

PENNSYLVANIA GAMING CONTROL BOARD

PUBLIC HEARING
PITG GAMING, LLC

JULY 10, 2008, 1:54 P.M.

STATE MUSEUM AUDITORIUM
HARRISBURG, PENNSYLVANIA

BEFORE:

MARY DiGIACOMO COLINS, CHAIRMAN
RAYMOND S. ANGELI
JEFFREY W. COY
JAMES B. GINTY
KENNETH T. McCABE
SANFORD RIVERS
GARY A. SOJKA

APPEARANCES:

OFFICE OF ENFORCEMENT COUNSEL
BY: E. BARRY CREANY, ESQUIRE
CYRUS PITRE, ESQUIRE

FOR - PENNSYLVANIA GAMING CONTROL BOARD

LEVINE, STALLER, SKLAR, CHAN & DONNELLY, PA
BY: JOHN DONNELLY, ESQUIRE

FOR - HOLDINGS ACQUISITION COMPANY, LP

SCHNADER, HARRISON, SEGAL & LEWIS, LLP
BY: JAMES EISENHOWER, ESQUIRE

FOR - PITG GAMING

HILLARY M. HAZLETT, REPORTER
NOTARY PUBLIC

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1 CHAIRMAN DiGIACOMO COLINS: I would ask that
2 the individuals for PITG Gaming come up. A petition has
3 been filed in this matter, correct? Mr. Donnelly is
4 here. Who is representing the Petitioner?
5 Mr. Eisenhower?

6 MR. EISENHOWER: Yes.

7 CHAIRMAN DiGIACOMO COLINS: Your client is
8 here?

9 MR. EISENHOWER: Yes.

10 CHAIRMAN DiGIACOMO COLINS: All right. Very
11 good. Thank you. If you could all take a seat, we -- I
12 understand we do have a petition that has been filed,
13 that was filed yesterday that is before us with respect
14 to PITG Gaming.

15 Perhaps we could -- let me acknowledge that we
16 have this today. We have this matter today, and we're
17 entertaining testimony today basically because we have
18 had previous special dates set to hear from this
19 Petitioner as an update on the status of the
20 negotiations on refinancing.

21 We're here, again, on a special basis to find
22 out what information you have to present today in
23 support of your petition. I wonder if your counsel,
24 Mr. Eisenhower, would identify for us who is here in
25 support of this petition, who is present today, and then

1 you can begin by explaining the petition to us.

2 MR. EISENHOWER: Yes, Madam Chair, we are here
3 on a joint petition on behalf of PITG Gaming and
4 Holdings Acquisition Company, LP. I am here on behalf
5 of PITG. Mr. Barden is here also on behalf of PITG.
6 Mr. Neil Bluhm is present on behalf of Holdings
7 Acquisition and his counsel, John Donnelly.

8 MR. DONNELLY: Also, we have Greg Carlin is
9 also here and we would anticipate he would give some
10 evidence as well.

11 CHAIRMAN DiGIACOMO COLINS: All right. But you
12 have here today, I believe, do you not, interested
13 parties here in terms of bridge lenders or
14 representatives for the bridge.

15 MR. DONNELLY: There are attorneys for the
16 bridge lenders, Mr. Jacobi. I see and many other
17 interest interested parties as well. Adam is here as
18 well.

19 CHAIRMAN DiGIACOMO COLINS: Is Mr. Keating --

20 MR. EISENHOWER: Mr. Keating is here.

21 CHAIRMAN DiGIACOMO COLINS: Mr. Keating is
22 here. Okay. Any other stakeholders in this?

23 MR. DONNELLY: I believe there's a
24 representative here from Credit Suisse as well.

25 CHAIRMAN DiGIACOMO COLINS: All right. Very

1 good. Why don't you begin?

2 MR. EISENHOWER: Madam Chair, I would ask
3 Mr. Donnelly to summarize the petition currently before
4 the Board.

5 CHAIRMAN DiGIACOMO COLINS: I'm reminded by
6 Commissioner Angeli to administer an oath to anyone who
7 is going to testify, other than counsel. So anyone
8 other than counsel who is going to testify, if you would
9 rise, we'll ask you to take an oath, please.

10 (Witnesses sworn en masse.)

11 CHAIRMAN DiGIACOMO COLINS: Mr. Donnelly, go
12 on.

13 MR. DONNELLY: I'll sit, if that's acceptable.

14 CHAIRMAN DiGIACOMO COLINS: Yes.

15 MR. DONNELLY: I represent the group, the lead
16 participant, which is Walton Street Capital, LLC, of
17 which Neil Bluhm, who is sitting with me here today is
18 one of the principals.

19 Walton Group, I'll call it for shorthand, has
20 been interested in this project since around July -- I'm
21 sorry -- June 29th, 2008, about 12 days.

22 On that date, an expression of interest,
23 nonbinding indication of interest document was signed
24 between a group that is led by Walton and Mr. Barden's
25 group to permit us to start looking at the due diligence

1 issues, etc.

2 I think it's fair to say that Mr. Barden's
3 group, which, of course, is the entrepreneur and the
4 driver behind this exciting project came to Walton for a
5 variety of unique factors that it has.

6 One, it's a very large and very well respected
7 investment fund. Many of its -- well, at least two of
8 its principals, Mr. Bluhm and Mr. Carlin are already
9 licensed by this entity in association with HSP, the
10 SugarHouse Casino.

11 It has the expertise. It's involved in real
12 estate deals. It was -- I think very clearly the
13 respect of some of the financing entities, who are
14 involved in this deal. It has a reputation to be able
15 to get this deal done.

16 From June 29th, over the holiday weekend, it
17 has been nonstop work. Literally, documents were coming
18 out of the computers at 1:00 a.m. Sunday or Monday
19 morning, Sunday night over the weekend.

20 People in Chicago, lawyers in Chicago and Los
21 Angeles, and Mr. Don Barden's group have been working on
22 this nonstop since then.

23 What is proposed and brought before this Board
24 today is a petition, joint petition seeking an approval
25 of some of the steps necessary to reorganize,

1 recapitalize, and effect the change and control in the
2 casino licensee that currently is controlled by a group
3 that is led by Mr. Barden.

4 We recognize that we cannot expect this Board
5 to grant all of the relief we have asked for in the
6 petition at this time.

7 I hasten to add everyone always comes up here
8 and says what a great job staff is doing. Staff has
9 been killing itself as well. We have had -- I can't
10 tell you how many in person and telephonic meetings with
11 staff, sending documents, forwarding documents sometimes
12 not in final shape yet, and the staff has been reviewing
13 those and commenting on them.

14 This has been a rocket docket, and it is a
15 still a rocket docket. There are certain reliefs that
16 we are seeking from this Board that I would like to
17 address later on.

18 Principally, they are an Order that are -- they
19 are Sections 1, 4, 5, and 6 of the petition. That is
20 the proposed transaction would constitute a single
21 control of a slot machine license as permitted under
22 certain statutes of the Gaming Act and regulations that
23 upon consummation of the transaction, the Category 2
24 slot machine license issued for the City of Pittsburgh
25 would be reissued by the Gaming Board.

1 We recognize that the Gaming Board controls
2 that license to Holdings Acquisition Company, LP, which
3 is not the marketable name but that's the name we're
4 calling the entity as of right now, recognizing a change
5 of control and requesting a reduction of a change of
6 control license fee and some minor modifications to the
7 project development plan.

8 With that, I would like to ask Neil Bluhm to
9 present the financial transaction, a little background
10 on Walton.

11 We're recognizing how lengthy the meeting has
12 been already. We're going to try to be really brief on
13 that. I would like to ask Mr. Bluhm to present and then
14 Mr. Carlin and then I would like to address a couple of
15 the legal issues that staff has raised, if that's all
16 right with you, Madam Chairman.

17 CHAIRMAN DiGIACOMO COLINS: Um-hum.

18 MR. BLUHM: Thank you. I'm Neil Bluhm. I
19 appeared here two and a half years ago a couple of
20 times. So, thanks for listening to me again.

21 I want to give you background how Walton and I
22 got involved in this and -- give you what is going on.

23 Back about two weeks ago, a little over two
24 weeks ago, Don Barden sitting on my right, along with
25 Mr. Keating approached Walton Street about potentially

1 making a significant equity investment in this project.

2 We met along with another potential investor
3 and signed a letter of intent literally 12 days ago.

4 Basically, Walton and some of the Bluhm
5 interests and Mr. Carlin would be prepared to invest
6 \$120 million of equity into this project subject to the
7 completion of our due diligence and the senior financing
8 coming into place, which I will get to in a minute and,
9 of course, Gaming Board approval.

10 We have been working as you have heard on due
11 diligence, drafting documents. I personally met with
12 the Lead Pension Fund in Detroit, which is a key lender
13 to this transaction with Mr. Barden.

14 We had a very good meeting; and as I understand
15 it, they have approved providing guarantees to the
16 mezzanine financing, which I will get to in a minute,
17 which would be a key piece of the senior financing in
18 the transaction.

19 We also have had phone conversations with
20 Credit Suisse, which would provide the senior financing
21 and they have launched that financing proposal. We have
22 met with the staff, etc.

23 Now, let me tell you who Walton Street Capital
24 is. Walton Street is what is called in the business a
25 real estate opportunity fund. It was formed in the mid

1 '90s by four partners of mine and myself and as one of
2 the leading real estate investment firms in the country.

3 It has received equity commitments for its
4 various funds of five and a half billion when we
5 complete the current fund, it will be about six billion.
6 It has acquired about 13 billion of real estate.

7 The investors, as I said, are major
8 institutions, wealthy individuals, and some of the
9 general partners in the fund.

10 It is managed by an entity called Walton Street
11 Managers. I am one of the five senior managers in that
12 fund. I don't control Walton Street. I'm one of five
13 who are the management committee so to speak.

14 The structure that we're talking about would
15 involve Walton Street providing the majority of the 120
16 million and Greg Carlin and certain trusts of Bluhm
17 Family Trusts providing a minority share along with an
18 outside investor, the Lubert-Adler Group making a
19 smaller investment of about \$10 million.

20 For the \$120 million, we would have a senior 75
21 percent interest in the deal with a preference, and
22 Mr. Barden would retain a 25 percent interest and also
23 serve on the Management Committee along with other
24 investors, which I will get to in a minute.

25 The remaining financing that our deal is

1 subject to is approximately \$495 million first mortgage
2 that Credit Suisse would be arranging and along with
3 small, \$10 million revolver and \$22 million equipment
4 financing.

5 A key element of the transaction is a second
6 mortgage of \$150 million. That mortgage would be
7 provided by Key Bank, who, in turn, would have its loan
8 guaranteed by the two Detroit pension funds, which is
9 really a key element to the transaction.

10 As I said, Mr. Barden and I met with them; and
11 they had another meeting, I think it was yesterday, to
12 reaffirm, as I understand it, by a 7 to 2 vote to
13 proceed with this transaction subject to completing
14 legal documentation.

15 Once this transaction closes, the bridge
16 lenders would be paid off. We would complete the
17 facility.

18 Obviously, \$120 million of equity is a key
19 element to give the lenders comfort that this
20 transaction can get done.

21 As far as management of the company, there will
22 be a -- really an initial group that consists of
23 individuals, all of whom are currently licensed by you.
24 That would include myself, Greg Carlin, who will speak
25 to you in a moment, Andrew Bluhm, my son, and of course,

1 Mr. Barden.

2 So, the four initial members making the
3 decisions until the rest of the Walton Group is approved
4 are all currently approved.

5 The other Senior Principals of Walton, there
6 are four of them, would apply for licensing along with
7 Ira Lubert; and hopefully when they are approved,
8 assuming they are, they would join the Management
9 Committee. But until such time, all of the people are
10 currently licensed.

11 At this point, I would like to call on Greg
12 Carlin. Greg is a partner of the Bluhm interests in the
13 Philadelphia deal, runs all of the gaming operations for
14 the Bluhm Group.

15 I should mention, of course, besides
16 Philadelphia where we have a license, Craig and I have
17 done a major transaction, as you know, in Canada and
18 we're just completing a transaction in -- completing a
19 casino in Vicksburg that we are building; Vicksburg,
20 Mississippi, on time and on budget. It should open
21 later this fall.

22 So Craig can tell you a little bit about this
23 transaction. Craig is not involved with Walton Street
24 in any way. Craig runs the casino and other operations
25 for what I call the Bluhm Family Entities.

1 CHAIRMAN DiGIACOMO COLINS: Thank you.

2 MR. CARLIN: Thank you, Neil and members of the
3 Board. I'm just going to update you on what we have
4 been doing over the past week and a half or so as it
5 relates to this transaction.

6 In addition to having three teams of lawyers
7 working and lots of people at Walton Street and people
8 doing due diligence, we've spent a lot of time.

9 We have been in Pittsburgh. We're very
10 familiar with that market. In fact, before we decided
11 to apply for our license in Philadelphia, we actually
12 were in Pittsburgh meeting with the Penguins. We
13 thought it was a great opportunity at the time, but were
14 not able to consummate a transaction with the Penguins.
15 We did know the market and we think it's a terrific
16 gaming market.

17 We're very comfortable with the financial
18 projections. We're still completing some of our legal
19 due diligence and our construction due diligence.

20 As you know, Dan Keating is a general
21 contractor. Dan is building our casino in Philadelphia.
22 He's our partner. We're very comfortable with him, and
23 we think he can get this project built.

24 I also spent a bunch of time with the
25 management team that is going to be working on the

1 project. Ed Vasulo is the general manager there. He is
2 a top-notch manager and very comfortable with his
3 ability to manage this project successfully.

4 The gaming industry is a small industry, and we
5 have got some mutual friends. I have gotten to know him
6 over the last couple of weeks. I actually met him
7 earlier in April when we were looking at this
8 transaction from a lender standpoint. We think there's
9 a great management team in place there.

10 Everything that you have heard about the
11 financing market earlier today is true. It's that bad
12 and maybe worse than that.

13 The interest rate on our senior loan is
14 probably going to be about 12 percent. That's -- if you
15 were to finance a transaction like this last year, the
16 interest rate would have probably been about 8 percent.
17 So the financing costs has gone up quite a bit.

18 As a result of that, the budget on this project
19 is pretty tight. However, after doing our due
20 diligence, we think it's very important to honor all of
21 the commitments that have been made to the North Side
22 Leadership Conference in the city regarding the Hillside
23 section commitments, as well we plan on building the
24 amphitheater prior to opening -- with the opening so
25 that all of the riverfront improvements will be built

1 upon opening of the transaction -- upon opening of the
2 facility.

3 The last thing I wanted to mention was that
4 yesterday, we actually had a conference call with all of
5 the lenders. We relaunched the loan with Credit Suisse
6 First Boston. We have gotten a very positive response
7 back so far. We are very confident that we can get that
8 transaction closed. That's all I have to say. Thank
9 you.

10 MR. DONNELLY: Before I sum up, I think
11 perhaps, Mr. Barden -- it would be appropriate that
12 Mr. Barden address the Board.

13 MR. BARDEN: Thanks, John. Members of the
14 Board, I'm pleased to be here to continue our efforts to
15 bring to fruition the casino in Pittsburgh as I had
16 promised.

17 The financial market has changed substantially.
18 Even though we made the effort to do a bridge loan so we
19 could try to accelerate the timetable, just because of
20 this time in history, we're in a very, very difficult
21 financial crisis in this country in terms of the credit
22 market.

23 It's affected many companies that are
24 struggling in the gaming industry, as well as Corporate
25 America in general, including General Motors, Washington

1 Mutual, Countrywide Financial, Bear Stearns, right down
2 the line. We're a victim of that climate as well.

3 So, I think that from a personal standpoint,
4 though I'm disappointed I could not get this all the way
5 over the go line, I am proud of our achievements to
6 date.

7 I have been at this for four and a half years
8 and have worked diligently. I have no regrets on our
9 efforts. We put together a good team.

10 We have a project in a solid position. We just
11 lacked the kind of institutional capital necessary to
12 get this over the go line.

13 I was happy to convince Mr. Bluhm and the
14 Walton folks to get involved in this project. I hope we
15 can kick-start our construction soon and bring this to
16 our opening very close to our scheduled opening date
17 next month with your blessing and approval. Thank you.

18 MR. DONNELLY: Madam Chairman, if there's
19 questions or you want me to address the legal?

20 CHAIRMAN DiGIACOMO COLINS: Let us ask some
21 questions. Let me start first with Mr. Bluhm.

22 Thank you for coming here and giving your
23 testimony today. It's very important to us that we have
24 an understanding of what your intention is with respect
25 to how this deal is being structured and how you plan on

1 going forward with it.

2 We're watching this very closely. It's very
3 important that things move along. There's been a
4 significant change since the last time Mr. Barden was
5 before us, that being that the construction has stopped.

6 I guess today is the day for us to not only
7 know about what the plans are with respect to the
8 reorganization and refinancing but also where are you in
9 this specifically.

10 Are documents signed? Do you have anything to
11 tangibly give our staff to review so that they can begin
12 to evaluate in terms of what we have to do with this?

13 We have to look at the change of ownership. We
14 have to trace -- we have to do background
15 investigations. We have to determine the types of
16 conditions. So, where are you in terms of finalizing
17 this?

18 MR. BLUHM: Okay. Let's see if I can answer
19 this and Mr. Barden or anybody else in our group who can
20 chime in. Let me try to take it piece by piece.

21 Okay. As I said, we have signed a letter of
22 intent that is subject to completion of our due
23 diligence in the financing and of course, Gaming Board
24 approval.

25 As far as our due diligence is concerned, from

1 the economics, the revenue, and the operating expenses,
2 we're -- we're there. We're satisfied. I think you
3 heard Mr. Carlin.

4 As far as signing up our final terms with
5 Mr. Barden, we have, I would say, orally reached what I
6 would call an agreement of principal.

7 We have documents that are being negotiated,
8 and it is our hope and expectation that we can with our
9 lawyers and theirs get something signed in the next 24
10 hours or so with Mr. Barden.

11 As far as the lenders, there are two lender
12 groups. The key to this transaction I have said before
13 is the pension funds agreeing to provide the guarantee
14 for the second mortgage financing.

15 I have been advised, as has Mr. Barden, that
16 the transaction has been approved. This is their
17 advisor. Documents are being drafted to complete that
18 transaction.

19 As far as the senior lenders, you know, we feel
20 confident that if all of these other pieces are put
21 together, the senior loan should be accomplished. We
22 have heard good reactions to our launch meeting, so to
23 speak. That's a phone conversation with potential
24 investors, which we did yesterday on that piece.

25 As far as presenting information to you, I know

1 that our attorneys, etc., have been giving you a great
2 deal of information. As far as vetting the people, we
3 have structured this in such a way that the only people
4 initially who will be in the management position are
5 people who have already been licensed by you. That's
6 Mr. Barden, myself, Mr. Carlin, and Andrew Bluhm.

7 So, then applications would be filed in due
8 course by the other managing Principals of Walton
9 Street, along with I believe Ira Lubert, who, I actually
10 believe, has filed an application as well. Although, he
11 would remain in a noncontrolling position.

12 The Walton people once approved would come on
13 the Board, etc. So, that's basically where we are.

14 CHAIRMAN DiGIACOMO COLINS: I guess what I'm
15 trying to do is trying to get a grasp of a time frame
16 because there has to be a cushion. Obviously, no money
17 is going to go into the deal until there is a closing.
18 There will be a closing.

19 In order for there to be a closing, I believe,
20 we have to approve the change of control, the change of
21 ownership, and place certain conditions on this.

22 So, we have to have time to review things so
23 that we can give approval and then you can go to a
24 closing. That will take time.

25 In the meantime, there's a contractor. There's

1 construction that is not going on. Where does that
2 piece fit into all of this?

3 MR. DONNELLY: Well, you're absolutely right,
4 and Dan Keating is here. I understand that the project
5 hasn't stopped. It's not moving as quickly as it was
6 before; but, as Neil pointed out, part of I think the
7 reason Don chose and came to Walton is we're able to
8 structure as -- I'm not telling you anything you don't
9 know but for the media and others out there, there's
10 really three elements that people have to be licensed
11 and vetted and looked at.

12 The investors have to be licensed and vetted
13 and looked at. The control people have to have the same
14 thing. The human beings are licensed. All of those
15 human beings who will have any ability to control this
16 entity in any way, shape, or form are already licensed.

17 The institutions that are putting money in are
18 either we believe and have briefed this and have had
19 extensive discussions with staff, all the financial
20 sources or financial backers as you would say in the
21 statute, are either exempt because they're institutional
22 investors or they're licensed banks.

23 As to the entities that will be involved, the
24 entities too are either brand-new entities that have no
25 history are either -- are -- that therefore, there isn't

1 really an investigation -- necessary investigation with
2 them or they are entities that we believe that are
3 exempt as well to some degree. I'm speaking essentially
4 as institutional investors in the form of Walton.

5 That said, there are key documents that are
6 very important. The joint venture agreement, which
7 turns on the finalization of the business terms, of
8 course, your staff has to see these documents to be
9 1,000 percent sure that there is no control in any
10 unlicensed person.

11 There are no percentages that would violate any
12 of the statutory provisions and all of that. Those
13 documents, all of those await kind of the absolute
14 finalization of some of these deal points and due
15 diligence.

16 CHAIRMAN DiGIACOMO COLINS: Well, are you just
17 talking to us today or going to give us an idea of time?
18 What are we doing time-wise?

19 We need to know when we have to reschedule
20 something. We need to know that construction will be
21 back on track. These are important issues for us, very
22 important.

23 COMMISSIONER COY: Madam Chair, if I might.

24 CHAIRMAN DiGIACOMO COLINS: Yes.

25 COMMISSIONER COY: First of all, Mr. Bluhm,

1 thanks for being here. The Board appreciates it because
2 this project is, I think, also as the Judge said, sorely
3 in need of credibility.

4 The people of the Pittsburgh area, the elected
5 officials, everyone involved awaits this Board's action
6 and your and all of the investors' approval.

7 But it's time to put some finality to this.
8 It's time for us to be able to tell the people, the
9 taxpayers and everyone, what is going to happen next and
10 when it's going to happen. They deserve that.

11 And again, thank you for being here, Mr. Bluhm.
12 We appreciate it. I don't know where you're going to
13 spend more time in, Pittsburgh or Philadelphia. Maybe
14 Mr. Carlin will work that out with you.

15 The truth is, that's what we need to do today.
16 We need to know where we are, when we're going to get to
17 the finish line, and some facts. I think that's where
18 the Judge was having --

19 CHAIRMAN DiGIACOMO COLINS: Any --

20 MR. DONNELLY: Let me --

21 CHAIRMAN DiGIACOMO COLINS: We need some
22 answers.

23 MR. DONNELLY: I understand that.

24 CHAIRMAN DiGIACOMO COLINS: And actually, we
25 have all of the parties here. We can give you a room.

1 You can go somewhere for a couple of hours and then come
2 back to you with some answers. We can do that for you.

3 MR. DONNELLY: There's a lengthy meeting going
4 on. Look. Let's cut to the chase here. The business
5 terms have to be done within 24 hours, I believe.

6 When those business terms are done and
7 Mr. Bluhm has said there's an indication of intent that
8 went out 12 days ago and there's been no deviation from
9 that indication of intent. Mr. Bluhm is sticking to
10 that -- I say Mr. Bluhm. It's Walton Street.

11 When those matters are resolved, which we
12 believe can be, I think they have to be resolved in 24
13 hours because those -- of all of the documents that are
14 in draft form, those documents have to be finalized and
15 in the hands of your staff.

16 I believe after talking with all of the sides,
17 after talking and attending all of the meetings with the
18 Board and talking more importantly more than anyone in
19 this room, Dan Keating, this has to be done by the 15th.

20 We have expressed to staff that we need a -- we
21 ask for a special meeting of the Board. We think we
22 have structured this. We're confident we have it
23 structured in a way that will minimize the amount of
24 paperwork necessary. That's not to say it isn't an
25 enormous amount of work.

1 CHAIRMAN DiGIACOMO COLINS: Today is the 10th.
2 We have had two other special meetings. I'm serious
3 about giving you an opportunity to sit down for a little
4 bit of time, to come back, and answer the question
5 because if you want us to schedule a meeting so that we
6 can give the necessary approvals, then don't waste our
7 time.

8 We need to know that we can come and have
9 something to really look at, that the staff has had
10 something to look at. Now, I realize I'm being very
11 pushy here. These are important issues that we have to
12 review. We cannot let this go on indefinitely.

13 MR. DONNELLY: We are eager to either have a
14 deal or not have a deal.

15 COMMISSIONER RIVERS: Let me add, too, that as
16 we talk about this deal, it should be representative of
17 what we voted upon in terms of the facility the day we
18 issued the license because I think that, you know, as I
19 read the paper, I saw where they were proposing
20 cutbacks. I'm telling you that that is unacceptable.

21 The City of Pittsburgh, this Board, the people
22 of the Commonwealth of Pennsylvania expect a world class
23 facility with the amenities that were promised to you
24 and to us at the time that we issued that license.

25 As we talk about this, please make sure, I

1 think Mr. Carlin said that the amphitheater and the
2 walkways and all of that is going to be a part of this.

3 All I can say, gentlemen, is congratulations.
4 Please deliver that to the people of Pittsburgh.

5 CHAIRMAN DiGIACOMO COLINS: All right. Let's
6 do this. I would like to take a recess. It's been a
7 long morning for us. I would like to take a break of
8 about an hour. We'll come back in an hour.

9 Perhaps, you'll have more to discuss with us.
10 If not -- if not, then so be it. We'll continue with
11 our program for the day, but I would like to take an
12 hour. Thank you.

13 (Break.)

14 CHAIRMAN DiGIACOMO COLINS: Now, let's bring
15 the PITG parties up because I think this will not take
16 long.

17 Does the Office of Enforcement Counsel have any
18 comments or anything you would like to say at this
19 point? I'm going to give you an opportunity.

20 MR. PITRE: First of all, Madam Chair, we
21 received a petition today, the actual file petition. We
22 received a draft yesterday electronically.

23 We're not in a position to comment on the
24 petition. We haven't received the exhibits for the
25 petition. As they stated, they're still working on

1 agreements.

2 We're hopeful to receive documents very soon
3 because without those documents, we cannot proceed with
4 looking at the transaction, how everything is laid out.

5 Also, I would like to move into the record
6 various public comments that have been sent to the Board
7 from some elected officials and from some individual
8 citizens with regard to this project.

9 I provided Mr. Eisenhower a copy of those
10 comments. Outside of any objection that he may have to
11 me entering those into the record, I would like those
12 comments moved into the record for the Board's
13 consideration.

14 MR. EISENHOWER: No objection.

15 CHAIRMAN DiGIACOMO COLINS: Thank you. They
16 are accepted.

17 Mr. Donnelly, let me go to you now, and ask you
18 if you have anything further at this point?

19 MR. DONNELLY: I would like to turn it over to
20 Mr. Bluhm, who is the person.

21 MR. BLUHM: Okay. We met during this hour. I
22 believe we reached an agreement in principal on
23 everything. I believe that this transaction with
24 Mr. Barden can be executed sometime tomorrow.

25 Our lawyers will work all day, all afternoon

1 and night and I believe we can -- Mr. Barden wants to
2 get this done. We want to get this done. It can be
3 executed tomorrow.

4 We would then submit that document along with
5 additional documents to the staff of the Board as we go
6 along.

7 Our plan in terms of timing has really not
8 changed. Our hope is that we can get enough documents
9 into you so that by this special meeting that we were
10 hoping you would have on, I believe, the 15th or 16th
11 could approve the transaction and that we could actually
12 close within a matter of days thereafter.

13 I cannot commit when the two lending groups
14 will sign up their documents, but we believe that we
15 certainly know that the pension fund has approved it.
16 Their lawyers are working with us, and we believe that
17 we will get something done certainly with the senior
18 lenders, which has always been the easier part of the
19 transaction.

20 So, you know, assuming there aren't any new
21 hiccups and things of that sort, we believe that we can
22 get this closed, you know, within a matter of days after
23 you have approved the transaction. At that point, upon
24 the closing, the construction would be continuing full
25 boat .

1 There's one other thing I would like to say and
2 that is that you have justifiably raised issues about
3 the quality of this project and is it going to be of
4 sufficient quality as what you thought you would have
5 approved when you granted the license.

6 First, I would like to say that Mr. Barden has
7 put together a first-rate team and put together a really
8 first-rate development. We would not want to do this if
9 we didn't think that it wasn't a first-rate development.

10 So, as Mr. Carlin has said, you know, it is our
11 intention to do the exterior items near the outside of
12 the project, as was originally promised. I know there
13 was some talk that it might be delayed. It is not our
14 intention.

15 I believe this will be a fabulous project, and
16 we're looking forward to being partners with Mr. Barden.

17 I must say that, you know, these are very tough
18 times financially -- okay -- not only for Don Barden,
19 for the leading banks in the world. So, it's not easy
20 to put things financially together in this environment
21 and it's not his fault. It's nobody's fault. The world
22 has changed very quickly.

23 Our funds are fortunate that we have
24 substantial equity capital to put in. It's hard to get
25 that financing. The real reason is that the major banks

1 have so much old debt on their books that until they
2 move that debt, they don't want to make new loans.

3 I want to say we're proud and happy if we can
4 close this transaction with your blessing obviously, to
5 be his partner, I think it will be a first-rate project.
6 Times are not easy now. It's not his fault, and he has
7 put together a very good team.

8 CHAIRMAN DiGIACOMO COLINS: Good. Well, thank
9 you. What we intend to do now is to wait for you to
10 present to the staff your executed documents.

11 As soon as we get them, the staff will work
12 diligently to review them; and as soon as those
13 documents come in and we have a look, we will set up a
14 date to come back and review in terms of whether or not
15 we can approve them. So, we'll wait for the documents.

16 As soon as the signed deal comes in and as soon
17 as our staff indicates they have got it, we will set
18 something up and notify you.

19 All right?

20 MR. BLUHM: All right.

21 CHAIRMAN DiGIACOMO COLINS: Thank you very much
22 for your time.

23 COMMISSIONER RIVERS: Before you leave,
24 Mr. Barden, is there anything you would like to say?

25 MR. BARDEN: Yeah. I'm delighted to enter into

1 this partnership. As you know, we tried very hard to
2 bring it about ourselves.

3 I agree with Mr. Bluhm, these are very, very
4 difficult times and extraordinarily difficult in certain
5 instances for certain people who don't have access; but
6 nevertheless, I'm proud that it will continue. My dream
7 will come, too. I'll still be a part of it.

8 We did do the design. We did find the site,
9 and we insisted on it being a first class facility. I'm
10 just happy that it will come about pretty much on
11 schedule as we had planned.

12 I want to thank the staff and the Board for
13 having the patience and sticking with us. We're still
14 ahead of everybody else when you compare it to Neil's
15 Philadelphia and other places. I'm going to try to help
16 him out there as well.

17 But I'm really looking forward to it and one
18 thing that -- and I do have a continuing role, not as
19 active because the man is putting up the money, so he is
20 going to lead it. The reality and the practicality of
21 it, those with the gold make the rules.

22 CHAIRMAN DiGIACOMO COLINS: All right.

23 MR. BARDEN: In final, I just want to say I do
24 have an option to increase my stake from 25 percent by
25 another 18.75 percent if I make an investment, a

1 specified investment amount. Thank you very much.

2 CHAIRMAN DiGIACOMO COLINS: Thank you.

3 COMMISSIONER RIVERS: Thank you very much.

4 CHAIRMAN DiGIACOMO COLINS: Let me reiterate --
5 I'll turn it over in a minute. Let me reiterate, a
6 signed joint venture agreement, signed documents
7 evidencing a completed deal. All right?

8 COMMISSIONER McCABE: Mr. Barden, Mr. Bluhm, I
9 think you're going to be another winning team for
10 Pittsburgh. Come through for us. Thank you.

11 MR. BARDEN: Thank you.

12 MR. BLUHM: We're going to try as hard as we
13 can. I know we've only been in this for two weeks but
14 we've been working full time, spent a lot of money on
15 legal fees. I think only the lawyers are getting rich
16 on this deal, which is the usual case.

17 COMMISSIONER COY: Some things never change.

18 MR. BLUHM: But we're going to try as hard as
19 we can and we're optimistic we can get his done.

20 CHAIRMAN DiGIACOMO COLINS: Thank you.

21 COMMISSIONER COY: Madam Chair --

22 CHAIRMAN DiGIACOMO COLINS: Go on.

23 COMMISSIONER COY: -- just a question, we heard
24 during the presentation some testimony that work
25 continues on the site.

1 Earlier, we had heard and of course, one of the
2 things that has been frustrating to the Board, we have
3 learned much of the things that we know by what we read
4 in the paper also.

5 There was reports that construction had ceased.
6 Then we heard today that it's continuing minimally.
7 Where are we there?

8 MR. BARDEN: There are supervisors there and
9 Dan may be able to expand upon this. Dan, do you want
10 to come --

11 CHAIRMAN DiGIACOMO COLINS: That would be good
12 to hear from Mr. Keating.

13 COMMISSIONER COY: I was sort of looking over
14 your shoulder at the gentleman who approaches the
15 microphone.

16 MR. KEATING: Madam Chairman, nice to see you
17 again. We have been using a term on the site which
18 you'll not hear in the construction industry at all and
19 that is sleep mode.

20 We were -- I mean, the good news/bad news was
21 that come July 1st, we had to stop effectively all work;
22 but as I told Don -- I'll come back to that in a second.

23 We have an extraordinary group of
24 subcontractors and vendors on this project. We have had
25 full disclosure with them since day one. We met with

1 them, and they agreed to cut back their forces.

2 Certain work, we had to stop. We still
3 continued all supervision. All of the shop drawing work
4 continues. Most of the trades kept their supervision
5 on. We kept all four crane operators for the pleat
6 casters on as this deal moves forward. And like you,
7 Madam Chairman, we're anxious to see it move forward
8 quickly.

9 Our hope is to start work -- was to start work
10 July 15th. So all of the subs have been told of this.
11 They have all bought into it. We have had our schedules
12 revised so that we can hopefully get back to our
13 original schedule. We may be a few days off one way or
14 another.

15 We're very comfortable that this takes place
16 the way it has been spoken about today and the last
17 several days that we are on course.

18 The other thing I would like to say because
19 this has been a very difficult time for the entire
20 operation is that on the 16th of June, I think it was
21 the 16th of June and then, again, on June 30th, we had a
22 full scale meeting with all of the subcontractors, every
23 vendor in our trailer.

24 I asked Don to come in and give everybody the
25 absolute story of where we were and where their jobs

1 stood. In our world, that's a great thing when that
2 happens. So part of the reason we have, I think, a
3 successful situation out there and the ability to fire
4 up very quickly is because Mr. Barden was
5 straightforward. Everybody knew the facts, and they all
6 bit in.

7 It's been a tough ball game. They are all
8 there, and so we're going to hit it.

9 CHAIRMAN DiGIACOMO COLINS: Thank you very
10 much, Mr. Keating.

11 Okay. Thank you.

12 COMMISSIONER RIVERS: Good luck, gentlemen.

13 (The hearing concluded at 3:55 p.m.)

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1 I hereby certify that the proceedings and evidence are
2 contained fully and accurately in the notes taken by me
3 on the within proceedings and that this is a correct
4 transcript of the same.

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Hillary M. Hazlett, Reporter
Notary Public

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