

PENNSYLVANIA GAMING CONTROL BOARD

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SUITABILITY HEARINGS

IN RE: RIVERWALK CASINO

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PENNSYLVANIA STATE MUSEUM

THIRD AND FORSTER STREETS

HARRISBURG, PENNSYLVANIA

NOVEMBER 13, 2006, 4:30 P.M.

* * * * *

BEFORE:

TAD DECKER, CHAIRMAN

RAY ANGELI

MARY DiGIACOMO COLINS

JEFFREY W. COY

JOSEPH W. MARSHALL, III

KENNETH McCABE

SANFORD RIVERS

REPORTER: KENNETH D. O'HEARN

REPORTER - NOTARY PUBLIC

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1 CHAIRMAN DECKER:

2 I'm going to call this to order this
3 meeting of the Pennsylvania Gaming Control Board in
4 the matter of Category 2 Hearing for Riverwalk Casino,
5 LP. Riverwalk Casino has filed an application for
6 licensure as a Category 2 slot machine operator in the
7 City of Philadelphia. The application process for
8 this applicant has gone on extensive review by staff.

9 We are providing a final opportunity for
10 the Applicant to demonstrate to the Board's
11 satisfaction not only that it is suitable for the
12 license, that it should receive one of the two
13 available licenses for Philadelphia. We intend to
14 follow exactly the same procedure as the earlier
15 hearing with Executive Anne Neeb. Chief Counsel Frank
16 Donaghue providing a brief overview of the licensing
17 investigatory process, which staff has engaged in,
18 which has brought us to this hearing today.

19 The second portion of this hearing will
20 have the Applicant's presentation including the
21 response to the questions or issues which may arise
22 during the hearing. Finally, we will receive input
23 from the Bureaus of Licensing and Investigations and
24 Enforcement and Corporate Compliance and Internal
25 Controls concerning the determinations of those

1 Bureaus which reviewed the application. Now would all
2 the representatives of Riverwalk Casino, LP and the
3 Board who may present testimony please stand and be
4 sworn in.

5 -----

6 WITNESSES SWORN EN MASSE

7 -----

8 CHAIRMAN DECKER:

9 Thank you. And now I'm going to turn it
10 over to Anne Neeb to begin to address the review of
11 this application by the Board staff.

12 MS. NEEB:

13 Thank you Chairman Decker. Good
14 afternoon members of the Board. Before you now is the
15 application of Category Two license, Riverwalk Casino,
16 LP. This application was filed with the Gaming
17 Control Board on December 28th, 2005. Since the
18 filing of the application, a number of significant
19 events have occurred enabling the review of the
20 Applicant's both eligibility and suitability licensure
21 under the Pennsylvania Racehorse Development and
22 Gaming Act. The public input hearings on this
23 applicant were held in Philadelphia on April 10th,
24 11th and 12th during which time Riverwalk Casino made
25 a presentation concerning its project. This

1 presentation included oral testimony as well as
2 submission of documentary exhibits. In addition,
3 during the course of that hearing, 42 speakers
4 presented either their support for or opposition to
5 the Riverwalk project. A transcript of that hearing
6 was made and is available for the Board's
7 consideration at this hearing.

8 Secondly, the Pennsylvania Gaming Control
9 Board staff placed materials submitted by Riverwalk
10 Casino, LP on its website for public access to the
11 information concerning the proposals, projections and
12 studies, which have been presented to the Board.
13 These documents include and are not limited to the
14 diversity plan, local impact report, which consisted
15 of a project overview, the estimate of impact of
16 operations, construction and public service of the
17 Riverwalk Casino, LP, and traffic counts.

18 Third the dissemination of the previously
19 cited information permitted the Board's receipt of
20 written submissions both in support of and opposition
21 to the project. On June the 2nd, 2006, the cutoff
22 date in which we were able to receive submissions, the
23 Board had received ten submissions, including one in
24 support of the application and nine in opposition to
25 the application. Additionally, the Bureau of

1 Licensing, the Bureau of Investigation and Enforcement
2 and the Bureau of Corporate Compliance have reviewed
3 the application consistent with the mandate of the
4 Act. The result of this licensing and investigative
5 phase of the application process is creation of the
6 suitability report, which summarizes the findings of
7 the Bureaus as to the Applicant's compliance with the
8 Act's licensing eligibility and suitability
9 requirements. Further, in the application Riverwalk
10 Casino, LP submitted a traffic study. The Gaming
11 Control Board retained the firm of Edwards and Kelcey
12 to review the study and to issue a report. The
13 Applicant has responded to the Edwards and Kelcey
14 report, and they have reviewed that response. And
15 they have issued a final report to which the Applicant
16 again responded. So basically they had an opportunity
17 to review it and submit their comments. Those reports
18 are in the record and have been marked as an exhibit.
19 And I believe that's Exhibit Number ---. What exhibit
20 number is that?

21 ATTORNEY DONAGHUE:

22 I'll address that at the end.

23 MS. NEEB:

24 Those are marked as an exhibit and made
25 part of the record. At this time I'm going to turn it

1 over to Chief Counsel Frank Donaghue to comment on the
2 documents and exhibits.

3 ATTORNEY DONAGHUE:

4 The parties have entered into a
5 stipulation regarding the procedure employed by the
6 Bureau of Licensing, Investigation and Enforcement and
7 Corporate Compliance. The combination of this work
8 since the end of 2005 has resulted in an evidentiary
9 record, which includes the full application, local
10 impact statements, traffic studies, the transcript of
11 the public input hearing, the written comments
12 presented and received by the Board, the licensing
13 suitability report and the stipulated testimony. The
14 parties have entered into a stipulation that each of
15 these items, which are identified and offered as
16 Exhibits One through Nine, are to be admitted into the
17 record as stipulated evidentiary record for the
18 Board's consideration.

19 In addition, the transcripts of these
20 proceedings and any other evidence submitted and
21 admitted as exhibits in connection with this
22 applicant's licensing hearing today would likewise be
23 part of the record for the Board's review and
24 consideration. Thank you.

25 CHAIRMAN DECKER:

1 In light of the stipulation concerning
2 Exhibits One through Nine, may I have a motion
3 admitting these exhibits into evidence?

4 MR. MARSHALL:

5 Mr. Chairman, I'll move acceptance.

6 CHAIRMAN DECKER:

7 Thank you. Second?

8 MS. COLLINS:

9 Second.

10 CHAIRMAN DECKER:

11 Thank you. Those in favor?

12 ALL RESPOND YEA

13 CHAIRMAN DECKER:

14 Any opposed? Motion carries, and these
15 exhibits are admitted. Anne, anything else?

16 MS. NEEB:

17 We have nothing else at this time. We'll
18 turn over the presentation to you.

19 CHAIRMAN DECKER:

20 Are we going to have --- excuse me one
21 second, I think --- my understanding is we're going to
22 have the traffic ---.

23 MS. NEEB:

24 I'm sorry, we have the traffic report.

25 I'm sorry. We have the representative from Ed Kelcey.

1 I think they're still here. And they're going to give
2 their presentation on the report they did for this
3 applicant. I apologize.

4 CHAIRMAN DECKER:

5 Again, can you identify yourself for the
6 record. You're going to have to be sworn in, I think,
7 again for this hearing.

8 MR. CUNNINGHAM:

9 Very well. Thank you. I'm Stephen
10 Cunningham with Edwards and Kelcey. Oh, we do have to
11 be sworn in?

12 CHAIRMAN DECKER:

13 Yes, you do. Give your name for the
14 record, as well.

15 MR. ROTH:

16 Joseph Roth, III.

17 CHAIRMAN DECKER:

18 Thank you.

19 -----

20 WITNESSES SWORN EN MASSE

21 -----

22 MR. CUNNINGHAM:

23 Would the Board like us to restate the
24 company's qualifications?

25 CHAIRMAN DECKER:

1 No, you don't have to do that. I think
2 we've heard that already today.

3 MR. CUNNINGHAM:

4 Very good. Thank you.

5 CHAIRMAN DECKER:

6 In the interest of time, I think ---
7 would the applicant agree with that?

8 ATTORNEY DOWNEY:

9 Yes.

10 MR. CUNNINGHAM:

11 Thank you. We're here to talk about our
12 review, the Riverwalk Casino traffic impact studies,
13 specifically. We rehashed this with the last
14 presentation; however, there is four steps in
15 preparation of a traffic impact study. I'm not going
16 to go through these in any great detail. Basically,
17 we look at the existing traffic volumes and project
18 the amount of the anticipated delay associated with
19 the development and make recommendations as far as
20 what needs to be done on the transportation network to
21 mitigate those anticipated increased delays.
22 Riverwalk Casino specifically --- I'm reading from our
23 September 11th letter right now detailing the facility
24 itself. The facility would include 3,000 slot
25 machines and 3,200 parking spaces, in its initial

1 development phase with 2,000 machines available at
2 final building. In addition to the slot machines,
3 other areas will be dedicated to food, beverage,
4 retail and sports services for a total of 400,000
5 square feet. The site is located on the east side of
6 Christopher Columbus Boulevard, North Delaware Avenue
7 at the terminus of Spring Garden Street, and four
8 intersections with proximity to the subject site were
9 reviewed.

10 Again, I'm sorry, can you go back one?
11 Thank you. It's a four intersection study area. The
12 Applicant has identified two key peak hours. The
13 weekday afternoon and a Saturday afternoon peak hour,
14 that is which of the two hours during the course of
15 the week we're going to see the greatest traffic
16 impacts to the roadway network in and around the site.
17 Following that is the trip generation estimate, that
18 is the total number of new trips anticipated on the
19 study area roadways in and around the site. They
20 projected 1,430 new trips during the weekday afternoon
21 peak hour and slightly over 1,900 new trips during the
22 Saturday afternoon peak hour. Those are both entering
23 and exiting trips. Site access, how are the patrons
24 and the employees anticipated to access the casino
25 facility? The Applicant has estimated that 53 percent

1 of the patrons are expected to arrive and depart using
2 Interstate 95. Seventeen (17) percent are expected to
3 arrive and depart either on Interstate 76 or
4 Interstate 676, those being Schuylkill Expressway and
5 the Vine Street Expressway. So finally 70 percent of
6 the patrons are expected to use the interstate system
7 to access the project site. Although not specifically
8 mentioned in the traffic impact study, we talked about
9 it at the earlier hearing. The Girard Avenue
10 Interchange project located at the northern end of
11 Delaware Avenue is expected to significantly enhance
12 traffic operations around the area allowing for
13 enhanced access to the site from the north. Those
14 improvements are expected to be in place in the year
15 2012.

16 Mitigation measures identified in this
17 study. What did the Applicant identify needs to be
18 done in order to mitigate those anticipated delays
19 that we're going to see on the transportation network.
20 Signal timing and coordination adjustments were
21 identified at some key locations along Delaware
22 Avenue. The intersection of Spring Garden Street with
23 Delaware Avenue specifically. They've identified
24 installation of additional turning lanes at that
25 intersection in order to increase the capacity of the

1 intersection. We can get more vehicles through a
2 widened roadway, obviously. Finally, Delaware Avenue
3 and Noble Street, that's the main site access to the
4 facility. They're recommending installation of a new
5 traffic signal and additional turn lanes at the
6 intersection itself. That's their recommendations in
7 a nutshell. What we've done is issue two comment
8 letters, dated September 11th and November 1st of this
9 year. The first letter was based upon their initial
10 study that was submitted and posted on the Gaming
11 Board's website. They subsequently revised that study
12 based on our comments. We reviewed their revised
13 materials and issued the final letter dated November
14 1st.

15 Two main points came out of our study
16 efforts. Those being that the Applicant should expand
17 the scope of study to include all intersections
18 between the site and the interstate access points
19 along the Delaware Avenue and the other adjacent
20 roadways. What that allows you to do, as we discussed
21 earlier, is more fully evaluate the proposed traffic
22 impacts outside of the four intersection study area
23 that was already identified and studied by the project
24 team. Additionally, a ten year projected analysis
25 should be performed to ensure continued acceptable

1 traffic operations ten years into the future. As this
2 facility's going to be operating many decades into the
3 future, we want to ensure that the traffic
4 improvements that are proposed for this facility are
5 adequate to handle those additional future traffic
6 demands that may be present on the site roadways. I'd
7 be happy to entertain any questions from the Board at
8 this time.

9 CHAIRMAN DECKER:

10 Let me start by asking, the Applicant's
11 proposals at least in terms of what they looked at
12 compared to what you looked at, did they seem
13 reasonable or would you make additional suggestions in
14 addition to looking at broadening the scope of their
15 review?

16 MR. CUNNINGHAM:

17 I think that as indicated, they studied
18 four intersections in the immediate vicinity of the
19 project site. Prudent judgment will tell you that if
20 we're adding 1,900 vehicles as identified in the
21 Saturday peak hour, we're going to be significantly
22 impacting more than four adjacent signalized
23 intersections. So in our opinion, that's where we
24 came up with these final conclusions.

25 CHAIRMAN DECKER:

1 But the proposed changes in the four
2 intersections, when you looked at that, did that seem
3 appropriate for those four intersections?

4 MR. CUNNINGHAM:

5 Absolutely it did, yes, yes.

6 CHAIRMAN DECKER:

7 That's what I wanted to get at. Any
8 questions for Mr. Cunningham? Thank you again.

9 MR. CUNNINGHAM:

10 Certainly.

11 CHAIRMAN DECKER:

12 We'll see you tomorrow. Don't you want
13 to stick around for the next couple of hours?

14 MR. MARSHALL:

15 Actually I have one, if I may?

16 CHAIRMAN DECKER:

17 Please.

18 MR. MARSHALL:

19 You reviewed the response of Riverwalk to
20 your letter, there's nothing that gives you any
21 concern that they won't be able to ultimately mitigate
22 this; correct?

23 MR. CUNNINGHAM:

24 Absent of study of those additional
25 intersections that would be required, there's nothing

1 in the study area itself that would give us pause.

2 CHAIRMAN DECKER:

3 I presume we'll hear from the Applicant
4 on that subject.

5 MR. CUNNINGHAM:

6 I'm sorry?

7 CHAIRMAN DECKER:

8 I presume we'll hear from the Applicant
9 on the question of whether 400 yards is enough. Thank
10 you.

11 MR. CUNNINGHAM:

12 Thank you.

13 CHAIRMAN DECKER:

14 Anne, anything further or can we turn it
15 over to the Applicant?

16 MS. NEEB:

17 Turn it over to the Applicant. Thank
18 you.

19 CHAIRMAN DECKER:

20 Gentlemen, it's all yours.

21 ATTORNEY DOWNEY:

22 Thank you. Good afternoon. My name is
23 Bill Downey. I'm with the firm of Fox Rothschild.
24 With me today are my partners Abe Reich and Nick
25 Casiello. Also with me today as Co-Counsel, Steven

1 Engelmyer, from the law firm of Kleinbard, Bell and
2 Brecker. I'm pleased to be before you this afternoon
3 in the matter of the Category 2 slot machine license
4 application of Riverwalk Casino, LP. Chairman Decker
5 and members of the Gaming Control Board, before we get
6 underway, Riverwalk Casino would like to take a moment
7 to recognize the tremendous efforts exerted by your
8 staff over the course of the last year roughly. We
9 recognize the formidable challenge that was laid at
10 their feet at the commencement of this effort. And we
11 can report to you that they have executed the
12 responsibilities with the highest degree of
13 professionalism. And in the spirit of cooperation, we
14 truly do appreciate their efforts in this regard.
15 They are largely responsible for getting us where we
16 sit today.

17 CHAIRMAN DECKER:

18 Thank you.

19 ATTORNEY DOWNEY:

20 With that, I would like to turn our
21 presentation over to Mr. Willy Johnson, chairman of
22 the board of managers of PPG, that's the Pennsylvania
23 Partnership Group and chairman of the board of the
24 managers of Riverwalk Casino, LP.

25 MR. JOHNSON:

1 Good afternoon, Chairman Decker and
2 members of the Board. I am Willy Johnson, chairman of
3 the board of managers of Riverwalk, LP, and the
4 Pennsylvania Partnership Group. We appreciate this
5 opportunity to demonstrate why we believe we are the
6 most appropriate applicant for a gaming license in
7 Philadelphia. As chairman, I have been involved since
8 the onset. We began by creating the Pennsylvania
9 Partnership Group, which brought together prominent
10 businessmen and women and civic leaders with a goal of
11 obtaining one of the Philadelphia's gaming licenses.
12 We are the home team, a group of serious men and women
13 representing the diversity and the spirit of
14 Philadelphia. Rest assured that our commitment and
15 dedication throughout these years has resulted in a
16 gaming application that uniquely benefits the
17 Commonwealth of Pennsylvania, the City of Philadelphia
18 and its various communities, while fulfilling all of
19 the objectives of the gaming legislation. Today my
20 colleagues will demonstrate our suitability for
21 licensure in all manners, including our gaming
22 experience, financing, design and location and impact
23 mitigation. Our group is uniquely Philadelphian. We
24 represent Philadelphia, and we are part of the
25 Philadelphia community. We believe Philadelphia's

1 casinos, at least one of them should be in the hands
2 of Philadelphians. And we believe we are the right
3 team. I now would like to introduce to you one of the
4 premier executives in the leisure and entertainment
5 industry. Our operating partner, the CEO of Planet
6 Hollywood, Robert Earl, who will serve as our
7 moderator for the rest of our presentation. Robert.

8 MR. EARL:

9 Thank you and good afternoon Chairman
10 Decker and members of the Board. I am co-manager of
11 Riverwalk Casino and BHM Gaming Opportunities. Today
12 I have the responsibility of introducing 12 of our
13 group to you, and I will make sure that everything is
14 extremely speedy. We will give you all of the
15 relevant information that you need to be brought up to
16 date on everything. Our goal for today is to make
17 sure that there is no doubt in your mind that we are
18 suitable. To that end, throughout our presentation we
19 put it in sections and please ask us any questions, if
20 you desire not to wait until the end. We have brought
21 with us our experts, our consultants and our partners
22 so that you will receive the best and most accurate
23 information.

24 To give you a better understanding of
25 Riverwalk Casino's structure, the Pennsylvania

1 Partnership Group, which I shall abbreviate to PPG,
2 owns 51 percent of Riverwalk Casino and the remaining
3 49 percent is controlled by BHM Gaming Opportunities
4 and its affiliates and investors. PPG are a group, as
5 Willy said, of prominent Philadelphians. They control
6 the overall policy and conditions of the project. PPG
7 sought us as their operating partner to ensure that
8 the operational expertise is in place. And they are
9 excited about our choice of Riverwalk's CEO Pat McCoy,
10 who is charged with the execution of such
11 responsibilities.

12 I'm sure that you're curious as to how
13 and why PPG was formed. To tell you about PPG is one
14 of its founders, Bill Miller. Bill spent more than 20
15 years serving the City of Philadelphia including in
16 the role of chief deputy register of wills. He was a
17 founding member of the Philadelphia African American
18 Chamber of Commerce and was a member of the
19 Philadelphia Tax Reform Commission. Currently, Bill
20 Miller, is CEO of Ross Associates, a leading strategic
21 communications consulting firm in Philadelphia. You
22 might have heard him, this is a plug, on his weekly
23 radio show, WURD 900 AM in Philadelphia. I now
24 introduce you to Mr. William Miller.

25 MR. MILLER:

1 Thank you, Robert. Good afternoon,
2 Chairman Decker and members of the Gaming Board. I'd
3 like to thank each of you for this opportunity to
4 appear before you today. My name is William R.
5 Miller, IV, and I'm one of the founding members of the
6 Pennsylvania Partnership Group. Three years ago we
7 learned that the Commonwealth of Pennsylvania was
8 considering legalizing gaming, and we knew that this
9 could be the greatest economic opportunity to come
10 along in our time. Historically, minorities have been
11 shut out of these opportunities or had accepted minor
12 participation roles that give the perception of
13 diversity.

14 However, once the law was passed, we made
15 a conscious decision to compete for one of the 14
16 licenses and participate as a prime player. What does
17 that mean? The Commonwealth will issue 14 licenses,
18 two in Philadelphia, a city with 60 percent minority
19 population, African American, Latino and Asians. In
20 Riverwalk, you have a superior application. We have
21 ideal location, an outstanding operator, committed
22 financing. And in a city with a growing minority
23 population, a competitive advantage is a majority
24 ownership by minorities. What does it mean to have a
25 locally-owned minority-controlled casino in

1 Philadelphia? PPG has over 500 years of combined
2 experience in serving the needs of Philadelphians. It
3 is uniquely positioned to understand and address the
4 issues confronting our communities. And as such,
5 we'll invest significant resources, both human and
6 financial, to empower those who have historically been
7 disadvantaged.

8 Who's the Pennsylvania Partnership Group?
9 We are the home team, reflecting a rich diversity of
10 people, which by the way is the strength in
11 Philadelphia. Not only is the home team diverse by
12 ethnicity but also by gender, age and economics. We
13 are a dedicated group of people that through hard work
14 have achieved success in Philadelphia. And we're
15 committed to removing those barriers that impede
16 others from achieving success. The members of the
17 Pennsylvania Partnership Group are successful local
18 business and civic leaders with a long distinguished
19 history committed to public service. PPG has
20 collectively contributed millions of dollars to the
21 Philadelphia tax base. We've employed over 5,000
22 people in the Commonwealth. And have negotiated
23 millions of dollars in union contracts. I think
24 together, we at PPG symbolize the hopes and dreams of
25 Philadelphians. And if you'll indulge me, I'd like to

1 just take a moment in closing to ask my colleagues, my
2 partners who are here today with me from PPG to please
3 stand. Thank you.

4 MR. EARL:

5 Thank you. I think the following speaker
6 has more experience in gaming from all sides of the
7 industry than anyone who will come before you over the
8 next three days. John Tipton has sat where you are as
9 a gaming regulator and where I stand on the corporate
10 side. He set out to find PPG the most suitable
11 operating partner for a Philadelphia casino. And
12 based on his extensive gaming knowledge, he narrowed
13 the group from various casino operators and finally
14 assisted PPG in selecting BHM Gaming Opportunities to
15 partner with them. I now turn you over to Mr. Tipton,
16 as I'm sure you'd like to know the background of both
17 of his experience and for him to tell you how he and
18 PPG came to select their operating partner.

19 MR. TIPTON:

20 Thank you, Robert. Chairman Decker,
21 members of the Gaming Board and guests, it is a
22 distinct honor and a privilege for me to be able to
23 appear before you today. My name is John Tipton, as
24 Robert said, and I've been involved in the gaming
25 industry for approximately 20 years. Following a

1 Colorado Constitutional amendment, as a member of
2 Governor Roy Romer's cabinet, I was charged with the
3 responsibility of both helping to draft and then
4 putting together casino gaming in Colorado. As a part
5 of that responsibility, I was charged with helping to
6 select the first gaming commission, to put together
7 the entire regulatory body for Colorado, to do
8 background investigations when we first started
9 because of the speed with which we had to get gaming
10 up and operating, and to be involved in all aspects of
11 the regulatory business. Therefore, I appreciate and
12 applaud the monumental task you and your staff have
13 taken on.

14 Following my government service, I went
15 back to practicing law, and I practiced in the gaming
16 law area. During that time, I left the practice of
17 law and became first general counsel and then CEO to
18 several major international gaming companies. When I
19 decided there was too much traveling and I was tired
20 of doing that after about 13 years, I left and went
21 back to the practice of law specializing in gaming
22 practice again. I'm a licensed attorney in both
23 Colorado and Pennsylvania. But in addition, I'm an
24 educator. I'm a professor of gaming law, policy and
25 regulation at the University of Denver College of Law.

1 So I've seen gaming from all sides.

2 Because of my friendship and because of
3 my relationship with some of the founding members of
4 PPG and because of my experience, they asked me to
5 help them in starting their endeavor. I was asked to
6 first of all assist because of my background in
7 compliance and regulatory issues. One of the major
8 reasons they brought me on board was to ensure that
9 they make every effort to comply with all of the
10 gaming regulations, all of the gaming requirements and
11 to ensure that strict regulation is both followed and
12 as well recognized as a requirement for any successful
13 applicant. From that initial involvement, my role has
14 changed and I was honored to be asked to become a
15 member of the group and also a member of their board
16 of managers.

17 As part of that responsibility, I took on
18 the role of helping them to put together a compliance
19 program to focus on compliance issues, due diligence
20 issues and to work with them to ensure that we hire
21 the most appropriate gaming partner. PPG is unique,
22 as you've heard. Those affiliated with it are
23 Philadelphians. They are from a minority community,
24 and they have been leaders in the community both
25 business and community leaders for their entire

1 careers. They have a dedication to the community and
2 a belief that a casino in Philadelphia should be owned
3 and controlled by a minority owned majority controlled
4 company in Philadelphia. They believe in giving back
5 to their community. They have done so not just by
6 talk but they have done so by their actions.

7 Thus the criteria for selecting an
8 operating partner became very clear. We spent
9 considerable time meeting with and discussing these
10 criteria and other issues with a number of gaming
11 companies. The primary criteria included the
12 following: the partner must be committed to the
13 importance of strict, regulatory compliance. The
14 partner must be a gaming operator with not only gaming
15 experience but also experience in bringing to the fore
16 serious, competent and well-established management who
17 are on-site and will run the casino and be in the
18 community. In addition, they want to make sure that
19 they are creating meaningful and competitive jobs for
20 the community members. The partner must have
21 financial experience and capabilities to ensure that
22 not only the construction but the ongoing operation is
23 successful. And finally the partner must be a true
24 partner, committed to having a majority, minority
25 owned partner that controls the overall policy-making

1 for the Riverwalk, while allowing the gaming partner
2 to manage the day-to-day operations.

3 Although PPG had over half a dozen
4 potential candidates as gaming partners from which to
5 choose, BHM Gaming Opportunities met all of the
6 criteria and far exceeded the expectations of PPG.
7 BHM Gaming Opportunities was willing to keep control
8 in the hands of Philadelphians. They were willing to
9 accept the whole notion of diversity not just as a
10 discussion point but as an ownership issue. There's
11 great chemistry between Robert, Doug Teitelbaum and
12 the members of PPG. They visited the Aladdin Hotel,
13 which is owned by Planet Hollywood, and saw what kind
14 of a quality operation there is. They've seen them
15 take that property, which was in distress, and turn it
16 around and turn it into a world-class resort. Doug
17 Teitelbaum's proven ability in the financial area
18 brought a huge benefit to the package. Robert Earl's
19 success in the entertainment area was a very
20 significant plus for the City of Philadelphia because
21 we see this as not just a casino but an entertainment
22 venue. And finally the ability to attract first-class
23 management people, including Pat McCoy, was clearly a
24 deciding factor in selecting Bay Harbour Management
25 Gaming Opportunities. BHM Opportunities retains the

1 original admission and philosophy of PPG and the two
2 of them combined bring what we believe to be a
3 superior application before you. Thank you.

4 MR. EARL:

5 Our next speaker is a close business
6 associate of mine. Doug Teitelbaum, is the manager of
7 Bay Harbour, an SEC registered investment firm. We
8 first met in 1999, it seems like longer, when he
9 became my business partner in Planet Hollywood, and he
10 has greatly assisted in our resurgence. And I wish
11 we'd met him earlier. His Wall Street know-how
12 combined with my marketing, celebrity connection side
13 have created a formidable partnership in the gaming
14 and leisure industry. In all of our ventures, we have
15 proven our ability to develop a well-seasoned
16 management team, obviously critical to forming a
17 successful, viable company. Riverwalk Casino is no
18 different. It is important that you know who we are
19 and what we are about. I'm proud to introduce Doug
20 Teitelbaum to tell you a little about each of the
21 operating partners.

22 MR. TEITELBAUM:

23 Close business associate, I didn't hear
24 friend, Robert, but I'll say thank you anyway. And
25 Chairman Decker and members of the Board thank you so

1 much for having us here. I guess it's my first role
2 to describe a little bit about who we are briefly. We
3 in Bay Harbour Management with Robert form BHM Gaming
4 Opportunities, Limited. We are the junior partner in
5 the Riverwalk Casino. And we are the operator of the
6 casino as well, controlled by myself and by Robert.
7 Our operating group has over 100 years of experience
8 in the gaming and tourism industry, spanning the
9 globe, with a lot of focus in Europe and Australasia
10 and here in America. It consist of myself, Robert,
11 John Tipton, Pat McCoy and Pete Rucksen (phonetic).

12 A moment about myself. I originally had
13 about six pages on this and Robert made be cut it
14 back, but I'll do my best. I am the managing partner
15 of Bay Harbour Management. Based in New York, we are
16 an SEC registered investment advisory firm with over a
17 billion dollars of capital under management. Within
18 my various roles at Bay Harbour, I serve as
19 co-chairman of the board of the Planet Hollywood
20 Resort & Casino in Las Vegas. In that capacity, I've
21 received a non-restricted Nevada gaming license. I've
22 had a long history and an ongoing participation in
23 billions of dollars of casino finance, restructurings,
24 reconstruction, growth, construction, ownership and
25 operations. A brief moment because I think it's

1 important on Bay Harbour's philosophy in any company
2 not just a gaming company. We view two things as the
3 driving factors behind our making money in an
4 investment. One is having the right asset, for
5 without the right asset, we don't know how we can make
6 money. And with the right asset, we can certainly
7 fail if we don't have the right management. So two,
8 is having the right management. That is always the
9 primary focus, once we've zeroed in on having the
10 right asset.

11 We bring, Bay Harbour Management, to this
12 project, we think a pretty good set of experience in
13 structuring and finance. In other words, ensuring
14 that our balance sheet is properly set up at all times
15 that we have access to the capital markets. We also
16 pride ourselves in instilling the very best in
17 corporate governments from the board level all the way
18 through management and the various team members and
19 employees, and the highest standards of business and
20 regulatory compliance.

21 A moment about my friend and partner,
22 Robert Earl. Robert is the chairman and CEO of Planet
23 Hollywood and is my co-chairman of the Planet
24 Hollywood Resort & Casino in Las Vegas, where Robert
25 also has a non-restricted gaming license. A few of

1 Robert's strengths and his experience applicable to
2 this project, amongst all of his experience would be
3 to start with his involvement in the Fifty in London.
4 I would say this is the Europe's premier gaming venue,
5 a beautiful casino in London, which Robert has opened
6 not long ago and which is enjoying tremendous success.
7 He has significant long-term Hollywood and celebrity
8 relationships as well as longstanding relationships
9 throughout the tourism industry. Bay Harbour has been
10 attracted to Robert in this field because we recognize
11 his expertise in marketing and in public relations.
12 We feel it's unparalleled and that this wealth of
13 experience we'll deliver to the City of Philadelphia
14 and the Commonwealth of Pennsylvania is a unique
15 gaming experience. Not just a hall of slots, but also
16 a venue to bring together the allure and the
17 excitement of celebrity.

18 As an example of the caliber of
19 management of what we seek in management, we thought
20 it might make sense to talk a little bit about who we
21 brought on to run our casino in Las Vegas. The CEO of
22 our property in Las Vegas is a fellow by the name of
23 Mike Mecca. Mike has over 30 years experience in the
24 industry, and I'll start with our conclusion on Mike,
25 which was that he has been tremendously successful.

1 Every property he's worked in has been wonderfully
2 profitable. He's been a senior vice president at
3 Caesar's, the chief operating officer of the Crown
4 Casino in Australia, the vice president of operations
5 at Mandalay Bay, the chief operating officer of Greek
6 Town. We feel with our similar obvious parallels,
7 Detroit gaming to developing gaming in Philadelphia
8 ---. And the general manager of the Green Valley
9 Ranch before coming on board at the Aladdin. We hoped
10 to have Mike play an advisory role in our efforts at
11 Riverwalk.

12 In the same light that we sought early on
13 in our bid to buy the Aladdin and Mike Mecca, we do so
14 here and we're fortunate enough to find Pat McCoy.
15 Pat has over 26 years experience in the gaming
16 industry. Most recently as executive vice president
17 of operations at Bally Caesars and Hilton Casinos in
18 Atlantic City, where obviously he held an unrestricted
19 gaming license in New Jersey. We sought out Pat
20 early. We believe we were the first of any applicant
21 over one year ahead of any other applicant to hire a
22 CEO. We considered that crucial as part of all of our
23 planning. And Pat's experience in operating,
24 marketing, finance, administration and regulatory
25 affairs, we feel make him an ideal operator.

1 Together with Pat, we found Pete Rucksen,
2 who's currently serving as a well-respected gaming
3 consultant and as our proposed vice president of slot
4 operations. Similarly with Pat, Pete has 26 years of
5 experience in the gaming industry with a long history
6 with Caesars, Hilton and Harrah's and experience in
7 the New Jersey gaming market and in all aspects of
8 flat operations and controls. We will be building the
9 best management team in Philadelphia. We indeed
10 already have a dedicated management team. And we feel
11 that some of the other applicants may be strained by
12 the high number of new and expansionary projects that
13 their companies take on. We will not be stretched
14 thin, but rather we'll ensure, as with all Bay Harbour
15 companies, the very best team to deliver a first-rate
16 product. We're focused on assembling this team to
17 operate with a lot of local Philadelphia experience
18 including Pat. With that, Robert, I'll hand it back
19 to you.

20 MR. EARL:

21 That was very short by his standards.
22 I'd like to introduce myself, and I get the
23 responsibility to give you a brief overview on our
24 tourism know-how and our marketing know-how. I think
25 before I start though I would like to say one thing.

1 I look after the marketing side but not at the expense
2 of sound management and sound financial acumen. We
3 bring all of those elements together, but truthfully
4 you need them all. Once you've built a great place
5 and it's well-funded and you have good management, one
6 still needs to have very creative marketing to build
7 customer loyalty and repeat visitations. I'll go
8 through these slides very rapidly.

9 The Gaming Act asserts to ask the
10 importance of a history of successful developing
11 tourism. And our company has done all of this, from
12 land development to dinner shows in restaurants to
13 entertainment venues to retail developments to water
14 parks, I have spent over the last 30-something years
15 developing such facilities worldwide. I was
16 principally responsible for the growth of the Hard
17 Rock Café brand taking the business in 1988 when it
18 was about seven stores and growing it and its EBITDA
19 dramatically through to the earlier '90s. I created
20 Planet Hollywood and still control Planet Hollywood
21 along with Bay Harbour. We have taken certain sites
22 that we're very proud of over the world, and we've
23 created the highest grossing restaurants in the world,
24 some of these in Orlando, both on Disney and at
25 Universal Studios. We particularly have been strong

1 in understanding tourism and locations that need
2 tourists to supplement local business. We have
3 impeccable relationships with airlines, with bus
4 operators, with travel companies. All, that if we are
5 fortunate enough to get a license, that we would
6 utilize right here in Philadelphia.

7 Dougie mentioned the project that I
8 created in London. It is an example of an
9 entertainment-centric facility. And again we would
10 plan on applying that methodology here. We've created
11 a hugely successful casino, and it's been such a hit
12 that we are about to expand and increase the floor
13 levels of gaming. We have done that through constant
14 press, constant marketing and a tremendous amount of
15 celebrity support.

16 In 2004, partnering with Doug Teitelbaum
17 and Bay Harbour and Starwood Resorts, we acquired the
18 Aladdin Resort & Casino. At the time the facility was
19 poorly managed, distressed. We brought in the new
20 management team. Dougie and I found everyone,
21 interviewed everyone. And we turned the company
22 around, both in the revenue side and the margins.
23 Next year, early February it becomes rebranded as
24 Planet Hollywood. We are still renovating the
25 property, and we're giving it a very modern

1 high-energy atmosphere. And we're adding the best of
2 everything, including new showrooms, new restaurants,
3 new lounges and new nightclubs. I'm going to give you
4 a little hint of those and the work in a moment. This
5 new energy level is critical to having a competitive
6 casino. And that's what we would do at Riverwalk. We
7 put in a nice little quote from someone in the gaming
8 industry, a leading gaming analyst, his opinion of our
9 success to date.

10 I'd like to move over to my favorite
11 subject, which is marketing. I've learned that in
12 order to drive customers to your facility, one must
13 create an environment that is a must-see attraction.
14 One needs to do that to get the guests to visit the
15 first time, but then one has to have constant
16 marketing to get the guests to keep visiting. You
17 can't just build a nice pretty building unless it's an
18 interesting proposition inside or else you will not
19 get repeat visitations. We've used this approach of
20 entertainment to drive our projects very successfully
21 on many occasions. At the Aladdin, we have started to
22 get annual events but we see no reason why we could
23 not get some of for the City of Philadelphia. We're
24 quite proud that we managed after 84 years to seduce
25 the Miss America contest to be moved to our property

1 in Las Vegas from Atlantic City. We're doing it for a
2 second year this coming January. We have TV shows
3 such as the Radio Music Awards on primetime NBC that
4 we've been involved in the creation of. And these act
5 as traffic motivators keep us in the public attention.
6 We will utilize this knowledge and experience and
7 apply it to what we're doing in Philadelphia.

8 We have designed our project for this
9 market. Our look was the intended look. It was to
10 blend with Penn's landing. It wasn't to overshadow
11 it. In Philadelphia, we see two distinct customer
12 faces. We see the locals, including New Jersey
13 residents. And secondly, we see out-of-state tourists
14 coming in. We plan to have amenities and programs
15 that will attract both of these markets. For example,
16 we see in conjunction with local hotels, creating
17 travel packages where we will promote slot
18 tournaments, et cetera. Riverwalk Casino will not
19 just be a gaming destination. It will be something
20 for Philadelphia to be proud of. It will be an
21 entertainment destination where people can come for a
22 performance, to dine, to just enjoy the waterfront
23 views, which you will see, we have paid particular
24 attention to. We have a TV studio. The TV studio is
25 only a small, square footage, but it will do wonders

1 for the business as it will be a reason for
2 celebrities to regularly visit us. And obviously we
3 will publicize that and the celebrities or the athlete
4 will mingle with all of our guests.

5 As Dougie said, we are the only applicant
6 with a sister property in Las Vegas. There are great
7 cross-promotional benefits to having a sister
8 property. And we will be able to use that on all mail
9 shots, on different tournaments, on celebrities and
10 leveraging them across the two different cities. This
11 added exposure will drive even more customers to
12 Philadelphia. The high mix of entertainment options
13 combined with the operating group, successful
14 marketing and position will enable Riverwalk to
15 generate, sustain and to continue to grow revenues.
16 But the business will require flare, celebrity support
17 and a unique experience.

18 I know that you are concerned --- or
19 interested rather than concerned about Atlantic City.
20 We will compete directly with Atlantic City. We, at
21 Riverwalk, are planning marketing campaigns to
22 encourage people to come to the Riverwalk Casino. I'd
23 like to show you the first of these. We have
24 registered this trademark. This is the first of our
25 marketing campaigns. We are already thinking about

1 methods to get the consumer to stay with us in
2 Philadelphia. I think this is a very important
3 proposition to put in the consumer's mind. There's
4 two hours extra driving. Why not stay locally, right
5 next to us. So save the hour and come to the
6 Riverwalk Casino. Dougie just set me up and said that
7 the celebrity side is an important side. I weighed
8 bringing one or two people to come and meet you today,
9 but I wasn't sure whether it would be appropriate. So
10 just to show you a little about our marketing and a
11 little about how we think about celebrity, I have a
12 very short video to show you.

13 VIDEO PRESENTATION BEGINS

14 MR. STALLONE:

15 Hi, this is Sly Stallone here in Los
16 Angeles. Unfortunately, I can't be there because I
17 have to get ready to prep Rambo, which is going to
18 shoot in Thailand very, very soon. So we're just
19 trying to deal with all this insanity of
20 preproduction. But I want to say I'm a huge fan of
21 the City of Philadelphia. After all, Rocky Balboa did
22 come from the City of Brotherly Love. And I've been
23 involved with Planet Hollywood since 1991. And if a
24 gaming license is give to Riverwalk Casino, I plan to
25 visit often. As a matter of fact, I plan to buy a

1 house in that area.

2 Through the Rocky franchise, I've been
3 committed to enhancing the image of Philadelphia in
4 any way that I can, and will support Riverwalk's
5 efforts to bring in as much tourism into that area as
6 possible. So thank you very much for your efforts and
7 your time, and I hope everything works out great.
8 Thank you.

9 VIDEO ENDS

10 PRESENTATION PLAYED

11 VIDEO PRESENTATION BEGINS

12 MR. REICHARTZ:

13 I'm Michael Reichartz, vice president of
14 lodging for expediahotels.com. From the partnership
15 with Planet Hollywood on the Riverwalk project, should
16 that move forward, would be a great opportunity for
17 expediahotels.com to promote tourism to the
18 Philadelphia area. We have a lot of customers that
19 are already looking at the area that we contact on a
20 monthly basis via email, via on our websites, but the
21 additional excitement will, obviously, give us extra
22 motivation to communicate to those customers, and make
23 sure that we're promoting the destination.

24 VIDEO ENDS

25 VIDEO PRESENTATION BEGINS

1 MR. WILLIS:

2 Hey, how you doing. It's Bruce Willis
3 from the set of Die Hard. Of course I'm trying to get
4 some blood back on me before I get back there, but I
5 want you to know that if you do decide toward the
6 Gaming License at the Riverwalk, you can expect to see
7 me down there in the casino, plenty. And I do mean
8 plenty. You know I'm back from that area. I grew up
9 in that area. I'd love to get back home to the east
10 coast and check out all my friends back in the
11 Philadelphia area. So having Riverwalk down there
12 would just be one more reason for me to come on back
13 down there and have some fun with you guys. God bless
14 and go have a hoagie right now.

15 VIDEO ENDS

16 MR. EARL:

17 As I said, sound management, financial
18 acumen, but we do need creative marketing to compete
19 with Atlantic City. Over a year ago, we set out to
20 find Riverwalk's CEO, so that the CEO could be
21 involved and intimately know all the details of the
22 casino, from the early development stages. We sought
23 the CEO who had unmatched gaming experience, who knew
24 the market, and we felt would be appropriate to work
25 with all of the group. I immediately called Mr. Pat

1 McCoy. As the EVP of operations at Caesar's, he was
2 my former landlord for Planet Hollywood, so I knew him
3 well. He was tough, but fair. He was a great CEO for
4 any casino. Having worked in the industry for 25
5 years, Pat ran multiple Atlantic City casinos,
6 Caesar's Hilton Palace, which gave him experience in
7 operations, marketing, regulatory affairs and finance.
8 Having worked in Atlantic City, we felt that he was
9 the most knowledgeable person who could use his
10 knowledge of Atlantic City and apply it in our
11 competing with Atlantic City to bring revenue here,
12 into the Commonwealth. During his tenure, Pat oversaw
13 several new and expansion reconstruction projects. He
14 has these skills, which he will apply for our
15 construction. So I'm pleased to introduce Pat McCoy.

16 MR. MCCOY:

17 Thank you, Robert. Good afternoon,
18 Chairman Decker and members of the board and staff.
19 Riverwalk Casino draws its name from its location.
20 Ideally situated along the Delaware River on
21 Christopher Columbus Boulevard and Spring Garden
22 Street. The site, as shown on the slide, is
23 conveniently located near the Ben Franklin Bridge and
24 I-95, and is highly visible from both, in addition to
25 its great visibility from the river and points in New

1 Jersey. As our architect will show and explain in a
2 few minutes, the site perfectly provides for a
3 facility reflecting the industrial heritage of the
4 area, combined with an energized modern exterior.

5 Leased from Penns Landing Corporation,
6 our site comprises 11-and-a-half acres. With
7 excellent accessibility by auto, train, bus and
8 waterway, it's a location that engages both its city
9 side and riverside environments. The City of
10 Philadelphia itself is, indeed, an urban setting, and
11 we've been recognized, as you see, as having the best
12 urban location. We are firmly in agreement with the
13 Philadelphia Gaming Advisory Task Force, that our site
14 is an asset in promoting greater spin-off benefits,
15 increased development and a smoother complement to the
16 local area. All fueled more strongly by our benefits
17 to Penns Landing Corporation, as will be discussed.
18 And the task force was also brought on in
19 acknowledging our excellent visibility and access, as
20 well as our potential for enhancing Philadelphia's
21 tourism and convention business.

22 In a city where such a high proportion of
23 its residents rely on public transportation, our site
24 rises above all others in convenience to public
25 transit. The center station, a short two blocks away,

1 provides direct service to the thriving Center City
2 area, in connecting service to Philadelphia's
3 extensive rail network. Most exciting are the new
4 transit access means being planned now, in which we
5 expect to be spurred further by Riverwalk, being at
6 its excellent location. The Delaware River Port
7 Authority has plans for new rail access that would
8 serve Philadelphia residents and the many meeting
9 potential customers arriving from New Jersey via PATCO
10 lines, with convenient service to the Spring Garden
11 stop. To the extent that SEPTA endeavors to improve
12 its facilities for increased ridership by gaining
13 patrons and employees in Philadelphia, Riverwalk's
14 close proximity to the Market-Frankfurt Line easily
15 accommodates those endeavors. In addition to tying
16 into existing water ferry and water taxi services, new
17 forms of water access are also already under
18 consideration and are a natural tie-in to Riverwalk.

19 Based on the latest available
20 demographics, Riverwalk has the fewest number of
21 residents within a one-mile radius of proposed casino
22 sites. As those neighborhoods continue to grow, we
23 look forward to integrating our successful growth, as
24 a complement to theirs. In summation, better access
25 for patrons and employees, better revenue generation.

1 MR. EARL:

2 As with all of Riverwalk Casino's
3 vendors, it's important that we look within the
4 Commonwealth for the best. Our search for a design
5 and architectural company led us to engage the
6 Philadelphia firm, BLT Architects. As our design
7 consultant, BLT has drawn on their participation, in
8 successful casino projects like Borgata, to create the
9 best casino design for Philadelphia and particularly
10 for the river front. Michael Prifty is an
11 award-winning architect and principal of BLT
12 Architects. He has been instrumental in creating our
13 facilities, both remarkable and practicable design,
14 which he will now talk to you about.

15 MR. PRIFTY:

16 Good evening, Mr. Chairman, members of
17 the Board. As architect for the Riverwalk Casino, I'd
18 like to spend a few minutes describing the project
19 overall, its connection to the City of Philadelphia
20 and the organization of our design. On the screen
21 before you, which I presume you can see, is a
22 perspective view of the project, as seen from Delaware
23 Avenue. It's looking Southeast. The eastern turn of
24 Spring Garden Street is to the immediate right.
25 Running from left to right in the perspective are the

1 casino structure, with the main entry located directly
2 on the center line of Spring Garden Street and the
3 self-park garage to the right. As you will see later
4 in the presentation, there are three entries to the
5 project, each aligned respectively with Spring Garden
6 Street, Noble Street and just out of the frame to the
7 left, Fairmont Avenue. We will also show, in further
8 detail, each of the three stories within the casino
9 structure, with restaurants, storefront retail and
10 valet parking at grade, a gentle ramp up to the second
11 floor, around the center line of the project, to the
12 main gaming area on the second floor and a partial
13 third floor with offices and support functions.

14 To be succinct, I'm a resident of Lower
15 Marion Township and have been practicing architecture
16 for over 27 years. And as Robert mentioned, I've been
17 fortunate to pick up a few personal awards and
18 citations along the way. For the past twelve years,
19 I've been the principal of BLT Architects, which has
20 offices in Philadelphia and Las Vegas, Nevada. The
21 firm is 45 years old and has grown to 100 employees.
22 We have projects throughout the Commonwealth and many
23 dozens of projects in Philadelphia proper. Our work
24 there in Philadelphia includes the Marriott Convention
25 Center Hotel, the Reading Headhouse Marriott and the

1 Lowe's PSFS Hotel. Our hospitality experience led us
2 first to Atlantic City gaming opportunities, notably
3 including an expansion for Harrah's and then the
4 creation of a transformative project, the Borgata.
5 Now, we're working on Las Vegas gaming opportunities.

6 We've applied the best of our experiences
7 from the Borgata and other gaming facilities, to the
8 best site for slots-based gaming in Philadelphia, the
9 Riverwalk. This new facility complies with all
10 requirements for development, including the City of
11 Philadelphia's CED Ordinance. We're prepared to begin
12 construction upon licensure, and based on our prior
13 experiences have an achievable schedule to open the
14 project within 24 months, particularly as we are not
15 hampered by riparian rights issues. Indeed, we
16 continue our project efforts to accelerate our design
17 process. Our \$500 million project budget is
18 appropriate for a project of this size and scope, as
19 you'll see today.

20 In the images that follow, I hope to
21 demonstrate how the Riverwalk Casino best meets the
22 unique needs of an urban gaming facility with specific
23 regard to vehicular and pedestrian circulation,
24 extension of the public river promenade, incorporation
25 of public art and the distribution of key program

1 elements, notably retail and dining areas. Along the
2 way, we've met with numerous community sessions and
3 with the Penns Landing Corporation, incorporating
4 their and other comments in the project, as it has
5 evolved continually, since late last year.

6 Now, urban projects succeed by
7 reinforcing what's exciting about downtown areas. And
8 of the five posers, Riverwalk alone does this. Our
9 project holds the streetline. It gives true presence
10 to Delaware Avenue, which is also known as Christopher
11 Columbus Boulevard, south of Spring Garden Street. It
12 makes the best complement to the adjoining private
13 development up and down this boulevard. At the same
14 time, our project extends the river promenade
15 completely around the boundary of the site. We
16 maximized the public's enjoyment of this portion of
17 the riverfront. When compared to today, improvements
18 to the street configuration, additional traffic
19 signals and revised signalization at each of Noble,
20 Spring Garden and Fairmount will improve vehicular
21 flow through this area, even while absorbing the
22 additional visits to our facility. Moreover, the
23 Riverwalk Casino is within walking distance of the
24 Spring Garden stop on the Market and Frankfurt Subway
25 line, which is shown at the very bottom of this slide.

1 This is our ground floor plan show in
2 detail. It indicates three distinct vehicular
3 approaches. To the very right, self-park garage and
4 bus loading directly aligned with Noble Street to the
5 south. In the center, the main entry, valet parking
6 and taxi loading directly aligned with Spring Garden
7 Street. And to the left, service loading directly
8 aligned with Fairmount Avenue. All entries and exits
9 are in forward motion at intersections, thus speeding
10 flow and enhancing pedestrian safety. But please note
11 in the center, the main entry ramps, which gently
12 bring vehicles and pedestrians up to the second floor
13 of the project, which is the main gaming floor. And
14 again you can see the extension of the river promenade
15 on all four edges of our site to the maximum extent
16 possible. This walkway is fronted by occupied space,
17 with large windows and storefront entries where
18 appropriate. These spaces may include retail, outdoor
19 activities and a variety of restaurants. These dining
20 facilities incorporate both indoor and outdoor seating
21 and have a direct connection to the promenade, so that
22 patrons may enter these restaurants without walking
23 through the slots area.

24 Once one rises up the ramps and comes to
25 the main entry, you are now above street level to what

1 is the building's second floor. The gaming facility
2 and the contiguous gaming expansion are located there.
3 Patrons will exit their cars beneath a fully covered,
4 multi-lane, porte-cochere dropoff, and enter directly
5 through the main vestibule to the casino beyond. On
6 the right, the self-park garage elevators will
7 transport patrons from throughout the garage to this
8 second floor, opening up to an internal retail
9 promenade. This is flanked by a 400-seat
10 entertainment facility, which is accessible from both
11 the gaming area, as well as from Delaware Avenue
12 directly. A series of restaurants ring the water side
13 of this floor. The elevated position of these
14 restaurants enhances their view of the river and
15 provides opportunity for outdoor terrace dining.

16 On the third floor, it holds much of the
17 projects back of house, including executive offices,
18 administrative staff, staff dining and locker rooms
19 and mechanical spaces. All of our HVAC equipment is
20 set back from the building perimeter, so as to not be
21 seen by neighbors or visitors to the project. Also
22 shown at the right is our typical self-park garage
23 floor, which holds 350 cars on this floor alone and a
24 total of 4,140 spaces in the total buildout for the
25 project.

1 Now, if you can see these images in
2 detail, they show the developed façade along Delaware
3 Avenue, at the top, with some detail of the main entry
4 shown at the bottom. It's really important to note
5 the activation of the entire site at grade, which is
6 seen at the top, and the modulation of the gaming
7 volumes with incorporation of display opportunities.
8 On the right, the cladding of the garage volume
9 emulates the window rhythms of the building below.
10 The garage is shown at the full height of buildout,
11 and though it's the tallest element of our project,
12 it's essentially the same height as the existing
13 buildings directly across Delaware Avenue.

14 So what are the numbers behind our world
15 class casino? As you can see, we have 106,000 square
16 feet of space for the initial 3,000 slot machines and
17 54,000 square feet expansion space that will be built
18 at the outset and carefully screened from the patrons
19 until it's ready to open. We will have exemplary
20 finishes, furnishings and equipment for a truly
21 magnificent experience. We will have superior access
22 for a valet, taxi, self-park, bus and pedestrian
23 arrival. And we will have public access to the full
24 site and to non-gaming amenities without needing to
25 enter the gaming area. Our experience in gaming

1 design will provide for a superior experience on the
2 casino floor. Our restaurants and lounges will have
3 views not easily duplicated elsewhere in the city.
4 Retail shops within and on the street front, our
5 400-seat entertainment space and the Planet Hollywood
6 TV Studio will complete this design.

7 Along the river's edge, the full length
8 of the promenade extends throughout the entire site.
9 We have provided for water taxi service and full
10 waterside access to the project. In the foreground,
11 on the right, you see two floors of dining. And on
12 the very top, a potential for a third floor of dining
13 is a very special place. It is noteworthy to see the
14 expanses of glazing and areas of outdoor dining.
15 Towards the rear is our architecturally detailed
16 garage. And together, the composition creates a jewel
17 along the Delaware River. This more detailed view of
18 the promenade and Northeastern corner of the Riverwalk
19 Casino itself shows just how marvelous the views are
20 for patrons and public alike. And both the Riverwalk
21 Casino and its view will be spectacular.

22 UNIDENTIFIED SPEAKER:

23 If you don't mind, we're just going to
24 take a recess for five minutes. Okay. It's been
25 long. We need to stand up and walk around.

1 MR. EARL:

2 As long as you like.

3 CHAIRMAN DECKER:

4 Thank you for the adjournment. We're
5 back on the record. Please continue.

6 MR. EARL:

7 Thank you very much. Following on from
8 Michael Prifty and his architectural presentation, we
9 would like to give you our position on the temporary
10 casino. As we previously stated at the public input
11 hearing, the Riverwalk site was our first choice. We
12 had available to us other larger sites, including one
13 of the current competitors. Our belief is that
14 building an onsite temporary casino is a distraction
15 and would slow down the conclusion of the final
16 product. We believe that we can accelerate
17 construction at the permanent facility by not having
18 an onsite temporary. To be clear, we think that an
19 onsite temporary equals delayed permanent. We believe
20 the buildout of our permanent site will be the most
21 expeditious being presented to you. Our 24 month
22 target is highly achievable.

23 In summary, we came to the conclusion
24 that the best way to maximize the long-term revenues
25 for the Commonwealth was to focus our efforts on the

1 construction of our permanent. Our permanent is
2 planned, subject to your announcement, to be finished
3 by the end of December '08, all 3,000 slots. We also,
4 on that date, would have the shell completely
5 constructed for the additional 2,000 slots to come
6 later. Additionally, if it theoretically takes 12 to
7 15 months to build 1,500 slots temporarily and 18 more
8 months to get to the 3,000, the economics are better
9 for the Commonwealth to have our 3,000 ready by
10 December '08. Now, some words from Doug Teitelbaum on
11 financing and economic benefits.

12 MR. TEITELBAUM:

13 I'll try to be somewhat brief. Let me
14 start, Board Members, by trying to state clearly that
15 this project, like any project Bay Harbor gets
16 involved in, is more than adequately financed. We
17 have committed our \$94,000,000 of equity financing and
18 our \$400,000,000 bank line. And I will tell you, as
19 you've seen Merrill Lynch was here a little earlier,
20 could've been here with us. They've submitted a
21 commitment letter. That you've seen, we chose not to
22 have them at the table. But I want to be clear that
23 our equity sponsor group has over 12 billion dollars
24 under management. We know unforeseen things happen.
25 We're committed and prepared to put in more capital,

1 if necessary, though we believe that we are adequately
2 capitalized for the project we're building.

3 As you know, we've chosen a little bit
4 smaller of a site than some of our competitors, and I
5 just want to focus your thoughts on that briefly. I
6 believe that you all have a bit of a decision to make
7 in terms of project size. Our project is providing
8 all the gaming revenues to the Commonwealth in
9 addition to providing significant revenue to the city
10 through PLC, and we believe we're doing it in a
11 conservative fashion. Bay Harbour with Robert, when
12 we looked at all of these sites, thought very strongly
13 that the project here was best suited by building a
14 truly fabulous gaming-specific project on this
15 particular site which we feel is so terrific. And we
16 feel we've done that with the half a billion dollars
17 that we have allocated and prepared to spend,
18 concentrated on building a first class project.

19 I think I would just add that we're
20 also proud of the fact that we are the only applicant
21 providing the benefit to the city through the PLC
22 lease. But I think that I'd like to ask the Board to
23 think about that in terms of its effect on the
24 Commonwealth, because monies that the PLC receives and
25 takes and spends towards community redevelopment, to

1 build more businesses and create more jobs and build
2 the tax base for the Commonwealth, and we think that's
3 quite important as well.

4 Our operating group is union friendly. I
5 think you already know this about me, about Bay
6 Harbour. We owned Barney's, together with Unite. We
7 renegotiated that contract twice. And we have a very
8 pro-union approach. As a matter of fact, Robert and I
9 unionized our property in Las Vegas. It was one of
10 three non-union properties on the strip. And I would
11 just tell you, in terms of our employees, we call them
12 team members at the Aladdin in Las Vegas. And we make
13 a significant amount of our management ranks our
14 partners in the business. We just merged our Telecomm
15 Company, TelCove, in the level three, a
16 Pennsylvania-based company. And we paid out over \$70
17 million to our management team. So when we say team
18 member, we mean it. And we make these people our
19 management teams and our management ranks, our
20 partners, with incentives to do well along side us.
21 We intend to do that here, as well.

22 A brief word on local business support.
23 You've heard a bit before, but our whole team are
24 local from our architects, our various engineers, our
25 locals. We felt that was crucial to have in our

1 project. And we're very proud, and I just want to
2 highlight, to have as our co-lead lender alongside
3 Merrill Lynch, PNC Bank, the leading financial
4 institution in the Commonwealth. And we're the only
5 casino applicant from Philadelphia who they are
6 backing. The result of all of that we think is
7 together, with our partners from PPG, really the home
8 team, a well-capitalized project that we think will
9 provide superior tax revenues to the Commonwealth.

10 Rob?

11 MR. EARL:

12 Thank you. Members of the Board, in an
13 effort to speed up our last part of the presentation,
14 unlike me, I missed something very important that I
15 needed to put on the record. So I wanted to just
16 report on the subject of temporary casinos. That
17 Riverwalk Casino has legally secured an offsite
18 location and have sufficient excess capital to finance
19 the construction and operation of a temporary
20 facility. If you award us a Gaming License, we intend
21 to bring this option before you for your
22 consideration, subject to the satisfaction of our
23 impact studies mitigation plans and community input.
24 I would now like to welcome Steve Galloway, principal
25 of Gaming Market Advisors. Steve was formerly the

1 senior vice president of the Innovation Group, and he
2 conducted over 100 feasibility studies in the gaming
3 industry.

4 MR. GALLOWAY:

5 Thank you, Robert. I'm going to try to
6 go through this pretty quickly here. As Robert said,
7 I've conducted business, more than 100 feasibility
8 studies, 35 tribes, 40 international projects. I've
9 spoken numerous times at the global gaming conference
10 in Las Vegas. We're engaged to prepare an economic
11 impact study for the Riverwalk Casino. The consulting
12 team was comprised of myself, and primarily Todd
13 Ukahara (phonetic), who holds a Master's in hotel
14 administration and regional science from Cornell, an
15 MBA from the University of Glamorgan in the UK, and a
16 Ph.D. from Cornell focusing on the economic impact of
17 tourism-related developments. Currently, Todd is a
18 professor at the University of Central Florida and
19 works with us on numerous projects. Our socioeconomic
20 impact studies are often part of EIS submissions to
21 the Bureau of Indian Affairs.

22 Going on, I don't want to get into too
23 much detail with regards to what the model was. It's
24 detailed in the report. All of the numbers which I
25 was about to go through are in the report. And I'm

1 just basically going to say, if you have any questions
2 on them, please give me a call. Otherwise, I'm simply
3 going to be reiterating exactly what's in there.

4 CHAIRMAN DECKER:

5 Don't rush through. You know, feel
6 comfortable in your presentations. We don't want to
7 rush you; okay?

8 MR. GALLOWAY:

9 Okay. Sounds good. I will, just
10 quickly, though, go through the summary numbers. The
11 project has a direct investment, as we know, of \$500
12 million. We project \$320 million of total output.
13 Direct wages of approximately 75 million --- and by
14 the way, this is all during the construction period,
15 with total wages of \$110 million. During the
16 construction phase, this should create 2,600 total
17 jobs, 1,700 of which will be in the construction
18 industry alone, and will also create over \$24 million
19 in tax revenue.

20 Moving on, for the operations impact. We
21 assumed that 20 percent of a patron's budget will be
22 spent outside of the casino. This is scenario two in
23 our report. Given the redevelopment opportunity of
24 the site, considering the strength of the building
25 plan and taking into account the strong access to the

1 site, the actual impact could likely be greater than
2 those estimated here. The total output is estimated
3 at 330 million on an ongoing annual basis, with 260
4 million of which is direct. Total wages are estimated
5 at 70 million of which 45 million are direct. It
6 should create over 2,900 new jobs, with 2,200 directly
7 related to the operation, not just the casino, other
8 businesses outside, and generate over \$180 million in
9 gaming taxes in the first full year of operation. In
10 addition, we have 23 million other taxes not related
11 to gaming taxes.

12 Moving on, we believe we'll have
13 relatively low impact on public services. With regard
14 to police, we expect to have the need for additional
15 police to staff during peak periods of traffic, and
16 also cover such things as petty crimes. We estimated
17 the total impact between \$1.1 to \$2.3 million. We do
18 not expect a need for a sub-police station. With
19 regards to fire and emergency, this again should be a
20 minor impact. The casino will not likely lead to
21 increased residency, and the new building will fully
22 be up to fire code. However, the number of patrons
23 frequenting the casino will likely increase the number
24 of emergency calls. As such, we estimate an impact of
25 .2 to .5 million dollars per annum. With regards to

1 social services, the casinos provide good paying jobs
2 to a previously unskilled labor force. Given the
3 increase of employment, a reduction in social welfare
4 and unemployment are expected.

5 Finally, I just want to quickly take off
6 my economist hat and put on my feasibility hat. I've
7 looked at hundreds of casino projects, sites, building
8 plans, et cetera. I've been consulting in gaming for
9 nearly six years, and I've been around industry since
10 I was literally six years old. In my opinion,
11 Riverwalk Casino is a highly feasible and sensible
12 project. The projections prepared by the Innovation
13 Group, and the task force report and by Bay Harbour
14 are very reasonable and achievable. The team has
15 strong operations experience from Atlantic City, to
16 the UK, to Las Vegas. Mr. Earl's association with
17 Hollywood and the ability to integrate it in the
18 casino is highly attractive. There's no affiliation
19 with Atlantic City. The casino side has excellent
20 access. And finally, the project's mix of amenities
21 is appropriate and should help maximize revenues. On
22 that note, I'll say thank you very much.

23 MR. EARL:

24 I'm sure you've left questions about your
25 being a six year old around casinos, but I'm sure

1 we'll get that later, Steve. I cannot guarantee the
2 brevity of the next speaker because I talked to him
3 for hours about soccer, so I'm a little nervous. We
4 are the only applicant that has incorporated a unique
5 rental stream to benefit the City of Philadelphia
6 through our land lease. On behalf of our landlords,
7 today we have the acting president of Penns Landing
8 Corporation. His introduction did include that he was
9 named in the Top 40 Under 40, by the Philadelphia
10 Business Journal. So I give you Mr. Joe Brooks.

11 MR. BROOKS:

12 Chairman Decker and the Pennsylvania
13 Gaming Control, thank you. The PLC, for the better
14 part of 35 years, has been about providing for a two
15 mile, world class, mixed use opportunity for
16 residential, commercial and retail entertainment on
17 the waterfront. Our mission has been to promote this
18 use and the development of Philadelphia's waterfront.
19 Succinctly, we are the custodians of Philadelphia's
20 waterfront.

21 Let's discuss PLC's goals briefly. To
22 encourage and facilitate development of the waterfront
23 district and to provide quality programming and year
24 round events for our visitors. To achieve these
25 goals, we produce over 70 special events throughout

1 the year. The popularity of these events has led the
2 PLC to invest nearly \$50 million in infrastructure
3 improvements to the waterfront, including pedestrian
4 bridge connections over 95 and Columbus Boulevard, a
5 \$50 million renovation for pothole-ridden Delaware
6 Avenue to Christopher Columbus Boulevard and the
7 introduction of land-based shuttles, ferries and new
8 water taxi services.

9 To put it succinctly, again, in short, we
10 transformed this area from abandoned piers and
11 desolation into an entertainment district. And this
12 site in particular has been the home of concerts and
13 the Blue Cross River Rink, in which the community has
14 accepted for the past half decade and is the logical
15 place for a casino. I'd like to briefly discuss an
16 amenity we brought to bear to the City of
17 Philadelphia, and that's the Blue Cross River Rink.
18 The Blue Cross River Rink has become part of the
19 fabric of living in the City of Philadelphia. It's
20 our Rockefeller Center. It's established. There's no
21 need to replicate it at another site.

22 Let's discuss the RFP process briefly.
23 Once legislation was passed for Category 2 gaming, PLC
24 was confident that at least one casino was to be put
25 on the waterfront, and we thought that our site was

1 the best to host. Why? I'll put it quickly. It's
2 the most centrally located. It's the closest to
3 public transportation. It's currently being used as
4 an entertainment destination. It currently has large
5 crowds coming to it that know how to get to it and
6 know how to use public transportation. It's a
7 recognizable site, and it would be the best converted
8 use you would have. You're converting an impoundment
9 lot and an incinerator site into a world-class
10 entertainment destination. PLC sought development
11 proposals based upon this analysis, and we moved
12 ahead. At the conclusion of the RFP process, a very
13 public process I might say, that Riverwalk Casino
14 submitted a proposal that would currently turn this
15 incinerator site into the casino discussed today.
16 After substantial deliberation, the PLC's Board of
17 Directors approved the sub-lease with Riverwalk
18 Casino.

19 And let's get to the meat of the matter,
20 and the most important thing, public stewardship and
21 the rent payable through the lease with Riverwalk
22 Casino, 'cause I believe this is unique. And this
23 attribute, this submittal sets it apart from all the
24 other parcels. The rent paid to the PLC by Riverwalk
25 will average \$3.4 million annually and \$1.6 billion

1 over the life of the deal. The rent given to PLC will
2 be passed on to the City of Philadelphia and the
3 Commonwealth and that we will expand and maintain
4 green spaces currently outside our control. We'll
5 implement alternative transportation methods,
6 including a water shuttle that will serve north and
7 south. We'll reduce parking rates within the central
8 waterfront district, and we'll further retain and
9 beautify open spaces and public walkways. The
10 positive impact these make to the waterfront district,
11 the surrounding communities, the City of Philadelphia
12 and the Commonwealth is undeniable. And it goes
13 beyond the revenue generated just by the taxes. And
14 PLC, as the landlord for our partners will act as the
15 local public watchdog, ensuring they deliver on these
16 amenities, accessibility and accountability.

17 Here's how it will happen. It's through
18 the sub-lease. Riverwalk has already agreed to fund
19 the special services district, in advance of all these
20 discussions. Riverwalk has already agreed to fund for
21 additional police in the area. Riverwalk has already
22 agreed to continuously maintain onsite EMS service in
23 conjunction with the Philadelphia Fire Department.
24 And Riverwalk has already agreed to further require
25 traffic improvements to make this area accessible and

1 livable. All of the aforementioned is required as
2 part of this sublease. And I would like to say that
3 Riverwalk is the only applicant providing this
4 substantial level of public funding.

5 In summation, this site has been
6 maintained. This site has been created and the focus
7 of this site has been for an entertainment
8 destination. This site will be the catalyst for
9 further waterfront development, and a casino on this
10 site represents the highest and best use of the City
11 of Philadelphia. And in my opinion, this is the
12 logical choice for a casino within the Central
13 Waterfront District.

14 MR. EARL:

15 Thank you. He wants the rent. We
16 believe that our group exemplifies all of the points
17 that comprise satisfactory diversity and responsible
18 gaming plans. A few words from Pat McCoy, on the
19 enforcement of such plans.

20 MR. MCCOY:

21 Thank you, Robert. And good afternoon,
22 again. In keeping with the spirit of the legislative
23 objective before you, I believe we've already
24 addressed for you our satisfaction of the ownership
25 objectives. And I simply want to commit to you my

1 responsibility, as CEO, to assure satisfaction of the
2 participation and operation objectives. For the over
3 1,000 permanent jobs to be created, with the
4 attractive competitive wages accompanied by strong
5 benefit plans and a fair and considerate management
6 environment, we fully expect to develop a management
7 team and a staff reflective of the City of
8 Philadelphia. More important than the particulars of
9 a written plan, however, is the spirit and
10 determination of an ownership group and a senior
11 management to show that diversity and profitable,
12 first-class operations are, indeed, compatible. And
13 with an ownership group that's so inclusive of women
14 and people of color and with an African-American CEO,
15 it would almost seem intuitive that more effective
16 diversity will result, but we don't ask that you
17 accept that solely on surface logic. The list of
18 partnership participants presented to you earlier in
19 our presentation not only understand local
20 participation and diverse participation, they
21 practiced it in Philadelphia on business, professional
22 and community levels successfully and admirably. My
23 only experience in the Atlantic City gaming industry
24 includes many years with the Valley Organization that
25 had one of the best records in compliance efforts with

1 the equal employment and business opportunity plan
2 objectives. Our only hope is that this Board will
3 hold every other successful license awardee to the
4 same high standards that Riverwalk expects to achieve.
5 As an example of our operations groups' efforts, the
6 Planet Hollywood Resort and Casino in Las Vegas shares
7 our desires for diversity, and as shown, enjoys an
8 employment level that includes 62 percent minorities
9 and 47 percent women. And I might add that of those
10 numbers, of the total employment, 30 percent of the
11 management group is minority and 41 percent is women.

12 Lastly, I want to acknowledge our
13 responsible gaming program that sets forth our efforts
14 to educate patrons and employees on the issue of
15 problem gaming, in accordance with the American Gaming
16 Association Guidelines. On the review of our
17 compliance committee, we will work with appropriate
18 local agencies to provide a coordinated support base
19 for those experiencing problems with such activities.

20 Robert?

21 MR. EARL:

22 Thank you very much. Riverwalk Casino
23 engaged Pennoni Associates as our consulting
24 engineering firm. Here to address the impact side is
25 Stewart Gordon.

1 MR. GORDON:

2 Thank you, Robert, for that introduction.
3 Good evening, Mr. Chairman, members of the Board,
4 staff and the public. As Robert noted, I work for
5 Pennoni Associates. I'm a senior engineer and
6 transition division manager at Pennoni Associates,
7 with over 18 years of experience, and I'm a registered
8 professional engineer. As you well know, Pennoni
9 Associates is well established, with over 40 years of
10 history, headquarters in Philadelphia. We have over
11 150 registered professional engineers and planners,
12 and over 700 employees. Pennoni is a recognized
13 leader in transportation engineering.

14 Last fall we were commissioned by
15 Riverwalk to prepare this traffic impact study. Due
16 to comments and inquiries from the Philadelphia Casino
17 Advisory Task Force, the community and the Gaming
18 Board, supplemental reports were prepared. These
19 reports were prepared in accordance with the City of
20 Philadelphia Zoning Code. Last October, we met with
21 the City of Philadelphia Streets Department chief
22 engineer to discuss the project and establish our
23 study area intersections. As was mentioned earlier,
24 by Edwards and Kelcey, we analyzed the existing
25 conditions and noted that all intersections will

1 operate at acceptable levels of service, with the
2 exception of Delaware Avenue and Spring Garden Street,
3 at the foot of our site. It is noted that Riverwalk
4 Casino will have the best access to public
5 transportation, with SEPTA bus and rail stops within
6 two blocks of the facility. Bus routes 25 and 43 and
7 SEPTA's Market-Frankfurt line station is located on
8 Garden Street. These routes access Philadelphia's
9 main transit centers that also interchange with
10 PATCO's High Speed Line from New Jersey.

11 The results of our traffic impact study
12 indicated minor impacts at all study area
13 intersections, with the exception of Delaware Avenue
14 and Spring Garden intersection. At the Delaware
15 Avenue intersections, with Callow Hill and North Penn
16 Streets, signal timing adjustments will be required.
17 At Noble Street and the parking facility access, a new
18 traffic signal is warranted and has been conceptually
19 approved by the City Streets Department. At Delaware
20 Avenue and Spring Garden Street, capacity improvements
21 that add additional left turn lanes are required and
22 had been incorporated into the plan to build these
23 improvements. Riverwalk Casino is committed to
24 design, implement and pay for all roadway
25 improvements, as noted in our reports.

1 One unique thing that Riverwalk has
2 proposed, upon award of the gaming license, Riverwalk
3 Casino has committed to hire a transportation
4 coordinator. This is a win-win situation for
5 Riverwalk and the City and all those involved. The
6 first order of business for the transportation
7 coordinator is to prepare a site-specific
8 transportation management plan. This plan will
9 outline the planning implementation and evaluation of
10 all traffic management strategies to efficiently and
11 effectively achieve established objectives. Some of
12 the transportation coordinator's responsibilities
13 include to manage traffic operations, both internally
14 and externally, evaluate employee and patron travel
15 patterns, and work closely with PennDOT city streets
16 department, Penns Landing Corporation and any other
17 interested parties along the Delaware waterfront.

18 In conclusion, with the roadway
19 improvements, as outlined in our traffic impact study
20 and supplemental reports, these will ensure increased
21 volumes will not significantly affect the study area
22 intersections. As mentioned earlier, Delaware Avenue
23 and Spring Garden Street existing conditions resulted
24 in some failing turnkey movements. However, with the
25 plan roadway improvements, the level of service will

1 be better than today. This project is compliant with
2 the City of Philadelphia's Zoning Code.

3 MR. EARL:

4 Thank you very much, Stewart. Ken
5 Trujillo has fulfilled his civic duties, serving both
6 Mayor Street and Governor Rendell on ethics boards and
7 transition teams. He was Philadelphia's City
8 Solicitor and worked on benefiting neighborhood
9 communities. He demonstrated this in the past as an
10 advisor to the Mayor in the development of the
11 Philadelphia Eagles Stadium, a project which gained
12 significant community support. Ken will briefly
13 address charitable organizations and our current
14 status with the neighborhood associations. Ken
15 Trujillo.

16 MR. TRUJILLO:

17 Thank you, Robert. Chairman Decker,
18 members of the Board, I'm delighted to be here this
19 afternoon. Actually, it's no longer afternoon, but
20 I'm delighted to be here, nonetheless. And I'm
21 particularly delighted after some of the questions
22 that were raised by members of the Board in the
23 earlier applicant's presentation. I'm here to speak
24 about something that's near and dear to my heart and
25 to that of every member of Riverwalk. And that is,

1 Riverwalk and its members' commitment to the
2 community, not just the surrounding community, but the
3 entire community in the greater Philadelphia area.

4 I have to confess something as an initial
5 matter. And that is that when the opportunity first
6 arose for me to get involved in a casino, in gaming, I
7 was somewhat conflicted about it. And if I was
8 conflicted about it, my wife, who's a former legal
9 services lawyer, was downright against it. And it
10 wasn't until we spent, frankly, months talking about
11 the impact and the potential negative impacts that
12 gaming could have and how our group was going to work
13 and address some of those effects on the communities,
14 that my wife allowed me to get involved in this
15 activity. I was sure of a couple of things. I was
16 sure, first, gaming was going to happen with or
17 without me. I was also not sure, but I came to really
18 be convinced that no group of casino owners has ever
19 had the level of commitment to their communities that
20 the Riverwalk Team has. And in my view, since the
21 casino was going to be in Philadelphia, at least one,
22 a casino that was owned by city residents that had a
23 responsibility and a sense of responsiveness to their
24 communities, had the best chance of successfully being
25 responsible and responsive to the communities. Why?

1 Well, you know that Philadelphia is really a small
2 town. And in a small town, I will tell you, I can't
3 go anywhere in Philadelphia without somebody asking me
4 what we're going to do about traffic; what we're going
5 to do about parking; what we're going to do about
6 smoking; what we're going to do about many of the
7 issues that are in front of you. And in a city that
8 is 60 percent minority groups, I believe that those of
9 us who've had an opportunity to get involved in the
10 ownership of the casino had the responsibility to do
11 so in order to ensure that it was done properly. As a
12 result, my partners and I joined with Robert and with
13 Doug, and with their companies. And I'm here to tell
14 you that I'm really glad that we did. Our partners,
15 both Robert and Doug and the PPG partners, have a
16 proven history of working to improve the lives of
17 others. Our very existence and our structure, which I
18 will tell you, I understand that your staff sometimes
19 is challenged by our structure. But we were
20 structured precisely because we wanted to own it in a
21 way in which we were forced to be responsible as we
22 went forward. And I think we've got the opportunity
23 to do something special here. As Robert mentioned,
24 when I was city solicitor, I had the privilege of
25 representing the City of Philadelphia in its

1 negotiations in the Lincoln National Field and the
2 Citizen's Bank Ballpark. That billion dollar project
3 was an unprecedented --- resulted in an unprecedented
4 commitment by private owners and by the government to
5 the surrounding community when a sports complex/
6 special services district was created, and the teams
7 committed to pay on an annual basis two million
8 dollars a year for 30 years for a total of sixty
9 million dollars into a children's fund.

10 And Chairman Decker asked a terrific
11 question in an earlier presentation. Which is, how is
12 it that you ensure that the money is going to be
13 appropriately spent when you are setting up a
14 foundation? What was done in that case and what we
15 did was, we went to a third-party foundation, the
16 Philadelphia Foundation, a community-based foundation,
17 and we removed from elected officials and from
18 appointed officials, and from anybody who had a direct
19 interest in any of these areas, the management of that
20 money. We had specific goals in how it was going to
21 be used, but for 30 years, there will be a children's
22 fund that will be fully funded that will positively
23 affect the lives of Philadelphia's children. That
24 combination with the sports complex/special services
25 district, proved to be the watermark, and it really

1 has been the benchmark of how you do a public-private
2 partnership and how you respond to community needs.

3 Over the past year, and even prior to
4 that, once we reached the agreement in the sublease
5 with Penns Landing Corporation, my colleagues and I
6 have met on numerous occasions with members of the
7 neighboring communities. We've listened. And in
8 hearing their concerns, we learned about how they were
9 really, really troubled about the potential of
10 transportation disrupting, and traffic disrupting,
11 their issues. So this, the transportation coordinator
12 position that was created by us was a direct result of
13 those discussions. And in listening to their
14 concerns, the complaints about nightclub patrons who
15 are often drinking in their neighborhoods and
16 littering and doing other things, disrupting their
17 lives, we came to really understand that our interests
18 are aligned with their interests. And we do view our
19 neighbors as our partners and we are using the same
20 approach that I was pleased to use when we developed
21 the sports complex/special services district in
22 creating this true partnership with our neighbors.

23 Now I'm happy to report that we've made
24 considerable progress. And in fact, I'm pleased to
25 report, and I will read this because I pledged to

1 report this correctly, that as part of our
2 discussions, Riverwalk presented a substantive offer
3 to the North Delaware Avenue Unity Coalition. That
4 group represents nine of the neighborhood groups in
5 the surrounding areas around the Riverwalk property.
6 And while we have not reached a final agreement with
7 NDAUC, in their most recent correspondence with us
8 dated yesterday, NDAUC has stated that our
9 interactions have been highlighted by positive steps,
10 and they're encouraged by some of our recent
11 discussions. Moreover, on our proposal, NDAUC in
12 their letter to us states, quote, while the NDAUC is
13 not yet ready to commit to the proposed agreement,
14 because there are several items that we are unable to
15 address in the time available, we view this as a
16 substantive offer on the part of Riverwalk as a step
17 towards formalizing a community benefit preservation
18 agreement and to participate in the special services
19 district.

20 Our participation and our commitment to
21 participate in the special services district and to
22 become partners with our community is not an
23 afterthought, it's not a reaction, it's something that
24 has been part of our application and our very being
25 since the inception of this project. I wouldn't be

1 here if I wasn't absolutely convinced that myself and
2 all of our partners weren't completely committed to
3 these principles. And so I will close by saying that
4 I'm going to skip three slides here, because you have
5 them in front of you and you can read what all of us
6 have done over the past few years. But I will tell
7 you that I did succeed in doing one thing. And that
8 was I passed the most stringent due diligence when I
9 convinced my wife that we were doing the right thing
10 and we were going to do this in absolutely the right
11 way. Thank you, and have a good evening.

12 MR. EARL:

13 Chairman Decker, members of the board,
14 you met our final speaker once before at the public
15 input hearing. She embodies PPG's spirit. Whytni
16 Kernodle Frederick is the daughter of the late
17 founding member of PPG. She is a great legal advocate
18 and the floor is hers for our final part of the
19 presentation. Thank you, Whytni.

20 MS. FREDERICK:

21 Thank you very much, Robert. Good
22 evening Chairman Decker and the members of the
23 Pennsylvania Gaming Control Board. Thank you for
24 allowing me to appear before you today. My name is
25 Whytni Kernodle Frederick. My father was a practicing

1 attorney in Philadelphia, who fought for over 30 years
2 to break down the barriers that prevented access to
3 economic opportunity for members of the minority
4 community. He was troubled that the City of
5 Philadelphia, his birthplace and the city that he
6 loved, gave less than one percent of its contracts to
7 minority businesses, and that the Commonwealth of
8 Pennsylvania had fewer minority business start-ups
9 than states with a comparable minority population.
10 When my father learned that gaming was coming to
11 Pennsylvania, he knew that it would be a powerful
12 economic engine, particularly for distressed
13 communities, who heretofore, had been locked out of
14 the economic opportunities in Pennsylvania. My father
15 and the members of PPG, representing more than 500
16 collective years of living and working in
17 Philadelphia, had a shared vision for the future of
18 Philadelphia and are committed to the betterment of
19 our city. As a result, Riverwalk Casino and all of
20 its owners and operators have committed 2.5 percent of
21 net profits for community development that will
22 greatly impact the North Delaware Avenue Communities
23 and Philadelphia as a whole.

24 Moreover, PPG, the majority interest and
25 holder of Riverwalk, has pledged 20 percent of its

1 equity to finance economic development and empowerment
2 initiatives in Philadelphia and the Commonwealth. We
3 believe in what we are doing and we will put our money
4 behind our vision. Our goal is to create wealth and
5 opportunity in the communities of Philadelphia and
6 across the Commonwealth. And to further this goal,
7 the Pennsylvania Partnership will use this 20 percent
8 to create the Ober Kernodle, III Foundation. The
9 purpose of this foundation will be to enhance and
10 increase access to capitol, employment and procurement
11 opportunities for the underserved, promote and support
12 community revitalization programs that focus on safe,
13 drug-free streets, to promote and support much needed
14 community, recreational and educational programs for
15 families, and to promote and support programs that
16 expose our youth to the cultural arts. We have begun
17 dialogue with the Gaming Board Staff, and we are
18 assured that we will satisfy both the purpose and
19 intent of the foundation and the licensing
20 requirements of this Gaming Board. An integral aspect
21 of the Kernodle Foundation will be the creation of the
22 Riverwalk Equity Fund. This fund is designed to
23 invest in and lend to small and medium-sized
24 businesses for the purpose of economically
25 strengthening underserved communities of Philadelphia

1 and its vicinity. Most importantly, the fund will
2 support micro-lending programs that will have
3 far-reaching effects on eradicating poverty by
4 encouraging self-employment and encouraging income
5 generation for small businesses. The fund will be
6 particularly cognizant of those programs that
7 challenge the conventional banking underwriting model
8 that reject low-income applicants based on poor credit
9 scores.

10 At heart, the fund's mission will be to
11 create a vehicle that will break the cycle of poverty
12 and will complement existing private and government
13 economic stimulus programs. As evidenced by the
14 foregoing initiatives, Riverwalk is committed to the
15 economic growth and development of Philadelphia and
16 the Commonwealth and to the enhancement of the quality
17 of life of its residents. Riverwalk's commitment is
18 based on the premise that it is not a lack of skills
19 which makes poor people poor, but that the poor have
20 skills which remain underutilized, if not unutilized.
21 Riverwalk believes that charity is not an answer to
22 poverty. In fact, it only enables poverty to
23 continue. Charity fosters dependency and compromises
24 the individual's own initiative and ambition. Poverty
25 is, in fact, defeated by the unleashing of power and

1 creativity in each human being. Riverwalk is
2 committed to tapping into people's imaginations and
3 providing them with a roadmap to and the resources for
4 a secure and successful future. In choosing
5 Riverwalk's application, this Board has the
6 opportunity to hit the jackpot, if I may borrow some
7 casino terminology.

8 MR. EARL:

9 You may.

10 MS. FREDERICK:

11 We will maximize the revenue to the
12 Commonwealth, while providing a dedicated lease
13 funding stream in excess of one and a half billion
14 dollars to the City of Philadelphia, and provide an
15 unprecedented and historic impact on the communities
16 most affected by the casinos. I am proud to be just
17 one of a group of civic-minded Philadelphians with a
18 history of giving back to the community. The members
19 of PPG have a collective history of direct and
20 tangible services to the Philadelphia community. And
21 these programs are simply the latest manifestation of
22 this commitment. We believe that in determining each
23 applicant's level of commitment to the Philadelphia
24 community, it is important to look beyond words and
25 promises and to closely examine records of service.

1 The members of PPG have been here year after year
2 working hard to make Philadelphia a better place. It
3 is we who have mentored Philadelphia's youth,
4 counseled Philadelphia's crime victims, secured
5 housing for Philadelphia's homeless, and employed
6 Philadelphia's jobless. Riverwalk Casino is
7 singularly the most responsive to the needs of
8 Philadelphia. We will change a paradigm and, in doing
9 so, transform a city. We welcome the privilege of
10 serving the citizens of the Commonwealth as well as
11 the people of Philadelphia. Thank you very much.

12 MR. EARL:

13 Thank you, Whytni. If I can ask
14 Dougie and Michael to come back to the table? In
15 summary, Chairman Decker and the Board, we hope that
16 today we have hit all the highlights. We told you
17 about our group. We've told you who we are. We hope
18 we've demonstrated our gaming experience in varied
19 types of market. We've covered our funding and we
20 believe that we have the appropriate amount of money
21 allocated for a project of this size and magnitude.
22 We've described our long and successful history of
23 developing tourism and entertainment destinations.
24 We've shown you our design and the practicalities of
25 it. And we feel that our agreement with Penns Landing

1 is something very special. We went even further by
2 committing significant funding to the community,
3 including \$2 million for a local arts project around
4 the building. The ongoing 2-and-a-half percent of our
5 net profits up to \$3 million, and as Whytni told you,
6 PPG has given 20 percent of their net revenue to all
7 the different charities and causes. I'd now like to
8 thank you for hearing us out and as it's early, we've
9 got hours for questions.

10 CHAIRMAN DECKER:

11 Okay. Thank you for your presentations.
12 Let me start with a question if I might, since I went
13 last the last time. Then I will turn it over to the
14 Board. What percent of voting equity, voting percent
15 is this divided up into; between the equity --- the
16 groups that are putting up the 90-plus million and
17 everyone else? The voting stock, I'm interested in
18 the voting rights. Could someone give me that?

19 MR. EARL:

20 The answer, Chairman Decker, is 51, 49
21 PPG.

22 CHAIRMAN DECKER:

23 On voting stock?

24 MR. EARL:

25 Yes, sir.

1 CHAIRMAN DECKER:

2 On voting interests?

3 MR. EARL:

4 Yes, sir.

5 CHAIRMAN DECKER:

6 Okay. Any other questions for the Board?

7 MR. ANGELI:

8 I may have missed this, but during the
9 discussion you talked about how the riparian rights
10 were not an issue. Could you kind of explain why they
11 are not an issue?

12 MR. EARL:

13 I didn't hear exactly what you ---.

14 MR. ANGELI:

15 You said the riparian rights were not an
16 issue.

17 MR. MCCOY:

18 The riparian rights are within the lease
19 that we have with --- lease agreement that we have
20 with Penns Landing Corp.

21 MR. ANGELI:

22 So they have those rights or is that
23 something else? I always thought it was controlled by
24 the state.

25 MR. EARL:

1 Our understanding is the PLC have a
2 different status and that their application will be
3 accelerated. Penns Landing wants to add, make way for
4 the landlord.

5 MR. BROOKS:

6 Just to be clear, it is our understanding
7 that Penns Landing Corporation was conveyed the
8 riparian rights and the Riverbed rights previously for
9 all the piers north of the Ben Franklin Bridge and
10 north of Penns Landing stage watch, stage one. We are
11 in the process of confirming that, but it is our
12 understanding that we had those rights conveyed to
13 PLC.

14 MR. ANGELI:

15 Thank you.

16 CHAIRMAN DECKER:

17 And you conveyed them by lease?

18 MR. BROOKS:

19 Yes.

20 MR. EARL:

21 I can confirm that any rights that Penns
22 Landing have, have been conveyed by lease, sir.

23 MR. ANGELI:

24 Just another follow-up. You talked about
25 I understand you're doing a lot of things for the

1 community and that list of all the work you're doing
2 with different organizations. Has anyone discussed
3 the development of affordable housing in the general
4 region so that people who are working for the casinos
5 or in the surrounding area will have first-time
6 homebuyers' ownerships or opportunities to live in
7 that area?

8 MR. MCCOY:

9 We have not had plans for affordable
10 housing in that area, but through the foundation and
11 the equity fund both, there will be programs that are
12 going to promote housing within the city. And one of
13 the things that we have been obviously promoting about
14 our facility is the availability of public transit.
15 So wherever that housing is within Philadelphia, it's
16 going to be convenient to that public transit and our
17 employees and patrons will be able to get there.

18 MR. ANGELI:

19 Okay. Thank you. And again, the hour is
20 long and we've been here a long time and I may have
21 missed it. When you talk about the establishment of a
22 temporary --- what was the rationale for that?

23 MR. EARL:

24 I apologize firstly, Member Angeli, that
25 I rushed it. But what we said is that our

1 11-and-a-half acre site, were we to be awarded a
2 casino license, can be converted into the permanent
3 facility within 24 months of the award. There is no
4 intention to build a temporary on that site. And we
5 further said that we felt that when you have looked at
6 everything on offer, to get to 24 months and 3,000
7 slots is the right way to go. However, we have a
8 backup plan, because that's what we do. So we went
9 out and found a site, off site, somewhat up the road,
10 which we have not yet presented to all your team that
11 do the work here. And so we said that we would like,
12 if you wanted us to, to consider that option if you
13 were not happy with the 24-month delivery of the
14 3,000. And then just to finish the point, our
15 24-month delivery includes the completion of the
16 facility to put the extra 2,000 slots, which we
17 believe again, puts us ahead of the curve on timing.

18 MR. TEITELBAUM:

19 I think what Robert is conveying, trying
20 to convey is that to just say one is creating a
21 temporary facility in phase one of a development
22 that's temporary with a limited number of early slots,
23 doesn't compute out to necessarily better for us or
24 for the Commonwealth. As compared to the program that
25 we think is best, we think what's best for us is

1 what's best for the Commonwealth, we both have an
2 interest in getting dollars in as soon as possible.
3 Maximum dollars as soon as possible. So we think that
4 we all net better --- I'd look at it as better net
5 value both for myself and for your tax revenue to just
6 move forward fast as possible with the 24-month
7 delivery of the 3,000 slots and the shell for the
8 extra two.

9 MR. EARL:

10 I think that if you were building a house
11 and you were building it in two parts and moving into
12 one part, it's a nightmare. Whatever anyone says, if
13 you're going to prepare yourself for finishing the
14 whole home, it's better to do it before you move in.

15 MR. ANGELI:

16 Thank you.

17 MR. RIVERS:

18 This notion of a temporary facility, is
19 that something that was part of your original plan, or
20 is this plan B as you thought about where you are at
21 this particular juncture?

22 MR. EARL:

23 Member Rivers, we had the opportunity to
24 take larger sites. We chose the Penns Landing site
25 for a multitude of reasons. I won't go through the

1 list again. But we knew when we signed that deal with
2 Penns Landing, that we could not practically put a
3 temporary on that space even if we wanted to, which we
4 didn't. Because it's 11-and-a-half acres and to build
5 it effectively and speedily, one shouldn't do a
6 temporary on it first. However, in case it was the
7 desire of the Board to have that temporary --- a
8 temporary, I apologize, a temporary, we have a
9 provision for that. But anyone's temporary cannot be
10 opened until 12 to 15 months. We are offering the
11 full casino finished within 24. And Dougie, who loves
12 to interrupt me, wanted you to know that within our
13 \$500 million fully-funded project that we're offering,
14 all the money is there for a temporary, if we were
15 instructed to do so.

16 MR. RIVERS:

17 But my question is, when you submitted
18 your application on December the 28th, was the
19 temporary facility at another location a part of that
20 package?

21 MR. EARL:

22 I apologize, I did not understand that
23 question. No, sir, it wasn't. We secured it in the
24 last month or so only.

25 MR. RIVERS:

1 Now you've answered my question.

2 MR. EARL:

3 I apologize.

4 MR. RIVERS:

5 No problem.

6 MS. COLINS:

7 Well, I have a million questions.

8 MR. EARL:

9 Good.

10 MS. COLINS:

11 A million. And actually, it's difficult
12 for me to figure out where to start, so I'm going to
13 just talk to you a little bit about some of my
14 concerns and maybe we can address that as to whether
15 or not we're going to come back to discuss these
16 things further or not.

17 MR. MARSHALL:

18 Why don't you ask your questions?

19 MS. COLINS:

20 Well, my questions are that basically,
21 part of our obligations are to understand the
22 ownership structure of the applicants and the funding
23 sources and do all the appropriate investigations.
24 And I'm going through the ownership structure of the
25 entities involved here. And frankly, I feel as though

1 I need a cram course in corporations once again. It's
2 an extremely complex structure here. And I understand
3 that the project is approximately a \$500 million
4 project and the funding for this project is coming
5 primarily from a Merrill-Lynch obligations; is that
6 correct? \$400 million?

7 MR. TEITELBAUM:

8 Yes, standard project finance in today's
9 capital markets is roughly 80 percent for a project
10 --- it's a standard way to do it.

11 MS. COLINS:

12 That 80-percent funding is going to what
13 entity?

14 MR. TEITELBAUM:

15 And that's Merrill, together they're
16 going to be co-led with PNC Bank from here, but I will
17 definitely at Bay Harbour, we have investments in a
18 number of companies and I will definitely mess up
19 going through the legal structure without a lawyer
20 sitting with me, walking through it. You're correct
21 that it's complicated. So Bill, do you want to do the
22 honors? If you don't mind.

23 MS. COLINS:

24 I would like to know how the money is
25 going to flow down to the project, to the applicant,

1 and fund the project.

2 MR. DOWNEY:

3 I think the simplest way to describe the
4 funding system is to break it into three primary
5 pieces. As you say, we've got a \$400 million senior
6 facility. That's the Merrill-Lynch facility and I
7 don't know to what extent you've been familiar with
8 the discussions we've had with staff, but we worked
9 hard to get that in a position with which staff was
10 comfortable as far as the level of commitment. And
11 ultimately I think we got there to the satisfaction of
12 staff. That is our senior facility and that will come
13 in at the operating company level. The second piece
14 is a ---.

15 MR. MARSHALL:

16 Which is the operating company level?

17 MR. DOWNEY:

18 Riverwalk Casino, LP.

19 MR. TEITELBAUM:

20 We have a slide of ---.

21 MR. MARSHALL:

22 We have them in front of us actually, so
23 it's okay. But if you want to put them up for
24 everyone else, that would be fine.

25 MS. COLINS:

1 Is Riverwalk Casino, LP owned 51 percent
2 by Pennsylvania partners and 49 percent by BHM?

3 MR. DOWNEY:

4 BHM, to be fair. BHM and its affiliates
5 and lender. And the lending parties that are involved
6 out at the PA ---.

7 MS. COLINS:

8 So the 51, 49 is the Riverwalk Casino,
9 LP? Okay.

10 MR. DOWNEY:

11 Yeah. In fairness. Beneficially, yes,
12 that's correct. There are --- boiled down ---
13 Riverwalk Casino, LP is owned by PA Financing, LP and
14 Riverwalk Casino, GP. PA Financing, LP owns 99
15 percent. That's a vehicle that is in place to provide
16 for the second level of funding, which is the \$90
17 million equity funding that you've seen. The \$90
18 million equity funding is coming in through a vehicle
19 set up, PA Holdco, LLC. PA Holdco, LLC is comprised
20 of four families of equity funds. You've got the Bay
21 Harbour group, you've got the Plainfield Group, you've
22 got the York Group, and the Scoggin Group.

23 MS. COLINS:

24 Okay.

25 MR. DOWNEY:

1 They will fund PA Holdco. PA Holdco, in
2 turn will fund PA Financing, and then again a drop
3 down to the operating company, Riverwalk Casino, LP.

4 MS. COLINS:

5 All right. And so the \$500 million is
6 coming from BHM and the subsidiary companies and from
7 Merrill-Lynch; is that correct? And we've got ---
8 okay, so that's --- do we need 10 million more?

9 MR. DOWNEY:

10 Yes.

11 MS. COLINS:

12 And where's that coming from?

13 MR. DOWNEY:

14 You've got an additional four that is
15 already in the pot.

16 MS. COLINS:

17 Where did that come from?

18 MR. DOWNEY:

19 That came from each of the participants
20 that I've just listed in the equity fund group that
21 comprise the owners of PA Holdco. As an early
22 inequity piece for 12 percent of PA Financing, they
23 contributed \$4 million directly to PA Financing. So
24 effectively, they will have two interests. They will
25 have a direct interest in PA Financing, LP and then

1 they'll have an indirect interest in PA Financing, LP
2 through PA Holdco.

3 MS. COLINS:

4 All right. There is \$6 million more now.
5 Where did that come from?

6 MR. DOWNEY:

7 There we get a little more interesting.
8 We have recognized in our modeling what we deemed to
9 be an absolute reality in the gaming world right now.
10 And that is the reality of participation games. We
11 understand that perhaps you haven't seen this
12 necessarily in some of the other P and Ls that you've
13 seen, but we take the position that, frankly, best
14 practices require that we demonstrate to you that in
15 today's gaming environment, it is highly unlikely, if
16 not impossible, that you are going to put the best
17 games out there, the best machines out there, drive
18 the customer in and drive the revenue down without
19 engaging, to some extent, in a participation game
20 environment. Participation games essentially provide
21 that the machines will be provided to the floor
22 without someone writing a check for the full amount of
23 the machine. As a result, from a sources and uses
24 standpoint, in our model, we show \$6 million of
25 machines appearing on our floor. We feel compelled to

1 show that as a source.

2 MR. MCCABE:

3 What is the split of that participation
4 game? Is it split to you and to the owner of the
5 slots?

6 MR. DOWNEY:

7 Yes.

8 MR. MCCABE:

9 What's the split? Eighty (80), 20?

10 MR. DOWNEY:

11 Exactly right.

12 MR. MCABE:

13 Eighty (80) to you? Twenty (20) to them?

14 MR. DOWNEY:

15 That's correct.

16 MR. TEITELBAUM:

17 In terms of the number of machines, yeah.

18 MR. DOWNEY:

19 These are games like Wheel of Fortune
20 that are standardly owned by --- in that case, I think
21 it's IGT. But owned by the ---.

22 MS. COLINS:

23 It's common industry practice, okay.

24 MR. TEITELBAUM:

25 We're trying to show everything in our

1 application.

2 MS. COLINS:

3 Got you. But now PPG, LLC consists of a
4 number of investors; is that correct?

5 MR. DOWNEY:

6 Yes.

7 MS. COLINS:

8 But none of the funding is coming from
9 PPG, LLC; is that correct?

10 MR. DOWNEY:

11 Well, let me say this. They were
12 responsible for their own capitalization at the
13 outset. They were also responsible for certain costs
14 that were incurred bringing them up to the point where
15 we sit here today. But as part of the joint venture
16 agreement back when they first started discussions,
17 the Bay Harbour, Robert Earlside and the family was
18 responsible for pursuing and obtaining funding.

19 MS. COLINS:

20 Okay. And so now I'm trying to figure
21 out where the control is. Where is the control here?
22 We have the money coming from --- we have \$500 million
23 coming from these sources you've just articulated for
24 the record. And then we have another group of many,
25 many investors that have --- PPG, LP has 51 percent of

1 Riverwalk Casino; is that correct?

2 MR. DOWNEY:

3 Yes.

4 MS. COLINS:

5 Okay. So the control is with the group
6 that really is not responsible for the \$500 million.
7 Is that what you're telling me?

8 MR. DOWNEY:

9 Yes.

10 MS. COLINS:

11 Okay.

12 MR. MARSHALL:

13 Could you say that one more time? I
14 misunderstood that. I'm still coming back to who has
15 the voting power here. Who has the decision to change
16 management? Who has the decision to make management
17 decisions? Because I'm reading something here that
18 isn't quite what you said, I don't think. Maybe I
19 misunderstood.

20 MR. TEITELBAUM:

21 I think it depends a bit when you get to
22 operating level, day to day operational issues as
23 compared to what I consider Board issues. I think
24 just to back up, when you speak about the half billion
25 dollars of financing, in a standard accessing of the

1 capital markets today, a financing was put into place.
2 We turned to --- just historically backing up, we said
3 to PPG, we will be responsible for raising these
4 assets. They are good investments in and of
5 themselves. We're in a market that is awash with
6 liquidity. So I can tell you I have half a billion
7 dollars on my books right now, something like that.
8 Looking for homes. Things to do with my money that
9 are reasonable and good risk rewards. Merrill-Lynch
10 and PNC are in the same position, very much wanting to
11 put their balance sheet to work in an environment
12 that's awash with liquidity.

13 CHAIRMAN DECKER:

14 I don't want to cut you short, but I
15 don't think that's what we're interested in.

16 MR. TEITELBAUM:

17 My apology then.

18 CHAIRMAN DECKER:

19 We're not questioning your financial
20 liability.

21 MR. TEITELBAUM:

22 Well PPG, which has it's own Board, of
23 course, controls 51 percent of ---.

24 CHAIRMAN DECKER:

25 So for example, if a company wants to

1 come along and buy your entity, they can make that
2 happen; correct?

3 MR. TEITELBAUM:

4 I have to look at all of the exact
5 by-laws within the control, as with any company as to
6 how many ---.

7 CHAIRMAN DECKER:

8 Usually 51 percent means control;
9 correct? I'm reading a document here entitled Terms
10 of Investment, listed as Schedule one PA Holdco, LLC,
11 which seems to indicate that you have the ability to
12 amend, alter or --- excuse me, Holdco has the ability
13 to amend, alter, or appeal the operating agreement of
14 the issuer or the agreement of the limited partnership
15 of PA Financing or Riverwalk, LP, et cetera. And I
16 mean, the facts are what they are. Just tell us what
17 they are; okay?

18 MR. TIPTON:

19 Mr. Chairman, my name is John Tipton
20 again. The agreement between BHM Gaming and
21 Riverwalk, or PPG for Riverwalk management is as
22 follows. There is a managing board consisting of five
23 members. Those five members are selected, three from
24 PPG, and two from BHM Gaming Opportunities. That
25 actually serves like a Board of Directors. It makes

1 major policy decisions including if the asset were
2 going to be sold. If the hiring of the CEO, the
3 General Counsel, the CFO, people in the senior
4 executive level, major financial borrowings, those
5 kinds of things. All of those, however, require four
6 out of the five members to vote yes. Then there is an
7 executive committee which is ---.

8 CHAIRMAN DECKER:

9 You mean not seven out of seven?

10 MR. TIPTON:

11 No, not seven out of seven. Then there's
12 an executive committee which is made up of two members
13 appointed by PPG and three members appointed by BHM
14 Gaming. That group is responsible for the day-to-day
15 operations of the facility, Riverwalk Casino. They
16 are responsible for everything from deciding which
17 vendors we'll use, to the gaming layout, acquisition
18 of slot machines, those kinds of things. So it
19 operates very similar to any other company where you
20 have a Board and then senior executives only here we
21 have an executive committee. BHM Gaming controls the
22 executive committee, PPG controls the policymaking
23 committee.

24 CHAIRMAN DECKER:

25 Okay, thank you. Mary?

1 MS. COLINS:

2 Mr. Teitelbaum, basically what you are
3 trying to tell me --- tell me if this is not right.
4 But you have a lot of money to invest, you're looking
5 for a good proposition, and consequently arrive at
6 this opportunity; is that correct?

7 MR. TEITELBAUM:

8 That is.

9 MS. COLINS:

10 Am I finishing up your thought there?

11 MR. TEITELBAUM:

12 Yes. I thought that you were kind of
13 saying, gee, you guys are putting up all the money,
14 how are they ending up with 51 percent.

15 MS. COLINS:

16 That's what I was asking.

17 MR. TEITELBAUM:

18 The best I can describe it is, Rob and I
19 have been looking around the world and around the
20 country for gaming opportunities. Bay Harbour is
21 interested in that. We scoured Pennsylvania when we
22 saw that you were going to have gaming. We focused on
23 Philadelphia as the most exciting place, in our view,
24 to get a casino. We went and looked around there, met
25 with these people and they had their wants and we had

1 our wants and the economics of this make for a good
2 investment for my firm.

3 MS. COLINS:

4 That's what I was getting at so that I
5 could have an understanding of how this deal is
6 structured and get some ideas to where the control is.

7 MR. TEITELBAUM:

8 I think I could say we're comfortable
9 with the things we do have control over. We do have
10 the super majority provisions, et cetera, in certain
11 areas. We're comfortable with the protections of our
12 capital.

13 MR. MARSHALL:

14 And no pun intended, but presumably the
15 loan documents trump everything.

16 MR. TEITELBAUM:

17 Yes, sir, of course they do.

18 MR. MARSHALL:

19 So you got 500 out there and who's on the
20 hook for the 500?

21 MR. TEITELBAUM:

22 Well, the 500 is 400 from Merrill and
23 PNC, which you know really means it's going to be a
24 smattering of 100 banks. They quote/unquote
25 underwrite it in today's market. What that means is

1 they sell it down.

2 CHAIRMAN DECKER:

3 Suppose it goes south. We don't expect
4 that, obviously. We do not expect that. But suppose
5 it went south, who pays the 400?

6 MR. TEITELBAUM:

7 To the extent that it goes south, then
8 the entity that's a party to the loan, which I
9 believe, again I'll mess this up, but I think it's ---
10 is it the loans are directly at Riverwalk and not ---
11 okay, so they're at the Riverwalk assets.

12 CHAIRMAN DECKER:

13 So there are no guarantees on this;
14 correct?

15 MR. TEITELBAUM:

16 There are no upstream guarantees. But
17 then junior to those loans at holding company levels
18 is roughly \$100 million, which is an estimated \$94
19 million of equity capital. And the providers of the
20 \$94 million of equity capital, for which I'm the lead,
21 are a group of investors --- a part I cut out of my
22 speech, but a fairly well-regarded group of investors
23 with about \$12 billion under management.

24 MR. MARSHALL:

25 But assuming then, all the loan terms are

1 met, it goes to the level the deal you just talked
2 about the control.

3 MR. TEITELBAUM:

4 Yes.

5 MR. COY:

6 I think I just have two questions.
7 You'll have to bear with me because I'm just a country
8 boy and all that sort of thing. But this executive
9 committee that Mr. Tipton just referred to, who you
10 basically said, they are the ones who are the decision
11 makers with regard to the whole operation; right?

12 MR. TIPTON:

13 Yes. They are the ones who are the
14 decision makers on a day-to-day basis running the
15 operation.

16 MR. COY:

17 And who are they?

18 MR. TIPTON:

19 Robert, Doug, and Pat from BHM Gaming
20 side and then there are two from PPG side, and those
21 are Mr. Johnson and Dennis Cook. And then on the
22 other group where PPG appoints three, it's Dennis
23 Cook, Willie Johnson, and myself. And then it's
24 Robert Earl and Doug Teitelbaum.

25 MR. COY:

1 Okay. Now the next question is --- I'm
2 just trying to make this simple for me. If someone
3 --- and someone was after this earlier, but I guess I
4 didn't quite understand it. If someone were to walk
5 into town and want to buy this operation, who has the
6 authority to sell it?

7 MR. TEITELBAUM:

8 The Board we referred to which consists
9 of Robert and myself and three PPG members, but four
10 of us need to agree. So they would have to convince
11 either Robert or I, although I will tell you, we have
12 not failed to see eye to eye on any issue on any of
13 our other boards over many years, so I think it's kind
14 of the same thing.

15 CHAIRMAN DECKER:

16 Or the two of you could convince them?

17 MR. TEITELBAUM:

18 Or the two of us convince two of them;
19 correct. Yes, sir. This is to me no different than
20 any of the companies that I'm involved in that are
21 super majority provision, et cetera, and I will say,
22 because I think it's important, I'll just use this as
23 a little moment to make an advertisement in response
24 to your questions. The PPG folks, when we met with
25 them, Willie explained to me that they were not

1 looking to be minority window dressing in the deal.
2 They were not looking to have five percent of the
3 equity for all of their work. That they had been
4 working for a considerable amount of time and crafting
5 what they thought was a group of prominent
6 Philadelphians with significant community roots and we
7 like the idea of that. Sometimes Robert and I do
8 things that people look at differently. Like we
9 unionized our casino in Las Vegas. We thought it was
10 good for us. We think this is good for us. We think
11 it's great for them and great for the community. And
12 we still love our economic returns.

13 MR. COY:

14 I guess I confess to admitting that I
15 have more questions about the majority/minority
16 ownership now than I did before.

17 MR. MCCOY:

18 That's why I'm here. I think we're
19 confusing financing with ownership, and with control.
20 I've been in business for 20-something years. When
21 you borrow \$400 million, there are provisions put in
22 until the business itself is working on its own cash
23 flow. You refinance and you do not have the
24 restrictions of the loan and putting the finance
25 together in place. We thought very hard about this.

1 We brought in John Tipton as a consultant. The first
2 thing we asked him to work on was governance
3 provisions that would allow a group of Philadelphians
4 to have control over the things that we needed to have
5 control over, but at the same time would allow an
6 operator to come in with experience to come in and
7 operate a gaming facility. Now that was not easy.
8 He's been in the business a long time. The
9 restrictions that you see on the super majority and
10 all of that, we expect to go away once the business is
11 sitting on its own cash flow.

12 We own 51 percent of this. We intend to
13 make those decisions that would allow us to do the
14 things that we have indicated in the application that
15 we have testified to. So that it's very difficult ---
16 because everybody said okay, if they're raising \$500
17 million, then how are you guys in control? We don't
18 have that level of control until the business is
19 working on its own cash flow. However, even during
20 that time, we're a part of those decisions, a part of
21 each group; all right? And our impact is there
22 because of our majority ownership. And once the cash
23 flow issue is in place, we'll be the absolute control
24 and owner, but we will still not get in the way of our
25 gaming partners because we do not have gaming

1 experience. We hope to gain some, but we do not have
2 any now, but that can maximize revenue.

3 MR. MARSHALL:

4 If you went out and borrowed 500 --- if
5 you owned 100 percent and you borrowed 500, the loan
6 is still going to dominate until you pay it off.

7 MR. EARL:

8 Correct.

9 CHAIRMAN DECKER:

10 What's the term of the loan?

11 MR. TEITELBAUM:

12 I believe it's a minimum five, a possible
13 ten, but that's ---.

14 CHAIRMAN DECKER:

15 That's what you think the payoff ---?

16 UNIDENTIFIED SPEAKER:

17 Yes.

18 CHAIRMAN DECKER:

19 Let me ask you this. Either before or
20 after the payoff of that, how do you split up the
21 profits? I presume there are going to be profits,
22 you're just not paying off the loan. How do you split
23 those up? Is it 51/49?

24 MR. TEITELBAUM:

25 Yes, right. There is loans, some

1 first ---.

2 CHAIRMAN DECKER:

3 Think about it and make sure you have the
4 right answer.

5 MR. TEITELBAUM:

6 There are loans, there's a preferred
7 stock holding company, essentially. There's a bunch
8 of pref that gets paid. There again, I apologize, I'm
9 struggling a bit to state this in a way --- I do this
10 every day in so many companies. There are deals
11 that ---.

12 CHAIRMAN DECKER:

13 I did it for a living for 35 years, I do
14 understand. I definitely follow you. I got you.

15 MR. TEITELBAUM:

16 There are deals that you can go into with
17 negative equity. So there are deals where you take
18 out a fee and own a piece and you're in with negative
19 equity but there are prefs on how money gets paid out
20 front. So I'm struggling with how to make sure
21 everyone --- I'm sitting here feeling a little bit
22 like, no offense to my wonderful lawyer, but the
23 education has not taken place the way it should have
24 before I'm sitting at the table. And it's very hard
25 for me to so briefly get you all to the level of

1 comfort that I feel you should be at. Because what
2 we're doing is all as disclosed on the papers. A very
3 standard method of financing.

4 CHAIRMAN DECKER:

5 I think we're understanding it. The
6 question is a simple question. I'll go back to Mary,
7 but you're saying the profits before and after the
8 payoff of the loan --- and I presume that'll get
9 refinanced anyway at some point time?

10 MR. TEITELBAUM:

11 I would hope.

12 CHAIRMAN DECKER:

13 Yeah. We'll divide it up 51/49 or
14 something close to that.

15 MR. TEITELBAUM:

16 But after the loan and the prefs.

17 CHAIRMAN DECKER:

18 Who owns the prefs, preferred stock? You
19 guys do; right?

20 MR. TEITELBAUM:

21 Robert is not in the pref. Bay
22 Harbour, ---.

23 CHAIRMAN DECKER:

24 There are three classes; right? There is
25 series A, B, and C; right?

1 MR. TEITELBAUM:

2 Yes.

3 MS. COLINS:

4 Mr. Teitelbaum, I wanted to say that
5 actually the whole purpose of this hearing is for us
6 to question so that we can understand. So that the
7 record can be clear and so that we can understand all
8 of these very important issues and so I think today,
9 you did clarify a lot of the questions that your form
10 of ownership, which is very complicated, provided for.

11 MS. TEITELBAUM:

12 Yes, ma'am.

13 MS. COLINS:

14 Thank you. You did a fine job.

15 MS. TEITELBAUM:

16 Thank you.

17 MR. COY:

18 And still, Mr. Chairman, when I define
19 ownership and when I decide --- it's that question
20 about who can make those decisions. Who can make the
21 decisions on not only day-to-day operations, but on
22 possible sale, all those big decisions. I'm trying to
23 understand between the 51/49 and then this four votes
24 on this committee and so on.

25 MR. TEITELBAUM:

1 I think what I would say to is because
2 51/49 is not 90/10, what we've tried to design is
3 something that's fairly equal. Because 51 and 49 are
4 fairly equal. So we tried to create something where
5 both ---.

6 MR. COY:

7 The person who has 51 is a little better
8 than the person who has 49.

9 MR. TEITELBAUM:

10 Yeah, but only a little. So for that
11 reason, economically and governance wise, we tried to
12 create, as Bay Harbour always does, a kind of best
13 practices. And that best practices dictates that on a
14 major transaction like the sale of the business, that
15 there's a super majority, a fairly common thing, that
16 four of the five members need to be in agreement on
17 how to move foreword.

18 MR. MARSHALL:

19 We have two questions. Oh Jeff, I don't
20 want to cut you off.

21 MR. COY:

22 No, thank you.

23 MR. MARSHALL:

24 Two quick questions, and then a question
25 for Denyse. Will your project be able to accommodate

1 table games sometime in the future, in the event that
2 Pennsylvania was to ---?

3 MR. TEITELBAUM:

4 Yes, we will have the space, we welcome
5 that by the way. Yes, we will have the space for
6 that.

7 MR. MARSHALL:

8 And you know, with all the controversy
9 around zoning, everything else like that, it has been
10 suggested that Philadelphia Park and Chester get a
11 head start because they are up and running and that if
12 there's undue delay. Do you have any concern if you
13 get backed up a little bit and ---?

14 MR. TIETELBAUM:

15 Let me preface that a little bit and then
16 hand it to Robert. I would just say that we don't. I
17 think that what Robert brings to bear on the marketing
18 is very special in terms of the celebrity lure and the
19 things that we're going to do. So I would say no.

20 MR. EARL:

21 We would take advantage of the 24 months
22 until we're open. We would be doing advertising,
23 marketing, stimulate great interest all the way
24 through, from the big groundbreaking press events all
25 the way along. We're confident on the timing and we

1 think that we can get into the process very, very
2 quickly. Everyone is working on it now.

3 MR. MARSHALL:

4 This last question is really for Denyse.
5 I've noticed that your projections are actually more
6 conservative than the task force. Any concerns,
7 Denyse about getting to the stabilized year? The
8 transition?

9 MS. MISKIN:

10 No. No concerns.

11 CHAIRMAN DECKER:

12 Thanks.

13 MR. MCCABE:

14 I'm just curious, most of the other
15 applicants have hotels attached to their facilities
16 and you don't. What's your thinking about that?

17 MR. EARL:

18 Our views are slightly different.
19 Firstly, I don't believe --- I haven't really studied
20 it --- I don't believe the other applicants are
21 confirming to you either the funding or that it's in
22 phase one, Member McCabe. So that's still to be seen.
23 Secondly, we take the view that with a 73-percent
24 occupancy across Philly, that we would like to start
25 by working with all of the properties in the whole

1 area. We've discussed it with the Visitor Convention
2 Bureau and all their membership obviously liked that
3 idea. We do have the ability to build upwards. We
4 have no restrictions whatsoever on our lease and to be
5 quite truthful, I believe that were we to be awarded a
6 license, quite a few of the neighbors will change the
7 nature of what they currently do. If there is storage
8 areas and other facilities close by that haven't been
9 developed, I think you would expect to see additional
10 tourist amenities spring up around us.

11 MR. MARSHALL:

12 Okay.

13 MR. TEITELBAUM:

14 I just think that from our studying it at
15 Bay Harbour, bigger is not necessarily better for the
16 kind of project we're doing. I've looked at my
17 competitors and we're spending a lot of money on just
18 what is a significant 3,000 gaming unit operation with
19 all the necessary amenities for that. And I would
20 just say from Bay Harbour's standpoint --- now we do
21 tend to approach things conservatively, but from our
22 standpoint, that's the wise place to start. Properly
23 funded, first-class, expensively built, properly
24 built, gaming operation. That's what provides you
25 with your tax revenues. And that keeps me from having

1 my eye on some other ball that may fail. When what I
2 should be focused on are the 3,000 slot machines and
3 the necessary amenities for those.

4 CHAIRMAN DECKER:

5 Any other questions? Anne? We're
6 finished with questions.

7 MS. NEEB:

8 I have lots of questions, but I'm not
9 here to ask questions.

10 CHAIRMAN DECKER:

11 Where do we stand on the staff's review?
12 I know there were issues about the staff's review
13 because of a lot of changes in ownership which took
14 place through a trust that was brought to you in an
15 exercise of options on October 13th?

16 MS. NEEB:

17 What I asked the Board to do --- we
18 received between October 27th and November 2nd, we
19 received about 15 additional filings. Some of which
20 is in response to questions that staff asked ongoing
21 questions, in addition to some changes which were made
22 around the 13th that are attached to that certain
23 agreement we have not had a chance to analyze. And we
24 would simply just ask that the record be maintained
25 open and we would not want to give a recommendation at

1 this time until we have an opportunity to review all
2 those agreements.

3 CHAIRMAN DECKER:

4 We're going to have to schedule another
5 session, then. Is that what you're saying?

6 MS. NEEB:

7 I think so, that's correct.

8 CHAIRMAN DECKER:

9 It could be very brief.

10 MS. NEEB:

11 And then we will get with Counsel for the
12 applicant to figure out what documents and things we
13 need to go over.

14 CHAIRMAN DECKER:

15 You're talking about background
16 investigations, primarily; right?

17 MS. NEEB:

18 Yes, all background.

19 CHAIRMAN DECKER:

20 All right. Anything from Michael or
21 Denyse or Susan? I would entertain a motion to
22 adjourn, but we need to keep the record open.
23 Anything from your side before we close? I forgot to
24 ask that.

25 ATTORNEY DONAGHUE:

1 Just to the extent that we're going to
2 move documents into the record.

3 CHAIRMAN DECKER:

4 Do you want to do that now?

5 MR. DOWNEY:

6 I think other than those materials that
7 Mr. Donaghue has.

8 ATTORNEY DONAGHUE:

9 I believe that would be Number Ten, a
10 Notice of Intent to Compare with Exhibits H, S, P.
11 Exhibit Number 12, Notice of Intent to Compare with
12 Exhibits Philadelphia Entertainment. Exhibit Number
13 13, Notice of Intent to Compare with Exhibits
14 Keystone. Exhibit 14, Notice of Intent to Compare
15 with Exhibits P, N, K, as well as Exhibit Number 15,
16 first amendment to the J memorandum and Exhibit Number
17 17, Second Amendment to the J Memorandum.

18 MR. DOWNEY:

19 We would have no objection.

20 CHAIRMAN DECKER:

21 Thank you, is that a motion?

22 MR. DOWNEY:

23 I'll move that.

24 CHAIRMAN DECKER:

25 I'll accept that. All in favor? Thank

1 you, motion passes. And again, the usual forms of
2 confidentiality attached to those exhibits. Anything
3 else from the Applicant?

4 MR. DOWNEY:

5 Yes. We're hoping to tack on to the back
6 of that. We have the materials that we've introduced
7 here and with the PowerPoint and the video
8 presentation and also the letter from which Ken
9 Trujillo read earlier this afternoon. I'd like to go
10 ahead and admit those into evidence as well.

11 CHAIRMAN DECKER:

12 Any objections from staff; I'll assume
13 not.

14 UNIDENTIFIED SPEAKER:

15 Chairman, I'll move acceptance.

16 CHAIRMAN DECKER:

17 Second, anybody second? Thank you. All
18 in favor? Any opposed? Motion carries. Again the
19 same confidentiality, although I don't think this is
20 confidential since it was shown in the public. We're
21 adjourning, but we're leaving the record open. Thank
22 you, everyone.

23 * * * * *

24 CONCLUDED AT 7:55 P.M.

25 * * * * *