail sports versus online sports. I'm sorry I  
17 missed that.

18                   So in 2023, we saw Ohio operators  
19 begin to accept retail and online sports wagers. And  
20 that had a pretty significant impact on our property.  
21 In '23 also, we saw an expansive growth of skill  
22 based games. '24, that's continued, and in '25, it  
23 is still continuing.

24                   So this is another slide that we have  
25 shown several times. It's a representation of the

1 trend in our revenue over the years all the way back  
2 to 2007. This is updated when we showed it to you  
3 last fall. We had '24 as the last 12 months because  
4 we hadn't finished the year. This now shows a full  
5 year of '24. Essentially what we're showing here is  
6 that trend continues.

7                   What we see is our effective tax rate  
8 continues to climb as our revenue trends lower. This  
9 is a function of the \$10 million local share fee, the  
10 flat operational fee that we pay as our revenue goes  
11 down. That stays the same. Now we've excluded '22  
12 or 2020, sorry, COVID, from both of these last two  
13 charts as it considerably skews the data. We paid  
14 that full \$10 million, even though we were closed for  
15 three months of that year.

16                   What this accounts for is the slot  
17 gaming taxes that are reported on the PGCB website  
18 includes admin fee and that \$10 million local share  
19 divided into our slot revenue. It does not include  
20 payroll tax, sales and use or property tax, which  
21 would effectively push that much higher.

22                   So in talking about racing, since  
23 Churchill ownership, nearly \$83 million has been paid  
24 out over the course of 453 racing days. In '25, we  
25 expect to have 76 racing days. We did the same in

1 '24. Our 16th Master Race was held last year with a  
2 purse of \$300,000 for the first time. We ran that  
3 race on a Friday, allowing more of the local public  
4 to see the race. This was a record day for us,  
5 driving nearly \$2.7 million in handle. Winning horse  
6 Roses for Deborah broke our track record. We were  
7 hoping to see her move on, but I think they chose to  
8 breed her rather than race her.

9 But one of the things that we did that  
10 day was with Parx Casino. We partnered with them and  
11 did two bets. We call it a pick four and a daily  
12 double between our two properties. And that's the  
13 first time we've had Pennsylvania racetracks  
14 cooperate with each other in that manner. We hope to  
15 do that again this year, but based on the success we  
16 saw last year of moving that race time, we have moved  
17 some of our other race times, where currently, our  
18 post time has been moved back half an hour from last  
19 year.

20 So we're now at 3:30 versus 3:00 to  
21 give locals more of an opportunity to come in. And  
22 we'll be racing on July 3rd and 4th with an afternoon  
23 meet to allow people to plan for holidays, you know,  
24 come see the races and then, unfortunately, go  
25 somewhere else for fireworks. We can't really do

1 fireworks because of the horses. That allows them to  
2 have time to accommodate holiday planning.

3                   So this slide is a representation of  
4 our charitable giving, what we do in the market.  
5 This is largely, we've talked about it in the past,  
6 our Give \$5 Get \$10 promotion that we do where we  
7 raise money, we engage our patrons to give us money  
8 that we distribute to charities.

9                   The biggest one being the Boys and  
10 Girls Club, which in a couple of weeks I will be  
11 present again to kiss a pig for that as we give them  
12 their sizable donation. We really enjoy that  
13 partnership with them. We have many other  
14 partnerships with Warriors to Washington as a great  
15 example what they do for the veterans in town. And  
16 Erie Gives, Erie Gives allows us to distribute that  
17 money through them to an even larger group of smaller  
18 partners. Something that we could never do on our  
19 own.

20                   We are also - this also does not  
21 include volunteer efforts such as the recent NAMIWalk  
22 and volunteers helping in the community. Several of  
23 our team members operate on Boards. We have my  
24 senior director of operations is on the Board of the  
25 Red Cross. My director of facilities is on the

1 Habitat for Humanity Board. I'm on then Visit Erie  
2 Board, which they just announced new branding today.  
3 It's kind of exciting if you see that news.

4                   We are also very aware of the impact  
5 of our property has on the local community through  
6 the funds distribution by EGRA as part of the \$10  
7 million operation fee. In their last annual report,  
8 EGRA distributed more than \$5 million in funds across  
9 129 different disbursements. So we're very aware of  
10 the impact that we have on the property or on the  
11 community, I'm sorry.

12                   And here we have just a picture of  
13 some of these events, Presenting some checks to some  
14 local groups. And me with the pig for the Boys and  
15 Girls Club, which is really quite fun. That's what  
16 we have for the deck today.

17                   ATTORNEY FRASCOGNA: And then before  
18 we conclude, I just want to reiterate that, you know,  
19 this presentation, while it has some, you know,  
20 revenue numbers in there, it's not meant to be a  
21 presentation of doom and gloom. I mean, the - I  
22 think what I hope you heard was that we just recently  
23 had a record day in racing handle. There's been \$2  
24 million of reinvestment. There's 60 new machines on  
25 the floor, complete reorganization of the floor, new

1 carpet.

2 I think many of you visited it last  
3 year and were able to see how the property - what the  
4 property looks like, where it stands, gorgeous  
5 grounds around the property, and continues to be a  
6 property that we're committed to. However, I think  
7 that, you know, we have an obligation to address the  
8 comments in the media and, you know, paint an  
9 accurate revenue picture and to just explain that why  
10 we are - you know, we continue to be creative in our  
11 staffing model.

12 We renegotiate contracts with vendors.  
13 We optimize where we can and control the things that  
14 we can and the things that we can't, we'll continue  
15 to push for legislative items that we support that  
16 would help the property and other casinos in  
17 Pennsylvania out, you know, which includes addressing  
18 the skill games, the tax structure, the minimum  
19 number of games on the floor.

20 So in conclusion of the presentation,  
21 I want to leave you with that - that reinvestment,  
22 that commitment to the property and what we've done  
23 over the last five years and where we stand today.  
24 And obviously, we're here to answer any questions you  
25 may have.

1                   CHAIR SMYLER:   Thank you.   Enforcement  
2 Counsel.

3                   ATTORNEY HAYES:   Madam Chair, may I  
4 make just one more comment before the OEC begins  
5 their portion of the presentation?

6                   CHAIR SMYLER:   Sure.

7                   ATTORNEY HAYES:   By virtue of the  
8 large delegation of representatives we hear have here  
9 from both the property and corporate.   I hope the  
10 Board understands that we are committed to answering  
11 any questions and concerns you have with regard to  
12 this application today.

13                         With that said, we understand the  
14 Board has a very keen interest in transparency in  
15 doing as much as possible during the public meeting.  
16 However, I anticipate some of the questioning may  
17 relate to the financing and operational plans of  
18 Presque Isle Downs, including information that was  
19 submitted to the Board as confidential submissions.  
20 And because Presque Isle Downs and Churchill Downs  
21 have not waived their right to confidentiality, we  
22 may have to invoke our request for an executive  
23 session.

24                         We are going to make every effort to  
25 avoid that because we understand your - the Board's

1 interest in doing this in the public, but -. So I  
2 just wanted to say to the extent that the information  
3 is in the public realm and that we are permitted to  
4 answer the question in public, we're going to do  
5 that.

6 To the extent of the questioning  
7 relates to confidential information as defined by  
8 Section 1206(f) of the Gaming Act, including  
9 financial records, business plans, proprietary  
10 information. We may have to invoke our right to an  
11 executive session. But again, we're going to do our  
12 best effort to avoid that.

13 Okay.

14 I just wanted to stay there.

15 CHAIR SMYLER: Thank you, Counselor.  
16 I think you already made our Chief Counsel aware of  
17 that. So we are prepared if that is necessary, OEC,  
18 do you have questions for Presque Isle?

19 ATTORNEY PITRE: I sure do, Madam  
20 Chair. Cyrus Pitre on behalf of the OEC, let's see  
21 how far we can get.

22 Okay?

23 CHAIR SMYLER: Okay.

24 ATTORNEY PITRE: All right. Can you  
25 pull slide ten back up? So it's \$19 million since

1 2019. How much of that -? And I'm not asking for a  
2 specific breakdown, but how much of that has been  
3 spent on the gaming floor or on gaming parts of the  
4 casino?

5 MR. MEAGHER: Hi, I'm Michael Meagher,  
6 M-I-C-H-A-E-L, M-E-A-G-H-E-R. Thank you for the  
7 question, Cyrus. Approximately half of that \$19  
8 million was spent on various gaming floor  
9 improvements, including slot machines, new slot  
10 chairs, gaming system upgrades, currency counters for  
11 our account room, and also building out the retail  
12 sportsbook that still exists today. That was done in  
13 2019.

14 The remainder of the capital spend  
15 there went to improve our surveillance system,  
16 general I.T. upgrades, HVAC upgrades, lighting  
17 upgrades, our power backup UPS system, backup  
18 batteries, and some various racing capital to improve  
19 our infrastructure there on racing, but  
20 approximately half of it was directly for the gaming  
21 floor, but other things indirectly benefit.  
22 Specifically surveillance and I.T. upgrades.

23 ATTORNEY PITRE: So approximately \$9.5  
24 million for the gaming floor?

25 MR. MEAGHER: Correct.

1                   ATTORNEY PITRE:   Okay.

2                   Can you provide us with a breakdown of  
3 each of the spend on each one of those categories  
4 that you just mentioned, and it doesn't have to be  
5 right now?

6                   MR. MEAGHER:   Yeah, absolutely.   We  
7 can do that.

8                   ATTORNEY PITRE:   Okay.

9                   Slide 20, please?   So you talked about  
10 - someone talked about New York, Ohio and their  
11 operations.   Before you took over, before Churchill  
12 took over Presque Isle, it was the management company  
13 for Nemaquin Resort.

14                   Correct?

15                   MR. MEAGHER:   We - that deal happened  
16 simultaneously.

17                   ATTORNEY PITRE:   Simultaneously.  
18 Okay.

19                   ATTORNEY HAYES:   Yes.

20                   ATTORNEY PITRE:   All right.   So, when  
21 you came into Pennsylvania, was Ohio up and running?

22                   MR. MEAGHER:   Everything except  
23 sports.

24                   ATTORNEY PITRE:   And when you came  
25 into Pennsylvania, was New York up and running?

1                   MR. MEAGHER:   Correct.

2                   ATTORNEY PITRE:   And were there skill  
3 games operations operating in the state?

4                   MR. MEAGHER:   We are not sure how many  
5 games were operating.   We -.

6                   ATTORNEY PITRE:   I didn't ask how  
7 many.   I asked you if they were operating in the  
8 state.

9                   MR. MEAGHER:   We believe there may  
10 have been skill games operating when we were there.

11                   ATTORNEY PITRE:   Well, I can tell you  
12 that they were operating.   Now, maybe they've  
13 expanded.   Unlikely so that they did, but you were  
14 aware of the environment that you were coming into.  
15 I assume you did your due diligence and knew that New  
16 York had casinos - had a casino within proximity.  
17 Ohio had casinos within proximity.   And there were  
18 skill games operating in the state unregulated.   So I  
19 assume you did your due diligence before you decided  
20 to come in and purchase Presque Isle.

21                   MR. MEAGHER:   We did do due diligence.

22                   ATTORNEY PITRE:   Okay.

23                               So you were aware of the market you  
24 were coming into?

25                   MR. MEAGHER:   With the exception of

1 the quantify of skill games.

2 ATTORNEY PITRE: Okay.

3 I'd like to ask Mr. Hendricks a couple  
4 of questions. I'm done with the slides. So, Mr.  
5 Hendricks, how long have you served as the Vice  
6 President and General Manager at Presque Isle Downs?

7 MR. HENDRICKS: I've been at Presque  
8 Isle Downs since September of '22. Before that, I  
9 was at Nemacolin for six years.

10 ATTORNEY PITRE: I believe you came  
11 into Nemacolin with about April 2016?

12 MR. HENDRICKS: Yes.

13 ATTORNEY PITRE: Okay.

14 And you've been licensed in  
15 Pennsylvania since 2017, your full licensure?

16 MR. HENDRICKS: Yes.

17 ATTORNEY PITRE: Okay.

18 And before that, did you serve as a GM  
19 anywhere?

20 MR. HENDRICKS: No. I was the senior  
21 director of Planning and Analysis for Isle of Capri.

22 ATTORNEY PITRE: Okay.

23 So before coming into Pennsylvania or  
24 since you've been in Pennsylvania, would it be  
25 correct for me to assume that you have a reasonable

1 understanding of the legislation, the regulations  
2 that provide oversight of gaming in Pennsylvania?

3 MR. HENDRICKS: Yes.

4 ATTORNEY PITRE: Okay.

5 So going back to the interview that  
6 you did, I believe that occurred on or about April  
7 25th of this year. I believe it was news reporter  
8 Jennifer Mobilia.

9 Is that correct?

10 MR. HENDRICKS: Yes.

11 ATTORNEY PITRE: How did -  
12 specifically, how did that interview come about and  
13 how was it initiated?

14 MR. HENDRICKS: So as we stated, it  
15 wasn't -. She contacted us. The media contacted us.

16 ATTORNEY PITRE: Who's us? Who'd she  
17 contact specifically?

18 MR. HENDRICKS: I'll answer that here.  
19 The media contacted us specifically asking CDI's Vice  
20 President of Communication. She sent an email to her  
21 saying, it's my understanding that without  
22 significant legislative relief and the tax and the  
23 regulation taxation of Pennsylvania skill games,  
24 Churchill Downs Incorporated may be forced to phase  
25 out Presque Isle Downs and Casino.

1                   The story was going to happen whether  
2 we participated or not. We wanted to prevent  
3 misinformation going out in this interview. I  
4 understand how it's been subsequently reported has  
5 created additional work for you and your staff, but  
6 we have a responsibility to our 500 employees and our  
7 local stakeholders in the casino who are all  
8 understandably worried about their jobs and  
9 livelihoods. We needed to make sure that the message  
10 wasn't essentially, no comment from Presque Isle.  
11 They're getting ready to close.

12                   ATTORNEY PITRE: Did she ever mention  
13 where that information came from?

14                   MR. HENDRICKS: The only thing that  
15 she told me, and I don't want to speculate on who it  
16 could have been, the only thing she told me was that  
17 the person that contacted her told her she was the  
18 only person he trusted.

19                   ATTORNEY PITRE: Okay.

20                   So that interview aired on about what,  
21 April 28th, I believe, 2025.

22                   MR. HENDRICKS: Uh-huh.

23                   ATTORNEY PITRE: Okay.

24                   So during the interview, I believe you  
25 were asked when you were asked by the reporter if

1 Presque Isle was in danger of closing, you replied,  
2 and I quote, that we're concerned today about the  
3 long term sustainability of the property.

4 Correct?

5 MR. HENDRICKS: Correct.

6 ATTORNEY PITRE: And then at another  
7 point in the interview, you stated, we're going to  
8 get to a point where it's the straw that's going to  
9 break the camel's back. We don't know when that is,  
10 but we need some relief. And you need to understand  
11 that this is serious. Close quote.

12 Correct?

13 MR. HENDRICKS: That's correct. Yes.

14 That could have been better articulated. May be  
15 stated as the current status quo is not a path  
16 forward towards long term success. We operate  
17 pursuant to a Gaming Act that is now 20 years old,  
18 which did not adequately contemplate the considerable  
19 headwinds which we now face. Competition in other  
20 states, online and skill games.

21 ATTORNEY PITRE: The Gaming Act is 20  
22 years old, and then you have the table games part  
23 that came in 2010 and then the expansion in 2017. So  
24 it's been added on to.

25 Okay.

1                   So during that interview, let me go  
2 back. On December 12, 2024, you also gave an  
3 interview to Erie News Now Reporter Philip Ward.

4                   Correct?

5                   MR. HENDRICKS: Correct.

6                   ATTORNEY PITRE: And how did that  
7 interview come about?

8                   MR. HENDRICKS: That one was in  
9 response to questions about the tax rate and how much  
10 we actually pay in taxes.

11                   ATTORNEY PITRE: So you were  
12 approached by the reporter?

13                   MR. HENDRICKS: No, that one, we  
14 approached the reporter.

15                   ATTORNEY PITRE: Okay.

16                   And basically in that interview, and  
17 I'm not going to go through the whole quote, you had  
18 some concerns about your revenues getting softer  
19 every year and that you were running behind the prior  
20 year. And you said a big piece of that was skill  
21 games and the amount of money that you have to pay to  
22 the Gaming Control Board -

23                   MR. HENDRICKS: It's the same message  
24 that we shared -.

25                   ATTORNEY PITRE: - local share

1 assessment -.

2 I'm not finished. Erie County Gaming  
3 Revenue Authority and about fines that you might  
4 receive. So basically, you were basically saying  
5 that your revenue picture was softening up.

6 MR. HENDRICKS: Uh-huh.

7 ATTORNEY PITRE: That's the same thing  
8 you basically -.

9 MR. HENDRICKS: Same story I just gave  
10 you.

11 ATTORNEY PITRE: Okay.

12 So what trends or historical  
13 performance data led you to conclude that the market  
14 and consequently the casino's performance was  
15 declining, specifically?

16 MR. MEAGHER: Okay.

17 Thanks for the question. I mean, you  
18 can see the revenue trends here. So we can see  
19 what's gone on back since 2007 when the property  
20 opened. The two most important things in how revenue  
21 is generated at a property are how many people are in  
22 the market of 21-plus years of age and how much  
23 supply is in the market. What has happened factually  
24 over the last five to ten years at this property is  
25 that the population has declined slightly and the

1 increase in supply has material. Materially has  
2 materially increased. So that is a formula for  
3 declining revenue without new residents to draw from.

4 ATTORNEY PITRE: Okay.

5 That's fine, but I was referring to  
6 Mr. Hendricks because I'm talking to him right now.

7 MR. HENDRICKS: So that's same answer  
8 that I was.

9 ATTORNEY PITRE: That's your answer?

10 MR. HENDRICKS: Yes.

11 ATTORNEY PITRE: Okay.

12 So let me ask you, in your opinion, as  
13 the General Manager for Presque Isle, how long do you  
14 estimate the racino (sic) can operate a viable,  
15 successful business in the current climate?

16 MR. HENDRICKS: I think the only thing  
17 I can say to that is that it's not my decision to  
18 make.

19 ATTORNEY PITRE: No, I'm asking your  
20 opinion. You said that it was not sustainable in the  
21 long term. So what's the long term? A year? Five  
22 years? One month? Five months?

23 MR. HENDRICKS: What I will say is  
24 that I am anticipating that we will get some work  
25 coming through the legislature. We got two bills -.

1                   ATTORNEY PITRE: That's not what I  
2 asked you. You made a statement -

3                   MR. HENDRICKS: Okay.

4                   ATTORNEY PITRE: - in the public  
5 saying that it was not sustainable long term.

6                   What is long term in your opinion?

7                   MR. HENDRICKS: I think it's the  
8 course maybe three years.

9                   ATTORNEY PITRE: Three years.

10                   Okay.

11                   Thank you.

12                   MR. MEAGHER: Cyrus, may I add to  
13 that?

14                   ATTORNEY PITRE: No. I'm not talking  
15 to you yet.

16                   MR. MEAGHER: All right.

17                   ATTORNEY PITRE: All right. So  
18 considering the current operational challenges and  
19 the market conditions that you're facing right now,  
20 Mr. Hendricks, and that you spoke of during the  
21 interviews, have you or anyone on your behalf at  
22 Churchill or Presque Isle conducted any scenario  
23 analysis to estimate how long Presque Isle could  
24 continue operating under today's pressures?

25                   MR. HENDRICKS: Yes. That's been

1 done.

2 ATTORNEY PITRE: Okay.

3 And is that something you can state  
4 publicly?

5 MR. HENDRICKS: Not the results of  
6 that, but Presque has no intention of closing. Our  
7 long term future and strong financial health is one  
8 that's sustainable, requires legislative action.  
9 Accordingly, our management teams have repeatedly met  
10 with legislators in an effort to reach a long term  
11 solution, which this Board has encouraged us to do.

12 And in response to the news around  
13 this interview, the House majority Director of  
14 Communications confirmed these challenges exist when  
15 it stated Presque Isle is in a very challenging and  
16 competitive business. We agreed, but we're committed  
17 to continuing to rise to the challenge, continuing to  
18 redefine ourselves.

19 ATTORNEY PITRE: So you can't tell me  
20 the timeline publicly before the critical thresholds  
21 are reached.

22 Is that correct?

23 MR. HENDRICKS: That's correct.

24 ATTORNEY PITRE: Okay.

25 Have you identified any financial

1 markers that would trigger a strategic overhaul?

2 MR. HENDRICKS: That may be a question  
3 better for our finance person.

4 ATTORNEY PITRE: Okay.

5 Has anyone identified -?

6 MR. MEAGHER: Could you clarify that a  
7 little bit?

8 ATTORNEY PITRE: Yeah. I mean, is  
9 there anything that you see in the financial picture  
10 that would basically say, okay, it's time for us to  
11 change the way we're doing things or to maybe  
12 eliminate some things?

13 MR. HENDRICKS: Well, to be honest  
14 with you, we do that -.

15 ATTORNEY PITRE: Well, you said you  
16 couldn't answer.

17 MR. HENDRICKS: Well, I misunderstood  
18 your question. I apologize.

19 ATTORNEY PITRE: Okay.

20 MR. HENDRICKS: We do that  
21 continually. I have a list of things that we've  
22 done. You know, going back to '22, doing the major  
23 floor refresh. In '22, we replaced all the slot  
24 chairs, got new chairs in. In '23, we restructured  
25 the slot department and finance departments, the

1 management team to restructure to right size that  
2 team. In '23, we refreshed the casino floor,  
3 bringing in new carpet. Also in '24, we opened the  
4 End Cafe to give patrons. We continually try to  
5 redefine ourselves.

6                   Currently, we're looking at some of  
7 our lease expense. Is there something we can do  
8 there? We have - as you may know, we have an  
9 operation plan in front of -. We just got approved.  
10 It'll be effective on June 2nd, I believe we take our  
11 hybrid games off the floor. Saves a significant  
12 amount of lease expense for games that were receiving  
13 no play.

14                   ATTORNEY PITRE: So basically the  
15 financial markets have already been identified?

16                   MR. HENDRICKS: Yes.

17                   ATTORNEY PITRE: And you're taking  
18 action?

19                   MR. HENDRICKS: We're acting on things  
20 all the time.

21                   ATTORNEY PITRE: All right.

22                   MR. HENDRICKS: And I think, as you  
23 noted, I said in the article at one point, you can't  
24 continue to save your way to the bottom line. You  
25 can only go so far.

1                    ATTORNEY PITRE:    And are there any  
2 other ways that you plan to address your competitive  
3 disadvantage or do you think you've reached the end?

4

5                    MR. HENDRICKS:    We haven't reached the  
6 end.    We continue to have some opportunities that we  
7 work on.

8                    ATTORNEY PITRE:    Okay.

9                    I think it was Lou that mentioned,  
10 correct me if I'm wrong, that you've renegotiated  
11 some supplier agreements or was that you, Gary?

12                   MR. HENDRICKS:    That was me.    Oh, that  
13 was actually, I think Lou in the early.    Yeah.    So we  
14 do.    When we have contracts that come up, we do  
15 renegotiate those, try to get better terms like any  
16 business would.

17                   ATTORNEY PITRE:    And have those been  
18 successful in preserving cash?

19                   MR. HENDRICKS:    Some of them have,  
20 yes.

21                   ATTORNEY PITRE:    Have you considered  
22 or have you taken any initiatives like technology-  
23 driven operational changes or maybe revamped your  
24 customer engagement strategies?

25                   MR. HENDRICKS:    Yeah, we just - we in

1 '23, we actually put out the every kiosk, the  
2 marketing kiosks across the floor.

3 ATTORNEY PITRE: And how about  
4 marketing?

5 MR. HENDRICKS: Marketing, we have a  
6 large group of people that continually review our  
7 marketing efforts to try to align us. One thing I  
8 would note is, you know, in comparison to Ohio, we're  
9 actually a higher reinvestment of our free play than  
10 the Ohio market than the Cleveland market does with  
11 Jack's Casino. We don't know what the tribe does,  
12 but again, they're taxed at 25 percent. They can -.

13 ATTORNEY PITRE: So you've overhauled  
14 your loyalty and rewards program.

15 MR. HENDRICKS: Yes, we're actually on  
16 phase to join what's called loyalty, which is the one  
17 card system that Churchill is doing. We're on phase  
18 to do that quarter one of '26.

19 ATTORNEY PITRE: And you're on  
20 traditional and digital media?

21 MR. HENDRICKS: Oh, yes.

22 ATTORNEY PITRE: And I know for Derby  
23 Day you guys had did pretty well that day. You guys  
24 have any other promotions in mind similar to Derby  
25 Day or something?

1                   MR. HENDRICKS: We'll do similar  
2 things around some of the holidays. Memorial Day,  
3 we're doing a truck giveaway. July 4th, we're going  
4 to do our own racing events. We'll also have a  
5 vehicle giveaway at Labor Day weekend. We have a  
6 band. When we do our Major Stakes Race, we'll have a  
7 band promoted just as we did on Derby Day. It'll be  
8 a lot - it'll be very similar to what we did on Derby  
9 day.

10                   ATTORNEY PITRE: Okay. How about the  
11 diversification of your revenue streams? Have you  
12 thought about that?

13                   MR. HENDRICKS: We've done a few  
14 things, some small things. One of the things that we  
15 did do, you may notice the tote board in the infield,  
16 that board failed and rather than replacing the  
17 entire board, we put the totes on the video board and  
18 we've used the board below it as advertising. So we  
19 sell some small advertising to that. We continue to  
20 look for opportunities to do things like that.

21                   ATTORNEY PITRE: I know initially, you  
22 guys - and anyone can answer this, you guys initially  
23 started with an Interactive Gaming Certificate in  
24 which your interactive gaming platform.

25                   Okay.

1                   Why didn't - or why don't you think  
2 that worked out for you?

3                   MR. HENDRICKS: You want to take that  
4 one?

5                   MR. MEAGHER: Yeah. Thanks, Cyrus.

6                   ATTORNEY PITRE: In general.

7                   MR. HENDRICKS: Is it okay for Michael  
8 to address that?

9                   ATTORNEY PITRE: Yeah.

10                  MR. HENDRICKS: Okay.

11                  MR. MEAGHER: We took a position in  
12 first quarter or '22 in our public earnings call,  
13 Cyrus, that it was not a business that we saw a path  
14 to profitability in the short term. So while it  
15 would generate revenue is about how much profit it  
16 actually generates. And so we took the position that  
17 we exited that business as a company not just at  
18 Presque Isle.

19                  ATTORNEY PITRE: I mean, because with  
20 your parimutuel, I mean you guys have a large  
21 customer database.

22                  MR. MEAGHER: Right.

23                  ATTORNEY PITRE: So I mean, I think we  
24 all found it a little surprising that you exited so  
25 soon. So you didn't see anything in the long term

1 that would generate revenue from for it?

2 MR. MEAGHER: That's correct.

3 Revenue, but profitability is a different story. The  
4 cost per acquisition in that business is really high  
5 early on.

6 ATTORNEY PITRE: Okay.

7 Back to Gary. Gary, have you sought  
8 to maybe enhance the customer experience or customer  
9 service, better training of your employees?

10 MR. HENDRICKS: Yeah, we worked with  
11 our service employees trying to uplift their  
12 training, especially in the LBV area, our fine  
13 dining, but we do continual training with all of our  
14 employees.

15 ATTORNEY PITRE: And you've made  
16 upgrades to surveillance. I think you guys mentioned  
17 that earlier. Yeah. Made upgrades in your digital  
18 areas on the gaming floor. Have you made any capital  
19 reallocation or asset optimizations? I believe one  
20 of you guys mentioned that in passing during the  
21 slideshow to prioritize higher returning - a higher  
22 return.

23 So I mean, did you shift your capital  
24 towards projects with the highest expected return?  
25 As far as the reallocation? I know you mentioned you

1 bought new slots.

2 MR. HENDRICKS: Correct.

3 ATTORNEY PITRE: Did you have any  
4 other capital reallocation?

5 MR. HENDRICKS: That wasn't a  
6 reallocation. That was just - that was a capital  
7 spend plan.

8 ATTORNEY PITRE: All right.

9 MR. HENDRICKS: But we continue to  
10 look for - if we're going to spend capital, we're  
11 looking for something that has some sort of return.  
12 But we always prioritize safety, guest safety over  
13 pretty much anything else.

14 ATTORNEY PITRE: And right now you're  
15 not operating your tables 24 hours?

16 MR. HENDRICKS: Correct. That's a  
17 demand-driven situation.

18 ATTORNEY PITRE: Are they operating 24  
19 hours at any time? Weekends?

20 MR. HENDRICKS: No.

21 ATTORNEY PITRE: So what hours are the  
22 operating table games now?

23 MR. HENDRICKS: We open at 11 o'  
24 clock, close at I believe, 3:00.

25 ATTORNEY PITRE: And that's every day?

1                   MR. HENDRICKS: We do have an option  
2 with the local CCR if we have a volume, we have high  
3 level of play, we will request to remain open until  
4 4:00.

5                   ATTORNEY PITRE: And do you correct  
6 conduct regular reviews to identify your  
7 underperforming assets?

8                   MR. HENDRICKS: Yes.

9                   ATTORNEY PITRE: How often do you do  
10 that?

11                   MR. HENDRICKS: We are monthly.

12                   ATTORNEY PITRE: Monthly?

13                   MR. HENDRICKS: Uh-huh.

14                   ATTORNEY PITRE: Have you considered  
15 collaborating with other gaming industry companies or  
16 technology companies in order to reduce the burden of  
17 large capital expenditures? I know you guys this  
18 partner with Bet365.

19                   MR. HENDRICKS: That would be an  
20 example. Yeah.

21                   ATTORNEY PITRE: Are there any other  
22 thoughts that you could - you can partner with  
23 people?

24                   MR. HENDRICKS: Another example is our  
25 gaming product, our table games product. We're all

1 moving to Light and Wonder with all of that product  
2 which reduces our lease footprint, maintains the same  
3 types of game. I think we're waiting one more game  
4 right now. Approval from the state.

5 ATTORNEY PITRE: Have you had any  
6 investments, aside from the surveillance system, in  
7 cybersecurity or fraud prevention might reduce your  
8 losses?

9 MR. HENDRICKS: That were not seen,  
10 those we spend -. The corporate structure is what  
11 maintains that for us.

12 MR. MEAGHER: Cyrus, I would add to  
13 that. We've not had any losses as it relates to  
14 cyber security issues.

15 ATTORNEY PITRE: Okay.  
16 What about fraud?

17 MR. HENDRICKS: None that I -.

18 MR. MEAGHER: None that I'm aware of.

19 ATTORNEY PITRE: Okay.

20 MR. MEAGHER: I will add, we do have a  
21 robust cyber security program that's administered by  
22 our corporate I.T. team and something that we keep  
23 out in front of all the time.

24 ATTORNEY PITRE: Okay.

25 So let's just say that we're operating

1 in the current climate for the foreseeable future.  
2 No legislative relief, no tax adjustments. What are  
3 your contingency plans? How do you plan to move  
4 forward?

5 MR. HENDRICKS: Our contingency plans  
6 will be to continue to look for opportunities to save  
7 where we can, to cut back further, to try to market  
8 to get people from Ohio and that sort of thing. But  
9 as you can see, it's not - it's not an easy matter.

10 ATTORNEY PITRE: Would that include  
11 further staff reductions or scaling back any  
12 services?

13 MR. HENDRICKS: Potentially, if volume  
14 declines to the point where we have to do so.

15 ATTORNEY PITRE: So what milestones  
16 are you. Are you watching as an indication that  
17 you're nearing that unsustainable point?

18 MR. HENDRICKS: Profitability of the  
19 outlets.

20 ATTORNEY PITRE: So basically, if you  
21 keep seeing the trend that you're seeing right now,  
22 that would be it.

23 MR. HENDRICKS: Uh-huh.

24 ATTORNEY PITRE: All right. Have you  
25 ever given anyone at the Pennsylvania Gaming Control

1 Board, Gary or anybody a formal notice of your  
2 concerns regarding Presque Isle's inability or  
3 potential inability to maintain a viable successful  
4 business?

5 MR. MEAGHER: We have not.

6 ATTORNEY PITRE: Okay.

7 MR. MEAGHER: Other than the public  
8 notices of declining revenue?

9 MR. HENDRICKS: Yeah. Other than what  
10 we've shown today, we showed last fall.

11 ATTORNEY PITRE: Okay.

12 Are you aware in the Section 1313 of  
13 the act that as a Slot Machine License Renewal  
14 Applicant, you're required to establish by clear and  
15 convincing evidence the financial stability,  
16 integrity and responsibility of the company?

17 MR. HENDRICKS: I believe we've done  
18 so for Churchill Downs.

19 ATTORNEY PITRE: Well, PID is the  
20 Licensee.

21 MR. MEAGHER: Also for PID, we believe  
22 we've demonstrated that.

23 MR. HENDRICKS: Yeah. Positive cash  
24 flows.

25 ATTORNEY PITRE: So are you also aware

1 that under 1313 that there's an operational viability  
2 requirement, which includes, amongst other things,  
3 whether PID is likely to maintain a financially  
4 successful, viable and efficient business operation  
5 and will likely be able to maintain a steady level of  
6 growth of revenue to Pennsylvania? You're aware the  
7 act states that?

8 MR. HENDRICKS: Yes.

9 ATTORNEY PITRE: Okay.

10 And pursuant to 1326, which is  
11 entitled renewals, that all persons licensed in  
12 association with PID have the affirmative duty to  
13 notify the Board of any changes relating to the  
14 status of its license and to provide updated  
15 information. Are you aware of that?

16 MR. HENDRICKS: Yes.

17 ATTORNEY PITRE: And Section 1331  
18 places a duty upon all licensees to, amongst other  
19 things, inform the Board of any actions which they  
20 believe would constitute a violation. You're aware  
21 of that?

22 MR. HENDRICKS: Yes.

23 ATTORNEY PITRE: And do you  
24 understand, Gary, as a key employee, you have a duty  
25 to report any violations of which you are aware to

1 the Board?

2 MR. HENDRICKS: Yes.

3 ATTORNEY PITRE: And do you understand  
4 that the failure to maintain financial - the  
5 financial fitness requirements of the Act is a  
6 violation that should be reported to the Board?

7 MR. HENDRICKS: Yes.

8 ATTORNEY PITRE: Do you believe that  
9 PID is currently financially fit, Gary?

10 MR. HENDRICKS: Yes.

11 ATTORNEY PITRE: And do you believe  
12 that PID is likely to maintain a financially  
13 successful, viable and efficient business operation  
14 and it will likely be able to maintain a steady level  
15 of growth of revenue?

16 MR. HENDRICKS: I believe we'll be  
17 able to maintain the viability. I don't necessarily  
18 want to say that we can maintain a growth in revenue.  
19 We have not seen that.

20 ATTORNEY PITRE: Okay.

21 MR. MEAGHER: We're continuing to  
22 pursue it.

23 MR. HENDRICKS: We're continuing to  
24 pursue it.

25 165:54 out of 206:41 of video audio

1                    ATTORNEY PITRE: But you do understand  
2 that if you become aware at any point that PID or any  
3 of its associated renewal applicants are no longer  
4 financially fit, you have a duty to inform the Board?

5                    MR. HENDRICKS: Yes, absolutely.

6                    ATTORNEY PITRE: Okay. And are you  
7 aware, and do you understand that Section 1332 of the  
8 Act, under that section, the Board may appoint a  
9 trustee to manage and control casino operations if  
10 the Board does not renew a Slot Machine License or if  
11 it is necessary to protect the best interests of the  
12 Commonwealth?

13                   MR. HENDRICKS: Yes, I'm aware.

14                   ATTORNEY PITRE: So with regard to  
15 PID's operations - and I got a feeling that this  
16 one's going to raise some confidentiality issues.

17                   What measures are being taken to  
18 strengthen PID's liquidity position?

19                   MR. MEAGHER: Okay - okay, if I answer  
20 that one, Cyrus?

21                   So we constantly evaluate our business  
22 and try to manage that business as efficiently as  
23 possible. That's something we look at, Gary and I  
24 talk about every single day, just like any business  
25 owner would do to optimize our business.

1 Separately, this property has the  
2 backing of Churchill Downs, Incorporated, which has  
3 significant revenue and cash flow, as we established  
4 in the presentation earlier, and is committed to  
5 sticking with this property and ensuring we make this  
6 a viable business moving forward.

7 ATTORNEY PITRE: Are there any  
8 contingency plans in place to access additional  
9 funding? And I'm specifically asking with regard to  
10 Presque Isle, if there are continued operational  
11 challenges.

12 MR. MEAGHER: We have the commitment  
13 of Churchill Downs to continue to support Presque  
14 Isle.

15 ATTORNEY PITRE: Are there any plans  
16 to secure any short-term credit facilities or other  
17 forms of external financing that could serve as a  
18 buffer?

19 MR. MEAGHER: We have a corporate  
20 consolidated debt structure. So, all the debt  
21 structure for Presque Isle rolls up under. That  
22 parent debt structure does not have individual debt  
23 on that entity.

24 ATTORNEY PITRE: Okay. Talk to me a  
25 little bit about any steps you've taken to optimize

1 any receivables, payables or inventory management.

2 MR. HENDRICKS: That's something that  
3 we do as a normal course of business. I mean, we're  
4 looking at, you know, what are our cost of sales and  
5 food. What can we do with that? We look for  
6 opportunities through Supplier.io as a matter of  
7 fact, on ways to save. We have - we bid out to  
8 multiple operations, you know, the food providers and  
9 that sort of thing, equipment providers. We - any  
10 time we're replacing a piece of equipment, we're  
11 bidding that out to multiple operators to try to get  
12 the best pricing that we can.

13 ATTORNEY PITRE: You have any markers  
14 that are regularly outstanding?

15 MR. HENDRICKS: No.

16 ATTORNEY PITRE: Okay, how about with  
17 regard to your inventory, your gaming inventory,  
18 beverage and your retail merchandise.

19 MR. HENDRICKS: What are you asking?  
20 I'm sorry.

21 ATTORNEY PITRE: Are - have you made -  
22 taken any steps to try to basically -?

23 MR. HENDRICKS: Well, I gave you the  
24 example -.

25 ATTORNEY PITRE: Yeah, the inventory

1 to ensure that -?

2 MR. HENDRICKS: Not necessarily  
3 shortage, but the example of removing the hybrid  
4 games to save -.

5 ATTORNEY PITRE: Or just - or just not  
6 overbuying. With regard to your inventory.

7 MR. HENDRICKS: We don't have - we  
8 don't have a large inventory of slot machines like a  
9 warehouse.

10 ATTORNEY PITRE: What about - what  
11 about with your nongaming? What about with your -  
12 well, what about with your dice and your chips?

13 MR. HENDRICKS: We maintain as much as  
14 we need to maintain for around - I believe it's  
15 around three months.

16 ATTORNEY PITRE: Okay.

17 MR. HENDRICKS: And keep that process  
18 going to -.

19 ATTORNEY PITRE: Okay. So, that is -  
20 you're on a three-month cycle?

21 MR. HENDRICKS: Yeah.

22 ATTORNEY PITRE: All right.

23 MR. HENDRICKS: One thing that we are  
24 doing right now is replacing all of our low denom  
25 chips, because were getting low on the inventory for

1 that. And now we have an approved chip vendor that  
2 we can go through. So, that's one thing that we're  
3 doing right now.

4 ATTORNEY PITRE: Have you - have there  
5 been any initiatives aimed at shortening your cash  
6 conversion cycle?

7 MR. MEAGHER: I think you may be  
8 referencing bankroll here, Cyrus.

9 ATTORNEY PITRE: Well, with regard -.  
10 Well, you know, like to automate any cash handling.  
11 I mean, you guys, you've automated that as much as  
12 you can - you can?

13 MR. MEAGHER: Yes, we have. And as I  
14 mentioned earlier, we've invested in new currency  
15 counters in the - in the count room as well. And we  
16 constantly look at our - at our cash flow that we  
17 keep on the floor.

18 Of course we adhere to regulations on  
19 how much cash has to be on the floor, but otherwise  
20 we try to optimize that and get that cash deposited  
21 into the bank.

22 ATTORNEY PITRE: Are there contingency  
23 plans in place in - in case Presque Isle has any  
24 unexpected cash flow problems?

25 MR. MEAGHER: Yeah, I would say, once

1 again, that with the support of Churchill Downs,  
2 Incorporated, no concerns for Presque Isle as an  
3 individual entity.

4 ATTORNEY PITRE: All right. Well,  
5 with regard to Churchill, given the current  
6 liabilities, what specific operational or financing  
7 initiatives are being considered to improve the short  
8 term liquidity position?

9 MR. MEAGHER: Yeah, we constantly  
10 evaluate our -. We have a whole team at our  
11 corporate office, Cyrus, who deals with this. And I  
12 may call Jon Rauch up here shortly, who works on our  
13 corporate accounting group.

14 We constantly look at our debt load.  
15 We also look at our debt load relative to our  
16 industry peers. And what we see is that we are  
17 essentially right in the middle of industry peers,  
18 many of whom operate here in the Commonwealth.

19 ATTORNEY PITRE: Do you have any plans  
20 to renegotiate any of your current liabilities or  
21 adjust your working capital?

22 MR. MEAGHER: We have standard - we  
23 have standard terms with our lenders, both on our  
24 revolver and our - our long-term debt. And there's a  
25 constant process with our treasury team and corporate

1 finance team to optimize that.

2 ATTORNEY PITRE: And there's a small  
3 portion of your debt that's due within the next 12  
4 months.

5 Are there plans to refinance or  
6 restructure your longer-term debt to alleviate any  
7 liquidity risks?

8 ATTORNEY HAYES: I think that may be  
9 something that we would have to address in executive  
10 session, -

11 ATTORNEY PITRE: Okay.

12 ATTORNEY HAYES: - because that's not  
13 public.

14 ATTORNEY PITRE: Right.

15 MR. MEAGHER: Cyrus, we - I will add,  
16 we - we do have the ability to refinance debt  
17 whenever and we've - we've done that and demonstrated  
18 that, over time.

19 ATTORNEY PITRE: All right. We'll go  
20 more into that later.

21 Have - have you guys explored a lease  
22 - a leaseback, like with a REIT?

23 MR. MEAGHER: We have not - we  
24 currently do not have any properties with a REIT  
25 arrangement.

1                    ATTORNEY PITRE:    Have you - have you  
2 considered that?

3                    MR. MEAGHER:    We have not.

4                    ATTORNEY PITRE:    Because I know a  
5 number of properties in gaming have done that in  
6 order to improve the cash flow.

7                    So does Churchill have operational  
8 cost control initiatives that you plan to implement  
9 to strengthen the liquidity?

10                   MR. MEAGHER:    We evaluate all of our  
11 businesses, just like I mentioned earlier, for  
12 Presque Isle, to optimize our labor, our marketing  
13 spend, all of our operational needs. We also have a  
14 corporate sourcing group who helps us get favorable  
15 contracts through companywide spin. And should they  
16 be an approved vendor in the Commonwealth, Presque  
17 Isle is always a participant in that process.

18                   ATTORNEY PITRE:    What role do stress  
19 tests and scenario analysis play in your liquidity  
20 management process? Is that something that you  
21 constantly use?

22                   MR. MEAGHER:    Yeah. I would say,  
23 Cyrus, we don't have a liquidity issue, but just like  
24 we talked about with - with Presque Isle, we monitor  
25 our businesses on a consistent basis.

1                   ATTORNEY PITRE: Yeah, I didn't say  
2 you had a liquidity -. I just wanted to know with  
3 regard to your liquidity management process.

4                   So do you run stress tests?

5                   MR. MEAGHER: I believe we have  
6 required covenants by our banks that we're required  
7 to report on.

8                   ATTORNEY FRASCOGNA: We have a billion  
9 dollars on a revolver that we could always utilize to  
10 address any liquidity shortcomings.

11                   ATTORNEY PITRE: You said a billion or  
12 a million?

13                   MR. RAUCH: A billion.

14                   ATTORNEY FRASCOGNA: A billion.

15                   ATTORNEY PITRE: How do you guys plan  
16 to mitigate any risk if broader market or economic -  
17 or the economic environment further deteriorates?

18                   MR. MEAGHER: Are you referencing  
19 Presque Isle?

20                   ATTORNEY PITRE: I'm referencing the  
21 gaming market as a whole, Presque Isle, and anywhere  
22 else that you're operating. Because I know - I  
23 think - well, Virginia put on - their skill games on  
24 pause for now. I think - you know, they just  
25 recently started back up again under another

1   loophole.

2                   MR. HENDRICKS:   Correct.

3                   ATTORNEY PITRE:   So I'm wondering,  
4   have you guys planned out long term how you're going  
5   to deal with those issues?

6                   ATTORNEY HAYES:   Cyrus, this may be  
7   delving into a - a business strategy issue that's not  
8   public and proprietary.

9                   ATTORNEY PITRE:   Okay.   We can talk  
10   about it -.

11                   ATTORNEY HAYES:   And I'm not trying to  
12   be -.

13                   ATTORNEY PITRE:   No, no, that's fine.  
14   That's fine.

15                   ATTORNEY HAYES:   We can't -

16                   ATTORNEY PITRE:   That's fine.

17                   ATTORNEY HAYES:   - cough that up.

18                   ATTORNEY PITRE:   All right.   I have a  
19   feeling the rest of the questions are going to also  
20   be confidential, because I want to get into your  
21   impairment expenses.

22                   ATTORNEY FRASCOGNA:   We can discuss  
23   impairment.

24                   ATTORNEY PITRE:   Well, I think they're  
25   going to be a little bit more than -.

1                   ATTORNEY FRASCOGNA: Well, do you want  
2 to - do you want to start and see how far we can get  
3 down that road? We can have Jon Rauch speak to that  
4 as much as possible.

5                   ATTORNEY PITRE: All right.

6                   ATTORNEY HAYES: And for the benefit  
7 of the stenographer, this is - Jon Rauch, just joined  
8 the -.

9                   MR. RAUCH: All right. So, I'm here  
10 today talk - to talk at a very high level about how  
11 impairments are recorded. At the end of the day,  
12 when the book value of an asset that we have recorded  
13 on our books exceeds the fair value of the asset, we  
14 record an impairment.

15                   To dive a bit deeper, accounting for  
16 goodwill and intangible assets, as well as any  
17 related impairments is a very complex area of  
18 accounting.

19                   Within US GAAP accounting standards  
20 codification Section 350, otherwise known ACC 350,  
21 outlines how to account for assets for asset  
22 impairments. I'm going to do my best today to keep  
23 this at a very high level, but also informative, and  
24 I'm happy at any point to stop and take a deeper  
25 dive, if it's needed.

1                   When Churchill Downs acquired Presque  
2 Isle in 2019, we established the book value of the  
3 assets and liabilities that we acquired. Those  
4 assets being fixed assets, accounts receivable,  
5 accounts payable, et cetera.

6                   In addition, we also ascribed value to  
7 any intangible assets that were identified as well  
8 as part of the acquisition. We utilized a  
9 third-party valuation specialist, Valuation Research  
10 Corporation, or VRC, to assist us with this  
11 undertaking.

12                   After the acquisition was completed In  
13 January of 2019, VRC's valuation specialists visited  
14 the property, assessed long-term projection models  
15 that we had utilized, conducted inquiries of local  
16 management and as well as CDI corporate finance to  
17 assist them in identifying intangible assets that we  
18 may have acquired.

19                   In performing these activities, VRC  
20 identified two intangible assets that were acquired.  
21 One was the Gaming License or what we refer to as the  
22 gaming rights, and the other was the trade name of  
23 Presque Isle.

24                   And I will state, the gaming rights is  
25 the Gaming License that allows us to gamble - or,

1 excuse me, to conduct wagering in Pennsylvania.

2           After the intangible assets and -  
3 excuse me, after the intangible and - intangible  
4 assets were identified and valued by our valuation  
5 experts, the excess of the purchase price above the  
6 total net assets was assigned to goodwill.

7           In total, we had approximately \$95  
8 million of intangible assets related to the gaming  
9 rights, which included both the brick and mortar and  
10 online wagering rights, the Sportsbook License, and  
11 the trade name for Presque Isle.

12           Per the accounting guidance that I  
13 referenced, when an entity has goodwill and  
14 intangible assets, it is required on at least an  
15 annual basis to evaluate those for impairments.

16           At Churchill Downs, we conduct our  
17 annual valuation on April 1st of each year. However,  
18 in addition to the annual test, we're also required  
19 to monitor micro and macro market conditions  
20 throughout the year to determine if potential  
21 impairments have occurred outside of our annual  
22 valuation.

23           The accounting guidance provides a  
24 lengthy list of factors that could indicate an  
25 impairment has occurred, but for purposes of this

1 discussion, the indicator that has been most  
2 prevalent at Presque Isle is not meeting internal  
3 expectations or internal forecasts in consecutive  
4 periods or downward adjustments to future forecasts.

5 Our first impairment at Presque Isle  
6 was recorded in the first quarter of 2020, when our  
7 future projections of the profitability of Presque  
8 Isle were impacted by the COVID-19 pandemic.

9 Once we revised our future. Excuse  
10 me. Once we revised our future profitability  
11 projections, we provided an analysis to the same  
12 third party, VRC, that used this analysis to  
13 determine the fair - fair value of the Presque Isle  
14 business, including the intangible assets.

15 The end result suggested that the book  
16 value of the intangible assets was approximately \$17  
17 million greater than the fair value. As such, we  
18 recorded an impairment in March of 2020 of \$17  
19 million. This impairment was disclosed in the first  
20 quarter form 10-Q that was filed with the SEC at the  
21 end of April 2020.

22 Subsequent impairments were also  
23 recorded in 2022 and 2023, following a similar  
24 process. In those two years, the declines in  
25 profitability were driven by market conditions and

1 increased competition in Erie and in the State of  
2 Pennsylvania.

3 In calculating the impairments that  
4 were recorded, we utilized VRC to assist in  
5 determining the fair value.

6 Once the fair value analysis was  
7 performed, it was reviewed by the CDI management  
8 team, including the CFO of our company. It's then  
9 presented to our independent auditor,  
10 PricewaterhouseCoopers, who will audit the analysis.

11 Given the complexities and the high  
12 dollar value of the impairments we recorded, the  
13 auditors exercised quite a bit of scrutiny on the  
14 impairment calculations. Their focus centered around  
15 the projected cash flows that were prepared by  
16 management and the work that was done by the  
17 valuation firm.

18 Each of the impairments we - we  
19 recorded were audited by PwC, and they were audited  
20 for both our SEC filing as well as the statutory  
21 filings that you all received from Presque Isle.

22 In summary, we've recorded  
23 approximately \$75 million of impairment losses from  
24 2020 through the end of 2023 for the intangible  
25 assets that were acquired with the acquisition of

1 Presque Isle Downs.

2 And like I said, outside of the  
3 COVID-19 pandemic, the majority of these impairments  
4 were driven by market conditions and increased  
5 competition that we've seen in and around the Erie,  
6 Pennsylvania area. Thank you.

7 ATTORNEY PITRE: What was the book -  
8 the book - the book balance or the book value of the  
9 assets -

10 MR. RAUCH: The book -.

11 ATTORNEY PITRE: - that were impaired?

12 MR. RAUCH: It was \$95 million.

13 ATTORNEY PITRE: All right. And you  
14 basically impaired 75 million of that?

15 MR. RAUCH: That's correct.

16 ATTORNEY PITRE: So you're saying your  
17 licenses and your trade - your trademark are worth,  
18 what, 20 million now?

19 MR. RAUCH: That's correct.

20 ATTORNEY PITRE: And - and out of the  
21 last six years - and how many of those did PID have  
22 negative cash flow from operating activities?

23 MR. RAUCH: Looks like only in 2020 we  
24 had negative cash flows from operations.

25 ATTORNEY PITRE: That was a COVID

1 year, wasn't it?

2 MR. RAUCH: Correct.

3 ATTORNEY PITRE: Uh-huh. And does -  
4 the process of recognizing impairment expenses on  
5 intangible assets, does that involve objective or a  
6 subjective process or a little of both?

7 MR. RAUCH: I would say it's a little  
8 bit of both.

9 ATTORNEY PITRE: And can you repeat  
10 the years again that the impairment expenses were  
11 recognized?

12 MR. RAUCH: Absolutely. In the first  
13 quarter of 2020, we recorded \$17.5 million of  
14 impairment. In the fourth quarter of 2022, we  
15 recorded \$33 million of impairment. And in the  
16 second quarter of 2023, we recorded \$24.5 million.

17 ATTORNEY PITRE: And in the years that  
18 the impairment expenses were recognized, would PID  
19 have reported a net income for those years, if  
20 impairment expenses were not recognized?

21 MR. RAUCH: Yes.

22 ATTORNEY PITRE: Would you - could you  
23 note the net income for those specific years without  
24 the impairment expenses being recognized?

25 MR. HENDRICKS: He said without the

1 impairment.

2 MR. RAUCH: So it looks like in 2024  
3 we had a negative \$1.6 million net income. In 2023,  
4 we had \$5 million. In 2022, we had \$11 million in  
5 net income.

6 ATTORNEY PITRE: In 2024, you said a  
7 negative what?

8 MR. RAUCH: It's like negative 1.6.

9 ATTORNEY PITRE: And what was the  
10 triggering event that caused the decision to  
11 recognize these impairment expenses?

12 MR. RAUCH: So in 2020, as I stated,  
13 it was the onset of the COVID-19 pandemic. In 2024,  
14 we continued to see expected declining cash flows,  
15 given the introduction of online gaming. And in Q2  
16 of 2023, the impairment was driven by online sports  
17 wagering in Ohio, the continued online gaming taking  
18 place in Pennsylvania, and the continued introduction  
19 of grey games into the market.

20 ATTORNEY PITRE: And did you use a  
21 specific methodology to estimate future cash flows  
22 for gaming rights and our trademarks?

23 MR. RAUCH: Are you referring to  
24 valuation methodology?

25 ATTORNEY PITRE: Yes.

1                   MR. RAUCH: Yes. One second. For the  
2 Presque Isle gaming rights, it was determined or we  
3 used what's referred to as a Greenfield method. And  
4 for the trademark in the - for the trademark  
5 intangible assets, we use the Relief from Royalty  
6 method.

7                   ATTORNEY PITRE: And how did you  
8 determine the appropriate projections and time  
9 horizons or periods for these cash flows?

10                  MR. RAUCH: Absolutely. So, we  
11 typically prepare a ten-year model projecting cash  
12 flow - excuse me, cash flows out over the current  
13 year plus the next ten years. Without getting into a  
14 lot of detail, we obviously look at previous trends  
15 that we've seen. We also work with Michael and the  
16 gaming team as well as local management to understand  
17 what competitive pressures are impacting top line.  
18 We also understand what potential cost-outs could be  
19 enacted, both currently and in the future, to  
20 ultimately come up with a discounted cash flow model  
21 that then is presented to our valuation specialists  
22 as well as our auditors to audit.

23                  ATTORNEY PITRE: And when recognizing  
24 impairment expenses, certain assumptions have to be  
25 made.

1 Correct?

2 MR. RAUCH: Correct.

3 ATTORNEY PITRE: And what are the key  
4 assumptions underlying your future cash flow  
5 projections?

6 MR. RAUCH: I would say the two key  
7 assumptions are, one, the revenue projections and,  
8 two, the discount rate that's being utilized to bring  
9 those back to fair value - excuse me, to a present  
10 value.

11 ATTORNEY PITRE: Could you give the  
12 Board - please explain to the Board the definition of  
13 the discount rate, so - the best you can?

14 MR. RAUCH: Sure. A discount rate is  
15 something we utilize to think about how much it might  
16 cost to borrow, so effectively like an interest rate  
17 on our debt. And it's something we use to evaluate  
18 what the future value of money would be at the  
19 present terms.

20 ATTORNEY PITRE: And how was your  
21 discount rate determined in this instance?

22 MR. RAUCH: So the discount rate is  
23 determined by our valuation specialists, Valuation  
24 Research Corporation. That's one of the specialists.  
25 Excuse me, that's one of the specialized services

1 they provide, given the complexities of discount  
2 rates.

3 ATTORNEY PITRE: and what - what  
4 discount rate was utilized for the impairments in  
5 this instance?

6 MR. RAUCH: That - that I don't have  
7 off the top of my head, but I can get it.

8 ATTORNEY PITRE: You can get that  
9 information to us. Okay.

10 What happens if a one percent or  
11 lesser percentage in discount rate was assumed, do  
12 you know?

13 MR. RAUCH: That's a pretty subjective  
14 question, because there's a lot of thought that goes  
15 into the preparation of a discount rate.

16 ATTORNEY PITRE: Uh-huh.

17 MR. RAUCH: And so a one percent  
18 change in the discount rate could produce - could  
19 produce a significant change in any fair values that  
20 are being calculated. That's why there's so much  
21 scrutiny put on them.

22 ATTORNEY PITRE: And how do the  
23 variations in the discount rate or cash flow  
24 assumptions impact the impairment charge?

25 MR. RAUCH: So in the event the

1 discount rate were to increase, the fair value of the  
2 business would decline. And therefore, we would  
3 recognize an even greater impairment. And then cash  
4 flows would work the exact opposite. So, if cash  
5 flows increased, the value of the business would  
6 increase, and if cash flows decreased, the value of  
7 the business would decrease.

8 ATTORNEY PITRE: So a higher discount  
9 rate would mean that future cash flows are worth less  
10 today?

11 MR. RAUCH: That's correct.

12 ATTORNEY PITRE: And that could lead  
13 to a larger impairment.

14 Right?

15 MR. RAUCH: That's correct.

16 ATTORNEY PITRE: What factors related  
17 to the economic environment were incorporated into  
18 the model and how were these quantified?

19 MR. RAUCH: At a high level, as I  
20 discussed, we look at actual cash flows that have  
21 taken place over the past couple of years leading up  
22 to the impairment analysis. Understand if there were  
23 any one-time drivers that may have taken place that  
24 would have caused an unexpected dip or increase in  
25 cash flows, we take that. We then apply a relatively

1 consistent growth model to those cash flows from what  
2 we've currently projected going forward. It's  
3 something that we discuss with our valuation team  
4 because they see trends across the casino and the  
5 gaming industry and know where we lie within those  
6 trends. And it's something that's also heavily  
7 scrutinized by our audit firm, given the subjective  
8 nature of those.

9 ATTORNEY PITRE: And were any  
10 sensitivity analysis or scenario testing performed to  
11 see how changes in the key assumptions would affect  
12 the impairment calculation?

13 MR. RAUCH: We do that inherently as  
14 part of our analysis that's prepared by our valuation  
15 research firm. And that's something that the  
16 auditors utilize to understand the sensitivity in the  
17 discount rate. Given there's - given there could be  
18 increased sensitivity in the discount rate due to  
19 those scenarios you suggested, it guides the audit  
20 firm into how much scrutiny needs to be put on that  
21 before they can sign off on the work that we've done.

22 ATTORNEY PITRE: I believe you  
23 mentioned it, mentioned - and correct me if I'm wrong  
24 - that you did use third-party appraisals or industry  
25 benchmarks to validate your models?

1                   MR. RAUCH: That's correct. We used  
2 the same firm from the acquisition of Presque Isle  
3 all the way up to today. The same two gentlemen have  
4 been doing this analysis for us.

5                   ATTORNEY PITRE: And is your analysis  
6 comparable to what's utilized in the industry best  
7 practices?

8                   MR. RAUCH: Yes, that's correct.  
9 That's why we utilize a specialist.

10                  ATTORNEY PITRE: Okay. What internal  
11 controls and risk management measures are in place  
12 around your intangible asset impairment testing  
13 process, especially for the gaming rights and the  
14 trademarks and goodwill?

15                  MR. RAUCH: So we have a vast number  
16 of internal controls that exist across Churchill  
17 Downs. The primary controls that are focused on our  
18 impairment analysis relate to review controls.

19                         Given we utilize third-party  
20 specialists to assist us, as management, we still  
21 need to take credit for that work, because it's an  
22 extension of myself and my team that's performing  
23 that. So, one of the things we do is we have regular  
24 calls with the valuation specialists to understand  
25 what techniques and what assumptions they're making

1 to put into the work.

2                   They also provide us with a quite  
3 lengthy report. As you can imagine, it's usually  
4 over 60-plus pages of information and considerations  
5 that they've contemplated in putting this analysis  
6 together. It's something that I, as well as my team,  
7 review in a pretty detailed manner.

8                   It's also something that we'll discuss  
9 with our CFO, especially in the event there's  
10 impairments, so that she can understand as well what  
11 some of those driving factors are, to your point,  
12 some of the sensitivities that may be present, to  
13 make sure we've not taken too much or too little of  
14 an impairment at any point in time. We also do a lot  
15 around the mathematical accuracy of the report.

16                   So we obviously provide the forecasts  
17 to our valuation specialists, but we still, on the  
18 back end, will tie out their final report to what our  
19 inputs were, to ensure that they utilize the  
20 information that we, as management, prepared for  
21 them.

22                   ATTORNEY PITRE: Okay. And can you  
23 provide us a copy of those internal controls?

24                   MR. RAUCH: I can provide you with  
25 detailed descriptions of what those controls are.

1                    ATTORNEY PITRE:    Why can't I have a  
2 copy of them?

3                    MR. RAUCH:    That's something I'd need  
4 to talk to Counsel about to know if we can share  
5 that.    We typically don't share it with outside  
6 resources.

7                    ATTORNEY PITRE:    Okay.    Well, talk to  
8 Counsel.    Let me know if I need to get a subpoena or  
9 not.

10                                So how is the impairment testing  
11 process governed and reviewed internally?    So what's  
12 the process for that?

13                    MR. RAUCH:    So typically, as I stated,  
14 outside of our annual impairment process that we do  
15 in April, myself and my team, along with Michael,  
16 continue to monitor the financial results of all of  
17 our properties, not just Presque Isle, to look at  
18 what - how actuals have compared to forecasts and to  
19 plans that we've put together, as well as to  
20 understand any micro or macroeconomic conditions that  
21 may be present at any one of our properties and that  
22 may impact future cash flows.

23                                As we have those discussions with  
24 management and identify certain properties, in this  
25 case, Presque, that has had declines and we continue

1 to forecast to declines in revenue, we'll then have  
2 some internal discussions with our CFO to make sure  
3 she's aware of what we're seeing.

4                   Once that's the case, we'll then talk  
5 to our valuation research or our valuation  
6 specialists as well, to let them know what we're  
7 seeing, because they are much more in tune with the  
8 financial models that they create for us, which is  
9 why we hire them, in the event, like I said, we think  
10 it's more likely than not that an impairment exists,  
11 which is really just kind of 51 percent is kind of  
12 what we think about from an impairment perspective,  
13 or, excuse me, more likely than not.

14                   We then run the numbers. We'll put  
15 together forecasts of ten years of cash flows. We'll  
16 vet that through Michael in the finance team at  
17 Churchill, as well as property management, such as  
18 Gary, and his finance director as well, to make sure  
19 they believe they portray an accurate a picture as  
20 possible of where we think this property might be  
21 headed.

22                   Once that's the case, we hand it over  
23 to our valuation team, who prepares an analysis. My  
24 team will calculate the book value of the business,  
25 which is essentially assets net of liabilities. And

1 then it's just a simple mathematical equation is  
2 where was the fair value, as determined by our  
3 specialists, versus the book value that we  
4 calculated? If the book value is in excess, we will  
5 then record it down to the fair value.

6 ATTORNEY PITRE: Okay. And how are  
7 changes in the economic conditions like intensified  
8 competition or inflation incorporated into your  
9 regularly updated forecast and risk models to ensure  
10 realistic projections?

11 MR. RAUCH: Is that something I can  
12 let Michael ask (sic)? Because he's usually the one  
13 who prepares that for us.

14 ATTORNEY PITRE: Sure. Yeah.

15 MR. MEAGHER: Thanks for the question,  
16 Cyrus.

17 First of all, say no one has a crystal  
18 ball. We take the best information that we have.  
19 Looking at historical trends, are there changes in  
20 the market, as Jon noted, in the Erie market, in  
21 particular, the market, as we think about the  
22 remainder of 2025, as we said here today, is exactly  
23 like it was last year. So, we have to give some  
24 weight to historical trends and what's happened.

25 That's a big indicator. And then of

1 course, what other operational improvements that we  
2 can - that we can try to make, as Gary noted, through  
3 some of the things that we've done in the past.

4 ATTORNEY PITRE: Okay. And what are  
5 your plans for managing and monitoring noncash  
6 impairment charges going forward?

7 MR. RAUCH: I'm glad you asked that  
8 question. This is something we, at Churchill Downs,  
9 continue to monitor.

10 Within the accounting standards,  
11 there's also requirement to include what's referred  
12 to as early warning disclosures in your SEC filings.  
13 So in the event there's a property such as Presque  
14 Isle that's seen numerous impairments over the past  
15 couple years, and we continue to see declines in our  
16 actual and projected revenues, there's a potential  
17 that this - another impairment could occur at Presque  
18 Isle related to the remaining intangible assets, but  
19 also with the goodwill and the actual tangible assets  
20 that result on the property as well.

21 So I believe in the 2023 Form 10-K  
22 that was filed, because it was done in association  
23 with the impairment we've recorded - excuse me, we've  
24 included early warning disclosures that simply states  
25 we continue to monitor the economic conditions at

1 Presque Isle because further downturn could result in  
2 and future impairments. And that's something we've  
3 also included in our most recent quarterly filing as  
4 well.

5 ATTORNEY PITRE: And do you have  
6 documentation to support the assumption - the  
7 assumptions and the conclusions that were reached?

8 MR. RAUCH: With regards to the early  
9 warning?

10 ATTORNEY PITRE: With regard to the  
11 impairments.

12 MR. RAUCH: Yes. So, all the  
13 impairments are accompanied by detailed reports from  
14 our valuation team, as well as the internal  
15 calculations of the carrying values that we  
16 calculated for Presque Isle.

17 ATTORNEY PITRE: Okay. And speak to  
18 your Counsel and ask if I can be provided with those  
19 also.

20 MR. RAUCH: That shouldn't be a  
21 problem.

22 ATTORNEY PITRE: All right. Thank  
23 you.

24 MR. RAUCH: Thank you.

25 ATTORNEY PITRE: In general, how does

1 Churchill and PID plan to reverse or mitigate the  
2 consistent operating losses that are occurring at  
3 PID? And I understand that, you know, there were  
4 some impairment expenses, but assuming that, you  
5 know, nothing changes.

6 MR. MEAGHER: Thanks for the question,  
7 Cyrus. We - we have a commitment to continue to  
8 optimize this business as - as best we can. And as I  
9 noted earlier, the two most important drivers here  
10 are how many people are in the market and how much  
11 supply is in the market. We are further along now  
12 than we've been in three years on the legislative  
13 front and are optimistic that that will help the  
14 supply issue. That is our fundamental issue right  
15 now at the property.

16 ATTORNEY PITRE: So everything depends  
17 on the legislation that comes forward?

18 MR. MEAGHER: We also will take  
19 initiative to continue to improve the operation, as  
20 Gary noted, with staff structure changes, continue to  
21 work with our corporate sourcing team, to find better  
22 contracts on all the things that we procure, but -.  
23 There is a limit to how far - how far that can go,  
24 but I can't speculate on when that is. And I'm  
25 hopeful that we'll continue to be able to work with

1 the legislature to make improvements here.

2 ATTORNEY PITRE: Okay. Well, given,  
3 you know, everything that we discussed about your  
4 performance metrics and your timelines -. And I  
5 would like to go into executive session to discuss  
6 any critical threshold timelines that you foresee, I  
7 request that you formally communicate any issues that  
8 you see moving forward directly to me.

9 MR. MEAGHER: Understood.

10 ATTORNEY PITRE: I have no further  
11 public questions.

12 CHAIR SMYLER: The Board is not going  
13 to any - ask any questions at this time. We actually  
14 are going to allow this entire hearing to wrap up,  
15 and we may ask that you come back the next -. We're  
16 not taking a vote today, because there's a lot to  
17 digest. You're going to give Cyrus more information.

18 So, we will be delaying taking a vote,  
19 and we may ask that you come back, so that if we do  
20 have questions, once we absorb all of - this is a lot  
21 of information. I mean, I still don't have any idea  
22 what Greenfield method versus Relief from Royalty  
23 method is. I don't know if that's important, but  
24 there are lots of things that I think the Board's  
25 going to have questions about. Some of them may be

1 answered with Cyrus' follow-up in an exec session.

2 So, Enforcement Counsel, would you  
3 like to put on your presentation, if you have one  
4 right now, before we go into exec session?

5 All right, go ahead.

6 ATTORNEY BOEHM: Good morning, Chair  
7 Smyler, -

8 MR. HENDRICKS: Good afternoon.

9 ATTORNEY BOEHM: - members of the  
10 Board. Oh, good afternoon now. I should have known.  
11 Elizabeth Boehm, B-O-E-H-M, on behalf of the OEC.

12 In advance of today's hearing, the OEC  
13 provided PID, LLC, doing business as Presque Isle  
14 Downs & Casino and the Board with updates to  
15 information that was previously provided at Presque  
16 Isle Downs & Casino's public input hearing on  
17 September 25th, 2024. Those updates were generated  
18 by the Pennsylvania State Police, Bureau of Liquor  
19 Control Enforcement, Pennsylvania Department of  
20 Revenue, Pennsylvania State Horse Racing Commission  
21 and the Board's OEC.

22 Since the public - public input  
23 hearing, no actions have been taken by the Bureau of  
24 Liquor Enforcement against Presque Isle Downs &  
25 Casino. The Department of Revenue has confirmed that

1 Presque Isle Downs & Casino's tax accounts are  
2 current and Presque Isle Downs & Casino is in good  
3 standing with the Pennsylvania State Horse Racing  
4 Commission.

5 The Bureau of Liquor Enforcement,  
6 Department of Revenue and Pennsylvania State Horse  
7 Racing Commission provided letters confirming these  
8 letters. These documents are respectively marked as  
9 OEC Exhibits 2A, 4A and 5A.

10 ---

11 (Whereupon, OEC Exhibit 2A, Bureau of Liquor  
12 Enforcement Letter, was marked for  
13 identification.)

14 (Whereupon, OEC Exhibit 4A, Department of Revenue  
15 Letter, was marked for identification.)

16 (Whereupon, OEC Exhibit 5A, PA State Horse Racing  
17 Commission Letter, was marked for  
18 identification.)

19 ---

20 ATTORNEY BOEHM: Since the public  
21 input hearing, the OEC closed four enforcement  
22 actions against Presque Isle Downs & Casino, entered  
23 into two Board-approved Consent Agreements, which are  
24 collectively marked as OEC Exhibit 6, conducting one  
25 compliance conference memorandum, marked as OEC

1 Exhibit 7, and issuing one warning letter, to which  
2 Presque Isle Downs & Casino appropriately responded.

3 ---

4 (Whereupon, OEC Exhibit 6, Consent Agreements,  
5 was marked for identification.)

6 (Whereupon, OEC Exhibit 7, Memorandum, was marked  
7 for identification.)

8 (Whereupon, OEC Exhibit 8, Warning Letter and  
9 Response Letter, was marked for identification.)

10 ---

11 ATTORNEY BOEHM: The Warning Letter  
12 and Response Letter are marked together as OEC  
13 Exhibit 8. The Consent Agreements, Compliance  
14 Conference Memorandum and Warning Letter are not  
15 before you today, but remain accessible through a  
16 shared link previously provided to Presque Isle Downs  
17 & Casino and members of the Board.

18 The OEC requests Exhibits 2A, 4A, 5A  
19 and 6A through 8A be admitted into the record, with  
20 Exhibit 7A and 8A being kept as confidential.

21 The OEC would like to note for the  
22 record that it has submitted the final background  
23 investigation reports to the Board and the Bureau of  
24 Licensing has submitted the Renewal Stability Report  
25 to the Board, which encompasses reports from all the

1 necessary offices and bureaus under the Board's  
2 jurisdiction. If the Board votes to approve PID,  
3 LLC's Category 1 Renewal Application, the OEC  
4 respectively respectfully request that the Board  
5 adopt the special condition recommended in the  
6 Suitability Report.

7                   The OEC does not have a formal  
8 presentation and does not intend to offer any  
9 witnesses, but is available for any questions that  
10 the Board may have regarding the information  
11 provided.

12                   CHAIR SMYLER: Presque Isle, do you  
13 have any questions for Enforcement Counsel?

14                   ATTORNEY HAYES: No, Madam Chair.

15                   CHAIR SMYLER: And do you have any  
16 objections to any of the Exhibits?

17                   ATTORNEY HAYES: With one caveat, I  
18 guess, is that special condition was proposed and we  
19 would be agreeable to that special condition that was  
20 recommended by the OEC.

21                   CHAIR SMYLER: Well, that's good. You  
22 have any objections to their exhibits?

23                   ATTORNEY HAYES: No. With the  
24 understanding that exhibits 7A and exhibit and 8A  
25 will remain confidential, I have no objection to

1 their exhibits.

2 ---

3 (Whereupon, OEC Exhibit 2A, Bureau of Liquor  
4 Enforcement Letter, was admitted.)

5 (Whereupon, OEC Exhibit 4A, Department of Revenue  
6 Letter, was admitted.)

7 (Whereupon, OEC Exhibit 5A, PA State Horse Racing  
8 Commission Letter, was admitted.)

9 (Whereupon, OEC Exhibit 6, Consent Agreements,  
10 was admitted.)

11 (Whereupon, OEC Exhibit 7, Memorandum, was  
12 admitted.)

13 (Whereupon, OEC Exhibit 8, Warning Letter and  
14 Response Letter, was admitted.)

15 ---

16 CHAIR SMYLER: And did you wish to  
17 enter your -?

18 ATTORNEY HAYES: Yes, Madam Chair, at  
19 this time, we respectfully request that the slide  
20 deck that comprises our hearing Presentation be  
21 marked as PID-1 and entered into the record of this  
22 proceeding.

23 ---

24 (Whereupon, PID Exhibit 1, Presentation Slides,  
25 was marked for identification.)

1 ---

2 CHAIR SMYLER: Any objection?

3 ATTORNEY PITRE: No objection.

4 ---

5 (Whereupon, PID Exhibit 1, Presentation Slides,  
6 was admitted.)

7 ---

8 CHAIR SMYLER: Okay.

9 Is there anything else Presque Isle  
10 would like to say as far as the public record?

11 MR. MEAGHER: No, ma'am.

12 CHAIR SMYLER: Enforcement Counsel,  
13 anything else to add for the public record?

14 ATTORNEY PITRE: No, Chair.

15 CHAIR SMYLER: Okay.

16 So that concludes the public portion  
17 of this renewal hearing.

18 \* \* \* \* \*

19 HEARING CONCLUDED AT 1:30 P.M.

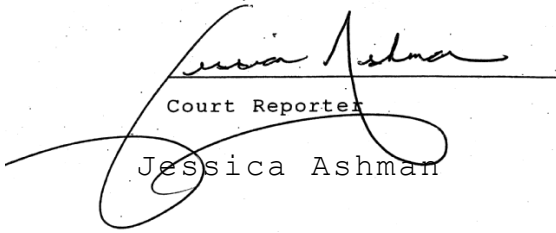
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## 1 CERTIFICATE

2 I hereby certify that the foregoing proceedings,  
3 held before Chair Smyler, was reported by me on May  
4 21, 2025, and that I, Jessica Ashman, read this  
5 transcript and that I attest that this transcript is  
6 a true and accurate record of the proceeding.

7 Dated the 28th day of May, 2025.

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Court Reporter  
Jessica Ashman