

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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PUBLIC HEARING

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BEFORE: MARY DIGIACOMO COLINS, Chair
Raymond S. Angeli, Jeffrey W. Coy, James B.
Ginty, Kenneth T. McCabe, Sanford Rivers
and Gary A. Sojka, Members
Keith Welks, Ex-officio Designee

HEARING: Thursday, August 14, 2008
10:00 a.m.

LOCATION: Pennsylvania State Museum
300 North Street
Harrisburg, PA 17120

WITNESSES: Susan Hensel, Melinda Tucker, Maureen
McBride, Cyrus Pitre, John Donnelly, Neil
Bluhm, Don Barden, Greg Carlin, Dan Keating
Dean Mosites, Jon O'Brien, Richard O'Neill,
Jim Talerico, Dave Kwait, Mike French
Gerald Wiemann, Paul Bonnie, Jethro Heiko,
Lily Cavanagh, Sharon Capretto, Rich
Stanizzo, Adrian Anderson, Robert Bloom,
Barry Creany

Reporter: Kenneth D. O'Hearn
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JOHN M. DONNELLY, ESQUIRE
John M. Donnelly, P.C.
26 South Pennsylvania Avenue
Atlantic, City, NJ 08401
Counsel for PITG Gaming, LLC
and Holdings Acquisition Company, L.P.

BARBARA KAYE, ESQUIRE
Honigman, Miller, Schwartz and Cohn
2290 First National Bank
660 Woodward Avenue
Detroit, MI 48226
Counsel for PITG Gaming

CYRUS PITRE, ESQUIRE
Chief Enforcement Counsel
Commonwealth of Pennsylvania
Harrisburg, PA 17106
Counsel for the Commonwealth

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MAUREEN MCBRIDE, ESQUIRE

24 East Market Street

P.O. Box 565

West Chester, PA 19381

Counsel for Valley View Downs

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CHAIRMAN COLINS:

Good morning. I'm Judge Mary Colins. I'm Chairman of the Pennsylvania Gaming Control Board. And first I'd like to ask everyone to please turn off their cell phones and their Blackberries and other electronic devices, please. And I'd like to indicate that a quorum of the Board is present. The meeting is now called to order. And we'll commence with the Pledge of Allegiance, please.

PLEDGE OF ALLEGIANCE

CHAIRMAN COLINS:

Thank you. I'd like to welcome all parties and participants and counsel to this meeting. Thank you for joining us today. By way of old business, the Board held an executive session on August 13th, 2008 in accordance with the Sunshine Act. The Board discussed privileged agency business and consulted with Counsel and other professional advisors to the Board concerning current litigation and matters in which complaints are expected to be filed.

Now, the first order of business on this agenda is Valley View Downs, and Valley View Downs is scheduled today for an update. I'll call upon the

1 Office of Enforcement Counsel and Melinda Tucker,
2 Director of Racetrack Gaming to provide a status
3 report on this Category 1 Slot Machine License
4 Applicant.

5 MS. TUCKER:

6 Good morning, Chairman Colins and members
7 of the Board. This morning I would like to advise the
8 Board that last Friday, August the 8th, I attended the
9 Harness Racing Commission meeting in Wilkes-Barre,
10 Pennsylvania. And at that meeting, the Harness Racing
11 Commission granted Valley View Downs relief for a
12 petition that they filed asking for an extension of
13 time to commence racing operations at their facility
14 in Lawrence County. That petition was granted and the
15 time was extended from September 5th, 2009 to
16 September 5th, 2010. What that means is they have two
17 more years plus in which to build their racing
18 facility and commence racing operations. I'll be
19 happy to answer any questions that you may have.

20 CHAIRMAN COLINS:

21 Was this an unconditional extension?

22 MS. TUCKER:

23 Yes, it was, Chairman Colins. And I do
24 have the order here if you would like me to present
25 that to the record.

1 CHAIRMAN COLINS:

2 That would be great, thank you. Any
3 other questions? Office Enforcement Counsel?

4 ATTORNEY PITRE:

5 Good morning, Madam Chair and members of
6 the Board. The Bureau of Investigation and
7 Enforcement is continuing its background investigation
8 with regard to the Valley View Downs application. We
9 are on track to complete that investigation by the end
10 of the month. September 1st, I believe, is what we
11 are on track for. With the understanding, now we do
12 know that Valley View is in negotiations with its
13 lenders. Any new financial terms that come out of
14 those negotiations would require our financial
15 forensic accountants to go through those documents and
16 to report back on those documents. Until we receive
17 those documents from Valley View Downs I can't give
18 you an estimate as to how long that would take. But
19 roughly that's a --- I hate to put a time period on it
20 but roughly it takes about ten days to do that. But
21 we are on track for our September the 1st background
22 investigation, the completion of that with regard to
23 the individuals and the entities. And depending on
24 what comes out of the negotiations for the financial
25 --- with the lenders, I'd respectfully wait before

1 giving a determination as to the time period for that.

2 CHAIRMAN COLINS:

3 So then it's your best estimate that
4 barring any situation that is beyond our control, that
5 our own investigations should be completed or on track
6 for being completed on or around early September;
7 correct?

8 ATTORNEY PITRE:

9 That's correct.

10 CHAIRMAN COLINS:

11 And then in addition to that any
12 renegotiations of refinancing that are completed will
13 then have to be submitted to us for our due diligence
14 evaluation; correct?

15 ATTORNEY PITRE:

16 That's correct.

17 CHAIRMAN COLINS:

18 Any questions of the Office of
19 Enforcement Counsel? All right, thank you very much.
20 And Counsel for Valley View, Ms. McBride? Good
21 morning.

22 ATTORNEY MCBRIDE:

23 Good morning, Chairman Colins and members
24 of the Board. My name is Maureen McBride. I'm here
25 from Lamb McErlane on behalf of Valley View. I'd just

1 like to take a brief moment to update the Board on the
2 status of both the project and the negotiations we're
3 currently having with our lenders. With respect to
4 the status of the project as the Board is aware a
5 significant amount of work has been done by Valley
6 View on the project, approximately \$20 million has
7 already been expended in preconstruction work in terms
8 of infrastructure, sewers, et cetera. The project is
9 fully prepared for construction. The contractor
10 remains in place. If a license were issued today, for
11 example, we would be able to begin construction
12 tomorrow. Without the license, unfortunately the
13 project is on hold as we've already expended all the
14 prelicense money we've been allotted under our credit
15 facility.

16 In terms of the status of financing and
17 negotiations with the lenders, again as the Board is
18 aware, we had a deadline in our credit facility of
19 July 15th, 2008 for an award of a license.
20 Technically, we are in default of that agreement. We
21 are actively and continuously negotiating with the
22 lenders and have been since July 10th when we made our
23 application and were unsuccessful in getting a
24 conditional license. As I'm sure the Board can
25 appreciate, it's a very complicated process. There

1 are a lot of different parties involved with a lot of
2 different collateral priorities. But we've been doing
3 everything humanly possible to keep the negotiations
4 moving forward and to keep the project moving forward.

5 I just want to make it clear that Valley
6 View intends to maintain its application before the
7 Board. We are encouraged that we are on track for a
8 suitability hearing in September, that the reports
9 will be in. We understand, of course, that a material
10 change in the financing would need to be reviewed by
11 staff. And we give you every assurance that as soon
12 as we complete the negotiations we will provide that
13 information, you know, immediately to the staff for
14 its review.

15 If there is any opportunity that that
16 process could be accelerated, that would help us
17 significantly with our lenders. And I know that the
18 reports are due in by the first of the month and
19 according to Bureau of Investigation and Enforcement
20 may be in that early. If there is any opportunity to
21 accelerate the process we would greatly appreciate it.

22

23 And I just want to say in closing that
24 Valley View pledges and continues to pledge its
25 continued cooperation with the Board. If there's

1 anything that we can do to help move this process
2 along more quickly by making people available,
3 documents available, whatever the Board needs, we'd be
4 happy to provide that. Thank you.

5 CHAIRMAN COLINS:

6 Office of Enforcement Counsel, do you
7 have any questions?

8 ATTORNEY PITRE:

9 Only, Ms. McBride, that once those
10 negotiations are complete, that you notify us so that
11 we can start receiving those documents. Or as we
12 receive documents that come to be near final and
13 complete documents, that you forward those to me so
14 that I can get them to the appropriate personnel.

15 ATTORNEY MCBRIDE:

16 Absolutely.

17 CHAIRMAN COLINS:

18 Ms. McBride, we as a Board are very
19 sensitive and aware of the financial exigencies. It's
20 your circumstances. I mean, it's not subtle. We
21 understand that time is of the essence for you in
22 terms of this market. And to the extent that we can
23 do or are doing everything that's within our control
24 to do to complete all the investigations that we can
25 complete, be assured we are doing that. So we are

1 moving forward within the confines of those
2 investigations which we control at this point. And we
3 will be providing you with the results of those as
4 soon as they are complete which is towards the
5 beginning of September. So thank you.

6 ATTORNEY MCBRIDE:

7 Thank you. We appreciate that.

8 CHAIRMAN COLINS:

9 Now we will move to the next item on the
10 agenda which is the Joint Application that was filed
11 relating to the Category 2 Slot Machine License in
12 Pittsburgh. Now at this point in time we will reopen
13 a public hearing which was last convened on July 10th,
14 2008. And specifically, we have before the Board,
15 I'll ask Counsel to come on up and start getting, you
16 know, setting up for this. We have the continuation
17 of that hearing. It was the Joint Application of PITG
18 Gaming, LLC and Holdings Acquisition Company, L.P. for
19 Approval of Reorganization, Change of Control and
20 Recapitalization of PITG Gaming, LLC and Other Relief
21 in Connection Therewith.

22 ATTORNEY PITRE:

23 Madam Chair, please bear with us as we
24 play musical chairs.

25 CHAIRMAN COLINS:

1 Sure, take a few minutes. Before we
2 actually begin with the hearing and the acceptance of
3 further evidence, there's an issue which I want to
4 address on the record prior to that dealing with
5 whether or not I should recuse myself in this matter.
6 This was an issue that was discussed in the media and
7 was also inquired of at the Senate Hearing two weeks
8 ago. It's a matter which I have sought the opinion of
9 counsel on. I've asked the Office of Chief Counsel to
10 please research the law and advise me as to what the
11 law is with respect to the issue of recusal as it
12 relates to a telephone call received from
13 Representative Dwight Evans and to other letters which
14 have been received from various legislators throughout
15 this process having to do with PITG Gaming. So I will
16 read my statement into the record.

17 Specifically, during the morning hours of
18 Monday, July 14th, 2008, I received a telephone call
19 while in my Harrisburg office from Representative
20 Evans. Representative Evans stated in that call that
21 he was aware of the pending joint application that is
22 before us today. He explained that the legislature
23 when it enacted the Gaming Act believed in the
24 importance of diversity in gaming and that he
25 personally supported diversity in the ownership of

1 gaming-related enterprises. Representative Evans
2 stated his support for the PITG project and expressed
3 a desire to make sure that Mr. Barden was treated
4 fairly in this process.

5 I did not initiate that call, did not
6 discuss my views or the facts associated with the
7 joint application. And I was not asked to take any
8 particular action. Subsequent to receiving this call
9 I logged into the Pennsylvania Gaming Control Board's
10 ex parte communication log, notified the remaining
11 members of the Board as well as the parties to this
12 proceeding who are given a chance to respond. These
13 actions were consistent with the Board's Code of
14 Ethics.

15 Indeed it is noteworthy that
16 Representative Evans' statements to me were entirely
17 consistent with a May 1st letter he sent to the Board
18 in support of the PITG project. In fact, four days
19 prior to receiving the phone call from Representative
20 Evans, at the Board's July 10th, 2008 meeting
21 Representative Evans' letter was admitted into the
22 record of these joint application proceedings. As I
23 am sure that those of you who have followed these
24 proceedings closely are aware, given the level of
25 public interest in the joint application's requested

1 relief, the Board has opened the record in this
2 proceeding to receive public comments both verbal and
3 written. Included in those comments was
4 Representative Evans' May 1st letter as well as
5 numerous letters from several other members of the
6 General Assembly, all of which have expressed opinions
7 about the matters which have been the subject of the
8 joint application.

9 Make no mistake, I take my duty to be
10 objective and not influenced by outside sources very
11 seriously. As many of you know, prior to sitting on
12 this Board I sat for many years as a Judge of the
13 Court of Common Pleas. In that capacity I had to be
14 vigilant and cognizant of the risk of engaging in ex
15 parte communications. Clearly this is not a new
16 concept to me.

17 With that history and experience I have
18 reviewed the facts surrounding my July 14th
19 conversation with Representative Evans and the
20 applicable law as analyzed and provided to me by the
21 Office of Chief Counsel. Having done so I am
22 comfortable proceeding and considering this joint
23 application as a member of this Board. Indeed I do
24 not feel my conversation with Representative Evans
25 which did not touch upon any specific fact in issue

1 relating to this joint application. I have no doubt
2 that going forward in this proceeding I will cast my
3 vote as an individual vote of my own conscience based
4 upon the law and the facts as established in the
5 record before me. Notwithstanding my self assurance
6 that the July 14th conversation with Representative
7 Evans will in no way impact me in this or any other
8 proceeding. I have as I've mentioned previously
9 consulted with the Office of Chief Counsel, sought
10 their legal advice on how to proceed under these
11 facts.

12 Chief Counsel, after an extensive review
13 of the applicable law and the facts as I've recited
14 here today for the record, has concurred in my
15 assessment of the situation and agrees that I may
16 proceed in consideration of the joint application
17 given my belief that I will not be influenced by
18 receipt of that call in the independent exercise of my
19 duty to fairly consider the joint application. As
20 such, that is what I intend to do and I will proceed
21 and go forward participating in this hearing and the
22 vote.

23 Now, I believe Commissioner Coy also has
24 a statement he would like to make addressing this
25 issue as well.

1 COMMISSIONER COY:

2 Thank you very much, Madam Chair. Before
3 we proceed I, too, would like to make a brief
4 statement relative a similar telephone call I received
5 from Representative Evans on the same day, July 14,
6 2008. Specifically during the morning hours of that
7 day I received a telephone call from Representative
8 Evans. He called me at my home which I did not find
9 unusual since Representative Evans is a friend of mine
10 from my days in the State House of Representatives.
11 Indeed Representative Evans and I have talked
12 occasionally on a variety of topics over the years.

13 On the morning in question Representative
14 Evans and I spoke for less than two minutes. The call
15 commenced with small talk and general pleasantries and
16 soon thereafter, Representative Evans reiterated a
17 position familiar to me from our service together in
18 the House of Representatives, as well as public
19 statements he has made since. Specifically, that he
20 supported minority participation in all aspects of
21 gaming in the Commonwealth and related to that general
22 support of diversity and gaming. Representative Evans
23 stated that he wanted to make sure that Don Barden as
24 the sole minority person with a large ownership stake
25 in a Pennsylvania slot machine license be, and these

1 were his words, treated fairly.

2 I did not engage Representative Evans in
3 any conversation about Mr. Barden, PITG or the joint
4 pending application, nor was I asked to do any favors
5 for Mr. Barden or Representative Evans. Indeed I saw
6 the nature of the call as a simple reiteration of
7 Representative Evans' long-held views as well as the
8 May 1st letter which the Chair responded to earlier
9 that was accepted into evidence just a few days
10 earlier.

11 I did not then and I do not today feel
12 Representative Evans was attempting to exert pressure
13 on me to decide any manner in any specific way. His
14 call to me clearly was an expression of his desire to
15 see fairness in the process and did not in any way
16 touch upon any facts at issue in the joint application
17 proceedings.

18 Subsequent to receiving the call, I, too,
19 like the Chair had that logged into the Pennsylvania
20 Gaming Control Board's ex parte communication log. I
21 notified my colleague members of the Board as well as
22 parties to this proceeding who were given a chance to
23 respond. These actions were consistent with the
24 Board's Code of Ethics. I, like the Chairman, take my
25 duty to be objective and not influenced by outside

1 sources very seriously. Ultimately, I do not believe
2 the call I received from Representative Evans will in
3 any way influence my vote on the joint application or
4 for that matter, any other proceeding. I certainly do
5 not feel any bias or prejudice as a result of the
6 call.

7 Notwithstanding that fact, I, too, have
8 consulted with the Office of Chief Counsel seeking
9 their legal advice on how to best proceed. The Office
10 of Chief Counsel has concurred in my assessment of the
11 situation and it agrees that it would be in no way
12 improper for me to proceed in consideration of the
13 joint application given my firm belief that I will not
14 be influenced by the receipt of the call on July 14th.
15 As such, that is what I intend to do. Thank you,
16 Madam Chair.

17 CHAIRMAN COLINS:

18 Thank you very much. Commissioner Coy
19 and I have now made our statements regarding the issue
20 of recusal. Let me ask Counsel for the joint
21 applicants whether or not they have any statement or
22 would like to object or have any objection to what we
23 said regarding this?

24 ATTORNEY DONNELLY:

25 We have no objection on behalf of

1 Acquisition.

2 ATTORNEY KAYE:

3 We have no objection on behalf of PITG

4 Gaming.

5 CHAIRMAN COLINS:

6 I'm sorry.

7 ATTORNEY KAYE:

8 We have no objection on behalf of PITG

9 Gaming.

10 CHAIRMAN COLINS:

11 All right. Could you identify

12 yourselves, please?

13 ATTORNEY KAYE:

14 I'm Barbara Kaye from the law firm of

15 Honigman Miller on behalf of PITG Gaming.

16 ATTORNEY DONNELLY:

17 John Donnelly on behalf of the joint

18 effort which is known by the name of Holdings

19 Acquisitions, a strange name.

20 CHAIRMAN COLINS:

21 And Office of Chief Counsel, your

22 statement or objection?

23 ATTORNEY PITRE:

24 Office of Enforcement Counsel has no

25 objection.

1 CHAIRMAN COLINS:

2 Very good. Then we will proceed. Moving
3 forward, I'll spend a minute now discussing the
4 proceeding today. First we will hear from the joint
5 applicants. That will be followed by the Office of
6 Enforcement Counsel (OEC) questioning any witnesses
7 presented by the joint applicants, questions from the
8 Board of the joint applicants and any Redirect which
9 may be desired by the joint applicants.

10 Next we will allow persons who have
11 registered to speak and any interested elected
12 officials to come forward and make a statement for the
13 record. Board members are free to ask questions of
14 any such speakers at this time as are Counsel for the
15 joint applicants and the OEC. Following that, the OEC
16 will present their evidence followed by Cross
17 Examination of OEC witnesses by the joint applicants
18 and any OEC Redirect.

19 The joint applicants will then have the
20 opportunity to present rebuttal evidence they may
21 have; however, I would caution the joint applicants
22 that any such evidence will be limited to the issues
23 raised in Enforcement Counsel's case in chief or
24 issues raised by public speakers.

25 Finally, we will have closing arguments.

1 Joint applicant will go first, then OEC. And after
2 closing arguments we will then recess and deliberate.
3 So let's proceed now.

4 ATTORNEY DONNELLY:

5 Thank you. May it please the Commission,
6 Madam Chairman, members of the Commission, my name is
7 John Donnelly as I noted. I'm appearing today with
8 one of the joint applicants, Holdings Acquisition Co.,
9 L.P. which we will probably refer to today as
10 Acquisitions or the acquiring entity and so on.

11 As you know, we filed an application
12 before this Board on July 9th I believe it was and we
13 appeared on July 10th before this Board. At that time
14 the Board listened to us attentively and adjourned
15 while we had more business discussions. We reconvened
16 and there were more meetings and we broke for that day
17 and continued the business discussions in this matter
18 that's before you today. Subsequently we were asked
19 to appear and did appear before Senate Committee and
20 testified, some of the principals testified at that
21 committee meeting as well. During that committee
22 meeting we went over a number of the issues that will
23 be raised today.

24 Beyond that we have had enumerable
25 discussions with staff that have ranged from eight

1 o'clock in the morning until nine, ten, eleven, twelve
2 o'clock at night. There have been weekends and
3 weekends and weekends dedicated to these transactions.
4 I said it before on the 10th and I say it again I've
5 never seen a staff of state employees work like this
6 and understand a deal like this and quiz people like
7 this as your staff did. So they are to be commended
8 on that. It's been a long and arduous task and we've
9 reached that.

10 I'm prepared to begin with my opening but
11 perhaps if the Chair believes now is an appropriate
12 time to swear the witnesses I would be calling?

13 CHAIRMAN COLINS:

14 Thank you for reminding me. That's a
15 very good idea. Would all those who are going to
16 testify today in this matter please rise.

17 WITNESSES SWORN EN MASSE

18 ATTORNEY DONNELLY:

19 Thank you. I want to frame this issue,
20 and not for this Board which is aware of what the
21 issues are and has been aware with them in dealing
22 with these from the early spring. But I want to frame
23 it for the people who are out here and pardon me,
24 everyone, pardon my back because in order to use this
25 microphone I need to kind of address both groups.

1 But let me read from an exhibit. It's a
2 July 9th letter. It's from what are called the bridge
3 lenders. Now the bridge lenders are folks who come in
4 and lend to projects while the project is getting up
5 and running. And when there's an expectation that
6 final and permanent financing will come through, then
7 the bridge lenders will be taken out of their bridge.
8 They're bridging the transaction.

9 While everybody in this room knows that
10 after these bridge lenders made this loan, this nation
11 suffered a tremendous credit crunch. Household names
12 like Bear Sterns went under. Names like Merrill
13 Lynch, close. Gaming stocks reached their 52-week
14 low. Financing was unavailable for any project, even
15 the most quality projects. And of course, the bridge
16 lenders are in the middle as was Majestic Star Casino
17 which is a fabulous project and as was Don Barden who
18 was the visionary who came up with this project.

19 Now, let me talk about what was said in
20 this July 9th, 2008 letter so we know how --- and
21 everyone out in Pittsburgh and in Allegheny County and
22 this state, Commonwealth, knows what was facing this
23 state at that time because of this credit crunch.
24 There was \$200 million owed. My guess is that's
25 probably close --- that amount alone is probably close

1 to the biggest project that ever happened in Allegheny
2 County. I know this project that we're proposing
3 today is far and away the largest project that has
4 ever been proposed.

5 On May 19th a default letter had been
6 sent. And there was an agreement not to foreclose
7 until May 27th. Then that agreement not to foreclose
8 was extended until June 11th. Everyone in this room
9 from reading the paper knows that Mr. Barden
10 assiduously sought financing, the Apollo Group came
11 forward and was interested for awhile and the Apollo
12 Group could not obtain or did not obtain the
13 financing.

14 At this time of this writing, Dan
15 Keating, the contractor who is building the building,
16 was owed \$24 million. Another \$20 million was due in
17 June, for a total of \$44 million. And that wasn't to
18 go to Dan Keating's pocket, that was to go to union
19 workers, it would go to contractors, subcontractors in
20 this project, 86 percent of which are local
21 contractors, 86 percent. And we're going to have
22 testimony today from representatives of those
23 contractors and representatives of those unions. At
24 the day of this letter construction had effectively
25 stopped because there was no money. The bridge

1 lenders in phrase of legalese said that they are about
2 to, quote, commence the exercise of remedies under the
3 credit agreement and to issue to the lone parties a
4 notice of disposition of the collateral by public
5 sale. Well that translates to we're going to put this
6 property up for a public auction.

7 Now, that would cause any rational
8 business person to consider the alternative to that
9 which is bankruptcy. The sale was scheduled July
10 24th. It was adjourned until July 31st but it was
11 scheduled for July 24th. So that's what was facing
12 this project. That's what was facing the Commonwealth
13 of Pennsylvania. That's what was facing these
14 contractors who are businessmen in these communities
15 and women. That's what was facing these union
16 employees. And for those who have said that this
17 project should go under, I want everyone to stop and
18 think about that for a moment. In one of the toughest
19 economic times we've had in this country when no one
20 can get credit, when companies that everyone knows of
21 and has relied on are going under. There are people
22 out here in this audience maybe who would say, well,
23 let it go.

24 That's not what's going to happen with
25 the --- if the Board approves what we ask for today.

1 In late June, on June 29th, Dan Keating, the builder,
2 with the help of Don Barden who continues to
3 vigorously seek alterative financing met in Chicago
4 with a group, a large private investment firm that's
5 headed in part by a man by the name of Mr. Lubert.
6 And they invited Neil Bluhm who is also one of the
7 shareholders in another large investment firm in
8 Chicago known as Walton Street. And they met. And
9 they looked to see is there any way we can save this
10 project, these contractors, this job, this
11 entertainment project that's going to be about close
12 to an \$800 million project.

13 Now, if we were --- again for the
14 naysayers out there, if we were in the South opening a
15 plant that would hire and pay 500 people and put a
16 \$200 million or \$100 million rate bond, people would
17 be welcoming us. If we were in the middle of this
18 state or anyone else in this Commonwealth, people
19 would be welcoming us. Mr. Bluhm looked at this deal
20 as did Adler. They ultimately entered into a letter
21 of interest that said we will take a look at it. In
22 order to make this deal happen a number of things had
23 to happen. New money had to come in, cash, equity.
24 And as you all know, the credit markets were shut
25 down. So money had to be found.

1 Number two, lender had to be found. Not
2 the bridge lenders who were leaving --- not the bridge
3 lenders who wanted out, but new lenders to come in had
4 to be found. All that had to be documented. And what
5 Mr. Barden and Mr. Bluhm and Dan Keating and Mr.
6 Lubert and others put together and we are presenting
7 today is the following: \$205 million of new cash.

8 Now, I know numbers, everyone glazes over
9 with numbers. \$205 million of equity, cash, coming
10 into this project. The remainder of debt coming in,
11 two private pension funds from the City of Detroit who
12 are here today and will address this Board have agreed
13 to guarantee a second loan from Key Bank in Detroit to
14 make a loan to this project. Credit Suisse has agreed
15 to put together an aggregated group of investors to
16 loan to this project. Project has been completely
17 memorialized on paper and it has been presented to the
18 staff and the staff here over these long nights and
19 long weekends until the staff, we believe, is
20 completely satisfied that every I has been dotted and
21 every T has been crossed. It's taken a long time.
22 It's a miracle in these economic times that this could
23 happen. It is a miracle.

24 You only have to go out, walk out and
25 pick up the Wall Street Journal and turn to three

1 pages and you'll read an article, I haven't even seen
2 it today, of entities' people's projects that cannot
3 obtain financing.

4 So we come here today and ask this Board
5 to approve a number of steps that have to be taken to
6 cause this project to happen. I want to emphasize it
7 is the same project that Don Barden envisioned. It is
8 in the same sight. It has the same traffic patterns.
9 It has the same market. It has the same environmental
10 situations. It has the same zoning. Mr. Barden
11 remains a partner in this business. So it is the same
12 project that this Board approved in its adjudication
13 and process and procedures earlier on. What has been
14 changed is the economic times and the institution and
15 bringing in of new money and new depth to this project
16 so that it can happen.

17 I apologize to the Board for turning away
18 but I think it's important because the Board I know
19 knows all this. But I have been rankled and continue
20 to be rankled by reading in the paper people, and I'm
21 not blaming the newspaper, but people comment in the
22 paper that this project should not go forward. I want
23 everyone to sit and think what happens if this project
24 doesn't go forward. No one can see into the future.
25 But I foresee bankruptcy. I foresee a project that

1 sticks out on the bank of the Ohio River for a long
2 time, jobs gone, investment gone, spin-off investment
3 gone, an opportunity for a fabulous entertainment
4 complex to help revitalize that area, an opportunity
5 for the Hill District because Mr. Bluhm and his group
6 have the financial wherewithal to honor the commitment
7 that Mr. Barden made to the Hill District. An
8 opportunity for the Northside Leadership Conference
9 because Mr. Bluhm and his investment group have the
10 financial ability to honor that commitment. And the
11 fulfillment of the commitment that everyone in Western
12 Pennsylvania was interested in with regard to the
13 arena. Because again, this new money and this new
14 equity can do and can fulfill the dream that Don
15 Barden had.

16 So all you naysayers out there who want
17 to sweep that off the table and go home, think about
18 that. With that I'd like to ask Neil Bluhm.

19 MR. BLUHM:

20 Thank you, Board, for hearing us again.
21 I don't want to spend too much time on the background
22 because we discussed some of that when we were here
23 last time and our Counsel, John Donnelly, has taken
24 everybody through. But I do want to mention just a
25 couple of things.

1 When we first met with Mr. Barden and Dan
2 Keating and discussed this transaction, as I've
3 indicated earlier we thought it was a terrific project
4 and a great site and a great opportunity. But these
5 credit market conditions are really very severe. I've
6 been in the real estate business for 38 years. During
7 that period of time I have been involved in the
8 acquisition and development of \$50 to \$60 billion
9 worth of projects around the country. And credit
10 conditions today are about as tight as I've ever seen.
11 Two years ago credit was so available that it was
12 unbelievable. You know this from what we all hear
13 everyday about the sub prime situation. You could
14 borrow in business money more cheaply and more money
15 than I had ever seen. And what often happens is the
16 pendulum swings too far in each direction. So at that
17 point two years ago credit was too available, there
18 was too much money being borrowed, too much leverage
19 and starting with the sub prime residential issue,
20 that credit condition has spread from residential for
21 sale housing to commercial real estate, casino, now
22 auto loans, virtually every type of credit, not only
23 in the United States but throughout Europe.
24 Everything I'm saying is pretty common knowledge in
25 the Wall Street Journal or any business, Federal

1 Reserve President discussing this.

2 So these are not easy times. But we
3 thought it was a terrific project and wanted to see if
4 we could put something together, make a good
5 investment and do something that we thought would be
6 beneficial to the City of Pittsburgh and the
7 Commonwealth. Originally we signed a letter of intent
8 or whatever we called it, I think it's a letter of
9 interest, where we were going to commit \$120 million
10 of equity. It was fortunate that our fund has a lot
11 of equity, that's the Walton Street Fund. We now have
12 raised our total equity commitment to up to \$205
13 million and we will be funding between \$200 and \$205
14 million if this transaction is approved by the Board.

15 The reduction of debt and increase of
16 equity makes this a much better project because
17 there's less debt, there's much improved covenants in
18 our loan, it's safer, there's more cash flow available
19 after debt service, there's more financial stability.
20 Between the debt that we've arranged and the equity
21 that we will provide there will be ample funds to
22 complete the project and we will be in a position to
23 meet the various commitments that have been made
24 initially by Mr. Barden's group and now by our group
25 that we'll discuss in more detail later.

1 Now, I suppose the next question is
2 where's that money coming from and who are these
3 folks? The investor group consists principally of
4 Walton Street Capital, three trusts which are in
5 existence and were established by my three adult
6 children for their children, my grandchildren, Greg
7 Carlin, my partner in gaming activities, and Ira
8 Lubert who was part of the initial discussions and the
9 group that he controls. Our group will invest
10 approximately \$205 million of new cash equity, a part
11 of it junior preferred equity, a part of it senior
12 preferred equity and, of course, a common interest.

13 Now, who is Walton Street Capital because
14 they're the principal source of the \$200 million.
15 Walton Street Capital is a real estate investment
16 group, one of the leading firms in the United States.
17 It was founded in 1995 by five principals, all of whom
18 were affiliated at that time before forming Walton
19 with J&B Realty which was a real estate company that I
20 started back in 1970 with my roommate in college. I
21 am one of five shareholders of the general partner of
22 Walton Street. The general partner is a corporate
23 general partner. The real cash of Walton Street comes
24 from major institutional investors throughout the
25 United States, leading pension funds of states,

1 cities, et cetera, leading financial institutions,
2 insurance companies, banks, endowments for
3 universities and other charities, wealthy families and
4 funds of these sorts are not uncommon. They're well
5 known. In the corporate buyout world you have funds
6 like KKR, et cetera, that do corporate buyouts; in the
7 real estate business you have funds like Walton
8 Street, Lubert Adler, Blackstone and others.

9 Over the years Walton Street has raised
10 in excess of \$5.4 billion of cash equity. We've
11 acquired in excess of \$13 billion worth of real
12 estate. And have one of the top performing records of
13 real estate opportunity funds as they're commonly
14 called. During this period Walton Street has been
15 involved in many developments, about \$750 million of
16 it in equity and over \$2.7 billion in total cost.

17 Now, also part of the investment group is
18 the so-called Bluhm Family Group. We have been
19 involved in gaming with our partner, Greg Carlin, for
20 several years. Our gaming activities include the
21 Fallsview Casino and Resort in Niagara Falls, Canada.
22 We were selected by the government of Ontario to
23 develop then sale back to the government and manage
24 and operate a \$1 billion new project that we built on
25 time and on budget. We --- also affiliates own ---

1 are the majority owners and managers of a casino, the
2 Riverwalk Casino which is under construction in
3 Vicksburg, Mississippi, that's opening on time and on
4 budget, it's actually opening a couple of months
5 sooner and will open, I believe, this October. As you
6 also know, our group is involved in the Sugarhouse
7 Casino in Philadelphia where we were selected to build
8 the project there.

9 Both Greg Carlin and I are currently
10 licensed principals by the Pennsylvania Gaming Control
11 Board, and this is an important factor. Greg runs the
12 gaming operations. There are some pictures or slides,
13 I won't spend a lot of time, but slides of some of the
14 projects that we've been involved in such as the
15 Fallsview Casino in Niagara Falls, SugarHouse Casino
16 in Philadelphia and the Riverwalk project in
17 Vicksburg.

18 In addition to our involvement we have
19 Don Barden's group. They will continue to be an owner
20 of this project. They will own 20 percent indirectly
21 through entities, common equity interest in the
22 company that will own and operate the casino. And
23 they also have an option to purchase additional
24 preferred equity and common equity in the transaction.

25 There is an additional important player

1 in the company which are two pension funds from
2 Detroit. These pension funds will indirectly hold a
3 two and a half percent partnership interest or a total
4 between the two of five percent and they will have an
5 option to purchase two and a half percent of the
6 preferred equity and two and a half percent of the
7 common equity.

8 The pension funds' key role here is to
9 provide credit enhancement for a second mortgage loan.
10 The senior financing, a \$405 million loan, is coming
11 from an underwriting being arranged by Credit Suisse.
12 That \$405 million loan consists of two pieces, a
13 senior tranche and a junior tranche. In addition,
14 there's \$105 million term loan being provided by Key
15 Bank. The key to the Key Bank loan is that that loan
16 is going to be guaranteed, what's called credit
17 enhancement, by the two Detroit pension funds. In
18 addition, there will be a \$10 million revolving credit
19 facility and there will be \$26 million of vendor
20 financing for selling the equipment which is, of
21 course, not funded at the closing.

22 Next slide will take you through what we
23 call the transaction overview. You can see who owns
24 what. Of the 75 percent not owned by the new \$205
25 million Walton owns 74 percent of the 75 percent.

1 High Pitt which is an entity basically formed by the
2 Bluhm Trust and Greg Carlin will own 19 percent. The
3 CIRA, C-I-R-A, which is Ira Lubert's entity along with
4 Dean Adler will own 6.8 percent. And an additional
5 entity of Mr. Carlin will own .2 percent. That is the
6 ownership of Pittsburgh Gaming Investors which is our
7 group, the new \$205 million, which owns 75 percent of
8 the ultimate project. Don Barden and his partners own
9 20 percent. And the two pension funds together own
10 five percent. That adds up to 100 percent.

11 Now, we own together, Pittsburgh Gaming
12 Investors, that's the new \$205 million and Barden is
13 20 percent and the two Detroit pension funds. We own
14 Holdings Gaming Borrower who borrows the \$150 from Key
15 Bank which is guaranteed by the pension funds and \$405
16 million from Credit Suisse. That entity in turn owns
17 Holding Acquisition Company which owns the license and
18 owns and operates the property.

19 When you cut right through it, who owns
20 this thing because it can get complicated. But the
21 next slide shows you that. Walton Street in substance
22 owns 55.6 percent. The three trusts formed by my
23 children own 13.1 percent. CIRA, that's the Lubert
24 groups, owns 5.1 percent. Barden owns 20 percent,
25 that's the Barden Group by the way and there's been

1 some confusion because I always refer to Don as the
2 Barden. But he has some investors in his group. The
3 two pension funds own five percent. And Carlin and
4 certain employees of LAMB, that's the group that runs
5 the casino things, own 1.2 percent. So together that
6 adds up to 100 percent. That's your ownership of the
7 new casino without getting into all the
8 technicalities.

9 I'd like to turn this over to Michael
10 Sklar, I believe, who's going to comment on some other
11 matters.

12 ATTORNEY DONNELLY:

13 I'll pick up on this just to keep the
14 continuity going. One thing I'd like to ask you, Mr.
15 Bluhm, there's some confusion that people think you
16 own Walton Street. Could you explain what your role
17 in Walton Street is?

18 MR. BLUHM:

19 I'll go over that again. Walton Street
20 is a fund, as I mentioned earlier, and the majority of
21 that money is put up by major institutions. The
22 current fund that will be investing in this is Fund
23 Six and that will have between two and two and a half
24 billion dollars of equity. They currently have raised
25 approximately \$2 billion which is committed in the

1 bank so to speak, money gets called as soon as you
2 have investments. But as I mentioned earlier, that
3 company does not make --- the pension funds, the
4 institutional investors, they don't make the decisions
5 what to invest in, they rely on Walton Street Capital
6 which is a company through various entities that
7 controls the investing entity.

8 And Walton Street Capital, the decision
9 maker, is a corporate general partner in this
10 transaction and I am only one of five shareholders of
11 that entity. I do not control that company. I am
12 just one voice of five. And then we have a whole
13 group of younger partners who participate in the
14 process. I am on the Investment Committee but I am
15 one of five and do not control Walton Street Capital.
16 I through my family have made some investments in the
17 fund but that says a limited partner and have no
18 control whatsoever through that investment.

19 ATTORNEY DONNELLY:

20 As to these trusts, I'd like to clarify,
21 these trusts, is that your money that went into this
22 trust, these trusts or your children's money?

23 MR. BLUHM:

24 The trusts are three trusts that have
25 been established by my three grown children for their

1 children. I keep calling --- for their grandchildren,
2 it's for their children, my grandchildren. Those
3 trusts have been in existence so they have other
4 investments and they are the investors in this
5 transaction.

6 ATTORNEY DONNELLY:

7 And you do not control those trusts?

8 MR. BLUHM:

9 I do not control those trusts in any way.
10 I don't control my grown children. I think I said
11 when I testified before the Senate Hearing, if you
12 think I can control my grown children, then I'd like
13 to meet with you afterwards and tell me how you do it.
14 The children make their own decisions, they're all
15 grown adults, these are their trusts.

16 ATTORNEY DONNELLY:

17 And do you understand that Mr. Lubert
18 who's going to be the CIRA principal has an
19 application pending before this Board?

20 MR. BLUHM:

21 Yes. As I understand it, Mr. Lubert has
22 an application pending and he will have no control, no
23 vote, and in fact, just will have a warrant right to
24 invest after he has been approved.

25 ATTORNEY DONNELLY:

1 And of course, Mr. Barden and his group
2 have already been licensed?

3 MR. BLUHM:

4 That's correct.

5 ATTORNEY DONNELLY:

6 And Mr. Carlin has been licensed. Do you
7 understand that the very minor LAMB employees are
8 exempt from licensure under the Board's rules?

9 MR. BLUHM:

10 Yes.

11 ATTORNEY DONNELLY:

12 And do you understand that the pension
13 funds as investment funds are exempt from licensure?

14 MR. BLUHM:

15 That is correct.

16 ATTORNEY DONNELLY:

17 And that would apply to both the pension
18 funds and to the Walton Street investment funds to
19 your knowledge?

20 MR. BLUHM:

21 That is correct. It's important to
22 understand, and it's not just in Pennsylvania, but all
23 over the United States. The pension funds and other
24 institutional investors who invest in these funds are
25 not normally or typically required to be qualified for

1 want of a better word to invest in gaming or other
2 things because they're passive investors and they're
3 institutions, and as I understand it from our counsel
4 and everybody else are clearly exempt from
5 qualification in this transaction.

6 ATTORNEY DONNELLY:

7 Thank you. What we are seeking today as
8 the Board is aware, and again, for the purposes of the
9 public and others, we are seeking licensure of the
10 four bottom entities which will be the entities --- if
11 the Board approves they will be the entities that will
12 control this project that will receive the funds that
13 Mr. Bluhm spoke about, and will get the job back going
14 and so on.

15 The reason we seek only these four bottom
16 entities at this time is because there are a number of
17 other entities involved. And almost all those
18 entities, if not all of them, are either newly created
19 shell corporations, and I don't mean shell in the
20 negative way but they're new corporations that were
21 created for tax and liability purposes and other
22 corporate, if you will, purposes and/or they are
23 exempt because they are funds, exempt funds, or
24 they're in a situation such as Mr. Lubert seeking a
25 warrant and so on.

1 But what we want to assure the Gaming
2 Board and the public, that if it licenses these four
3 entities, that the control of these entities and this
4 project will remain solely and exclusively in a
5 Management Committee that is made up of three persons
6 who are already licensed. That is, Mr. Bluhm, Mr.
7 Carlin and Mr. Barden. One of the reasons, in fact
8 perhaps the largest, next to the ability to put
9 together capital that made this potential investment
10 possible is that Mr. Bluhm was already licensed and
11 Mr. Carlin was already licensed and Mr. Barden was
12 already licensed.

13 I will also note that the trusts that Mr.
14 Bluhm spoke of, they're licensed. The settlers of
15 those trusts, his grown children, are licensed. The
16 beneficiaries, even down to little children, very,
17 very young children, all are licensed by this Board
18 and they were licensed previous to this transaction.
19 So we were in a situation where the persons who had
20 ability to raise equity and debt were also licensed.

21 I want to emphasize again, and your staff
22 is well aware, that the entities that we're seeking
23 licensure for today will be exclusively controlled by
24 people who are currently licensed and if, as and when
25 the Board licenses the entities above, those entities

1 will step in and assume their appropriate role but not
2 until licensed. We don't think that will take long at
3 all because these are new entities and it's really a
4 function of looking and making sure they're properly
5 created and in existence and so on.

6 But there are not any people who are
7 foreign to the process. In other words, there are not
8 any human beings out there other than Mr. Lubert who
9 is well along the process who will be in control.
10 Everybody who will --- no one will be in control of
11 any of these entities until they're completely and
12 appropriately licensed by this Board.

13 With that I'd like to call jointly Greg
14 Carlin and Mr. Barden, but starting with Mr. Barden,
15 to speak about commitments to the existing project and
16 to give the Board a little background on how he came
17 to be here today. Mr. Barden?

18 MR. BARDEN:

19 Thank you, John. Madam Chairman, members
20 of the Board, it's a pleasure to be here today. And I
21 want to start by saying and making this statement in
22 light of what has been said before, that we're here
23 today to try to move this project forward. I think
24 and I'm convinced that on December 20th, 2006, you
25 made the correct decision. What has changed are the

1 circumstances and the credit market and the world.
2 That made it difficult for us, individual, and the
3 company that you selected to get this toward the goal
4 line. I see that happening now.

5 And I want to go over with you why you
6 selected us, and it was because of our four and a half
7 year effort of dedication and commitment to making
8 this project happen. It was the selection of our
9 site. It was the creative design and the beauty and
10 the integration to the Riverfront that attracted you
11 to us. It was our commitment to the community that
12 attracted you to us. It was our commitment to help
13 fund an arena for the Steelers (sic). By the way, the
14 first entity that made that commitment to make sure
15 that the Penguins would have an arena for the City of
16 Pittsburgh. We were the first to make that commitment
17 which kind of eliminated a lot of controversy relative
18 to this process being decided on the merits. So we're
19 very proud of that and very proud of the fact that our
20 people brought this project to where it is today.

21 As you know, our location is very
22 compelling. It's going to be a great addition. One
23 of the reasons that I selected --- by the way, let me
24 just back up because people keep mentioning and
25 throwing out bankruptcy. As a prudent businessman you

1 always prepare for the worst. But in my mind that was
2 never an option. I had other options besides this
3 one. I was determined to make this process go forward
4 without bankruptcy which would have been disruptive to
5 the families of the contractors, the subcontractors,
6 to the community, to the funding of the arena. I was
7 not about to let that happen despite the threats,
8 despite the intimidation of the lenders, despite the
9 hell that I went through over these past few weeks. I
10 was not about to let that happen. I just want
11 everyone to understand that and to make that clear.

12 This is still going to be a world-class
13 facility. It's still going to look the same. It
14 still will have 119,000 square feet of gaming at
15 opening. It's opening with 3,000 slots up to 5,000.
16 The building is there to expand to that market
17 conditions warrant. It includes a high limit area, a
18 VIP lounge, 30,000 square feet of available space for
19 expansion. The entertainment facilities are still
20 there as we originally imagined. The drum bar, the
21 casino lounge, the casino bar, outdoor amphitheater
22 and river walk and obviously space and land for
23 additional expansions when demand warrants. We're
24 having a fine steakhouse as originally planned,
25 Italian fine restaurant, a buffet, a snack bar and a

1 deli.

2 There are community commitments that are
3 being confirmed by the Walton Group that will
4 continue, the commitments that I made, the \$225
5 million and \$7.5 million for 30 years for the Penguins
6 Arena. \$3 million from the Northside Leadership
7 Conference. The \$3 million to the Hill District. So
8 this project is going forward subject to your
9 approval, hopefully work will start to reconvene next
10 week, recommence.

11 And I have to ask the question what do I
12 get out of this. Not much. I have a 20 percent
13 interest, yes, but that 20 percent interest is
14 secondary to the preferred investment. I don't get
15 anything out of this for years to come. There
16 probably won't be any money for my children or my
17 grandchildren's trust out of this because all the
18 money that's being invested has to be returned to the
19 investors before I get a dime. I'm getting no money
20 at closing. So I am doing this at great personal
21 sacrifice to make sure that it happens so that I can
22 fulfill my commitment to this Board who had the faith
23 in selecting me to make this project happen.

24 Other projects around the country have
25 stalled. Some have gone into bankruptcy. Some have

1 been discontinued like Echelon in Las Vegas that spent
2 \$500 million out of a \$3.3 billion project. They
3 stopped it in its tracks. Cosmopolitan, another
4 project, is into bankruptcy and on and on and on.
5 This project is going to happen and I'm very proud of
6 it and I'm looking forward to making sure that the
7 commitments that are made to this Board and to the
8 Community of Pittsburgh and the State of Pennsylvania
9 are fulfilled. Greg?

10 MR. CARLIN:

11 Thanks. Members of the Board, we're very
12 appreciative of Mr. Barden's efforts to date. He and
13 his team have conceived a world-class project for
14 Pittsburgh. And if this transaction is approved by
15 the Board, we are looking forward to being Mr.
16 Barden's partner.

17 As part of the transaction it was very
18 important to us and important to Mr. Barden that we
19 honor all financial commitments that were made
20 relating to the development of this project. Those
21 include a 30-year commitment of \$7.5 million per year
22 to fund the new Penguins Arena in Pittsburgh which
23 they're having a groundbreaking ceremony today in
24 Pittsburgh for that facility. A \$3 million commitment
25 to the Northside Leadership Conference. And a \$3

1 million commitment to the Hill District to help
2 redevelop the Hill District neighborhood. We've
3 also agreed to complete the outdoor amphitheater and
4 all exterior walkways and landscaping as originally
5 contemplated in the plan that was before the Board.

6 Next I'd like to share with the Board our
7 gaming tax estimates for the Pittsburgh casino
8 project. Based on our financial projections which,
9 you know, we spent a lot of time on, we're estimating
10 that the casino will generate \$98 million in tax
11 revenue which will benefit the City of Pittsburgh and
12 the County of Allegheny. And over \$1.1 billion
13 dollars of --- this is over a five-year period, \$1.1
14 billion dollars of taxes that's primarily for property
15 tax relief for Commonwealth citizens and also economic
16 development and the horseman's fund.

17 Next I'd like to share with you some of
18 the reasons and some of the factors that attracted us
19 to this project. We think that Pittsburgh is a great
20 city and a great gaming market. There's 1.4 million
21 adults that live within 25 miles, 4.7 million adults
22 that live within 100 miles and there's a current
23 existing operation, the Meadows and Valley View Downs
24 which is outside of the city limits possibly down the
25 road. We really do think this is the best location in

1 the city. And if you ask Ed Fasula who's our general
2 manager, he will tell you that this is the best
3 location in the country for a casino. We do think
4 it's a great location and we're very excited about it.

5 Next slide shows the location of the
6 facility next to the stadium right where the three
7 rivers meet, lots of highway access. And we really do
8 think it's a great location.

9 Next slide just shows the population
10 concentration around the city and it shows the density
11 of the population.

12 Next I'm going to pass it back to Dan
13 Keating.

14 CHAIRMAN COLINS:

15 We need to make a seat for witnesses
16 because there are going to be a number of witnesses.
17 We're going to have to create a witness area there,
18 please. Now that we've got you seated, we're going to
19 take a five-minute break.

20 SHORT BREAK TAKEN

21 CHAIRMAN COLINS:

22 We're ready to go. Mr. Keating, for the
23 record, would you state your full name, please?

24 MR. KEATING:

25 My name is Daniel J. Keating and I am the

1 Chairman of Keating Building Corporation.

2 CHAIRMAN COLINS:

3 Mr. Donnelly?

4 ATTORNEY DONNELLY:

5 Mr. Keating, working off the slides that
6 we have up there, I'd like you to explain to the Board
7 and the public the current status of the construction
8 on the project.

9 MR. KEATING:

10 Madam Chairman and members of the Board,
11 I think most of this, of course you know, but as of
12 today we have approximately \$107 million of
13 development costs, as of actually July, in place. The
14 foundations are complete. A substantial amount of the
15 structural steel has been erected and fabricated.
16 Actually I think it's more than 12,000 tons of steel.
17 Our onsite underground utilities are in place. The
18 long lead items that are so important to this job,
19 including the steel, but the elevators, the mechanical
20 equipment, the electrical equipment are all either
21 onsite or in production or in the hands of the
22 subcontractors and vendors. Our garage construction
23 is about 15 percent complete. But there are over
24 3,000 pieces of precast that have already been casted
25 and ready to go.

1 So construction jobs, I mean, I think
2 you've heard it and we'll hear more today. We
3 anticipate over 2,500 jobs over the life of the
4 project. We expect an average weekly payroll of a
5 million and a half dollars peaking at close to \$3
6 million, tremendous activity.

7 As far as the contractors, we have over
8 150 vendors with sales in excess of \$50 million as
9 that slide states. Fifty (50) subcontractors on the
10 job today, that have been purchased. Eighty-six (86)
11 of them as you heard earlier are Pennsylvania
12 contractors. Many of those folks are here today and
13 will be represented. My personnel knows that they
14 have been extraordinary supporters of this program and
15 of my company. And they're good people, a tremendous
16 workforce and I am personally very proud to be
17 associated with all of them. In fact, John, I think
18 if you have a moment I'd like to introduce Dean
19 Mosites.

20 ATTORNEY DONNELLY:

21 I'd like to call Mr. Mosites to the
22 stand.

23 CHAIRMAN COLINS:

24 We're going to have to --- someone's
25 going to have to do some arranging so we can

1 conveniently accommodate witnesses. Thank you, sirs.

2 Sir, your name for the record?

3 MR. MOSITES:

4 My name is Dean Mosites with Mosites
5 Construction Company.

6 CHAIRMAN COLINS:

7 Can you spell it, please?

8 MR. MOSITES:

9 Pardon?

10 CHAIRMAN COLINS:

11 Spell it, sir, please?

12 MR. MOSITES:

13 M-O-S-I-T-E-S.

14 CHAIRMAN COLINS:

15 Thank you.

16 ATTORNEY DONNELLY:

17 Dean, can you tell us the name of your
18 company?

19 MR. MOSITES:

20 It is Mosites Construction Company, it's
21 a family-owned business.

22 ATTORNEY DONNELLY:

23 How long have you been in business?

24 MR. MOSITES:

25 Since 1954.

1 ATTORNEY DONNELLY:

2 And where are you located?

3 MR. MOSITES:

4 We're located on the Parkway West, just
5 outside the City of Pittsburgh.

6 ATTORNEY DONNELLY:

7 What's your --- what kind of work do you
8 do?

9 MR. MOSITES:

10 We do concrete work on the casino
11 project.

12 ATTORNEY DONNELLY:

13 And how long have you been engaged on
14 this project?

15 MR. MOSITES:

16 We started in January.

17 ATTORNEY DONNELLY:

18 Now, do you --- I know you --- how is it
19 that you came here today? Did the other contractors
20 ask you to speak on their behalf?

21 MR. MOSITES:

22 Yes, they did.

23 ATTORNEY DONNELLY:

24 All right. Can you tell us what it means
25 to a contractor --- you're a family-owned business?

1 MR. MOSITES:

2 That's right.

3 ATTORNEY DONNELLY:

4 Are you first or second generation?

5 MR. MOSITES:

6 Second generation.

7 ATTORNEY DONNELLY:

8 What does it mean to a contractor such as
9 yourself if this project goes forward or if it doesn't
10 go forward?

11 MR. MOSITES:

12 Well, you know, I think the Board knows
13 that we have not received payments for work that was
14 done in April, May and June. And for all these
15 contractors that adds up to a tremendous sum of money.
16 And it is enough money to put us in financial
17 jeopardy. Right now our banks and our bonding
18 companies are looking, you know, very closely at our
19 businesses and very, very concerned about our
20 businesses moving forward carrying these kinds of
21 receivables.

22 ATTORNEY DONNELLY:

23 If you get hurt by this, what effect does
24 that have on others?

25 MR. MOSITES:

1 Well, we have a number --- you know,
2 there's a whole array of vendors, suppliers, and sub-
3 subcontractors that we have agreements with. And you
4 know, we're in a position now where we have to be very
5 judicious with you know, the money that we spend. We
6 can only spend on essentials. We have to make
7 decisions --- every day I meet with my controller.
8 This is not a situation I've had before in the 30
9 years I've been in business. I've got to meet with
10 our controller every day and we've got to pick and
11 choose who we can pay and who we can't to keep our
12 business moving forward.

13 ATTORNEY DONNELLY:

14 Obviously you're anticipating --- hoping
15 that this project can start up next week?

16 MR. MOSITES:

17 Absolutely. If you don't mind I have
18 just a quick prepared statement. Could I read it?

19 ATTORNEY DONNELLY:

20 Please.

21 MR. MOSITES:

22 Is that acceptable?

23 ATTORNEY DONNELLY:

24 Please.

25 CHAIRMAN COLINS:

1 Yes, sir.

2 MR. MOSITES:

3 Thank you. I want to first say that it
4 is my honor and it is my privilege to represent the
5 Keating subcontractors working on the Pittsburgh
6 Casino. And you heard already that about 85 percent
7 of them are from the Pittsburgh area. A lot of guys
8 that I've known for many years or played golf with
9 them, we go to fundraisers together. And at this time
10 I'd like to stand with them. They're right back here.

11 CHAIRMAN COLINS:

12 Sir, how many of your colleagues are here
13 today?

14 MR. MOSITES:

15 I would say there's probably 20, 22
16 companies represented here today.

17 CHAIRMAN COLINS:

18 Thank you. Continue.

19 MR. MOSITES:

20 You know --- you may know that we have
21 not received payments for work performed in April, May
22 and in June. That we're here today to overwhelmingly
23 support this transaction, to get paid, to pay our
24 vendors and to go back to work on Monday. We wish to
25 avoid the harrowing problems that go with bankruptcy.

1 We implore this Board to approve this program so we
2 can go about building the project that was originally
3 designed which is already partially in place. And it
4 is my hope that you will deliberate in that manner.

5 ATTORNEY DONNELLY:

6 Thank you, Dean. You mentioned that
7 you're a member of the Master Builder's Association?

8 MR. MOSITES:

9 Yes.

10 ATTORNEY DONNELLY:

11 Of Western Pennsylvania?

12 MR. MOSITES:

13 Correct.

14 ATTORNEY DONNELLY:

15 We have, Madame Chairman, Jonathan
16 O'Brien, who would like to address the Board.
17 Jonathan.

18 MR. MOSITES:

19 I should leave?

20 CHAIRMAN COLINS:

21 Yes, thank you so much.

22 ATTORNEY DONNELLY:

23 Thank you very much, Dean.

24 CHAIRMAN COLINS:

25 Oh, just a moment, Mr. Mosites, one

1 moment.

2 COMMISSIONER GINTY:

3 I'm just wondering whether it would be
4 more efficient to ask questions of the witnesses
5 rather than bringing them back and forth?

6 CHAIRMAN COLINS:

7 Yes, that would be fine. If you have
8 questions, absolutely, while he's here.

9 COMMISSIONER GINTY:

10 I'd just --- and in your prepared remarks
11 you mention the possibility of bankruptcy for some of
12 the subcontractors?

13 MR. MOSITES:

14 Yes. That is --- yes, sir, that is a
15 very real possibility.

16 COMMISSIONER GINTY:

17 And you are aware that a number of
18 individuals don't believe that the project should go
19 forward at this time?

20 MR. MOSITES:

21 I have heard that. I don't understand it
22 but I have heard it.

23 CHAIRMAN COLINS:

24 Are there any other questions for this
25 witness before he leaves?

1 COMMISSIONER MCCABE:

2 I have one. Excuse me, as you can tell
3 I'm a little under the weather. If we don't approve
4 this and rebid it, how many families in the Pittsburgh
5 area are going to be affected?

6 MR. MOSITES:

7 The tentacles from the non-payment to
8 this group of subcontractors, runs deep into our
9 community. You know, underneath my contract alone for
10 concrete there are invoices that I have not fully paid
11 for reinforcing steel delivered to the job site. And
12 for ready-mixed concrete that was delivered to the job
13 site.

14 COMMISSIONER MCCABE:

15 How many families will be affected?

16 MR. MOSITES:

17 How many families?

18 COMMISSIONER MCCABE:

19 How many employees do you have and are
20 represented by the other subcontractors ---?

21 MR. MOSITES:

22 Okay. Well, I would say as it goes down
23 from the 22 of us, the geometric progression until you
24 get down to the bottom there's thousands.

25 COMMISSIONER MCCABE:

1 Thank you.

2 CHAIRMAN COLINS:

3 Anything else? Thank you, sir. Oh, I'm
4 sorry.

5 COMMISSIONER RIVERS:

6 Madam Chairman, I have a question of Mr.
7 Keating. It's my understanding that you started
8 construction on December the 11th, the day that they
9 had the groundbreaking?

10 MR. KEATING:

11 That's correct.

12 COMMISSIONER RIVERS:

13 From that point through today, how much
14 has the project, the cost of the project escalated?

15 MR. KEATING:

16 Well, during the shutdown period, we
17 incurred an additional \$6 million of cost. But our
18 subcontractors, and again, I reiterate, you can't have
19 a more exceptional group of people. They have bound
20 together with us and those contracts are all in place.
21 If we can't get the work started those contracts will
22 terminate and the effects will be disastrous.

23 COMMISSIONER RIVERS:

24 One other question. If we do approve
25 this transfer, when will they be back to work and when

1 would be an expected completion date?

2 MR. KEATING:

3 We expect, you know, we're not one for
4 wasting time, our hope is to be on the site Monday
5 morning, subject to your approval, and we're looking
6 for an August completion of the project.

7 COMMISSIONER RIVERS:

8 Thank you.

9 COMMISSIONER MCCABE:

10 I have one more question. This probably
11 is more pertinent and more of interest to the
12 subcontractors. When will they get paid for not
13 having been paid April, May and June?

14 MR. KEATING:

15 As you can imagine we've been asking our
16 team here that same question and our hope again
17 subject to your approval is that there will be a
18 closing tomorrow and they will get paid tomorrow.

19 COMMISSIONER MCCABE:

20 Thank you.

21 CHAIRMAN COLINS:

22 Thank you.

23 MR. KEATING:

24 You're welcome.

25 ATTORNEY DONNELLY:

1 Mr. O'Brien, please.

2 CHAIRMAN COLINS:

3 Did you have another question for Mr.
4 Keating?

5 COMMISSIONER GINTY:

6 I guess the witness has prompted. If we
7 approve the application today, is the money going to
8 be available to pay Mr. Keating?

9 CHAIRMAN COLINS:

10 Well, when's the closing?

11 COMMISSIONER GINTY:

12 Well, when's the closing, yeah?

13 CHAIRMAN COLINS:

14 If we were to approve, when's the closing
15 on this deal?

16 MR. BLUHM:

17 If the transaction is approved today our
18 expectations are that we could have a closing
19 tomorrow, certainly no later than Monday, but
20 hopefully tomorrow, at which time the lenders would
21 close. We would provide our \$205 million worth of
22 equity. The bridge lenders would be paid off in full
23 and the remaining monies would be paid over to the
24 contractors to pay them the \$50 plus million that
25 they're owed. I don't know the exact number, but it's

1 in excess of \$50 million.

2 COMMISSIONER GINTY:

3 And this could happen next week?

4 MR. BLUHM:

5 This could happen tomorrow or Monday.

6 Our goal is to close and start construction on Monday.

7 CHAIRMAN COLINS:

8 Okay. Any other questions? Okay. Next
9 witness, please. Your name, would you state your name
10 and spell it for the record?

11 MR. O'BRIEN:

12 It's Jon O'Brien. Jon, J-O-N, O'Brien,
13 O'B-R-I-E-N.

14 ATTORNEY DONNELLY:

15 Mr. O'Brien, you're an officer in the
16 Master's Builder's Association from Western
17 Pennsylvania?

18 MR. O'BRIEN:

19 Yes. I'm a staff employee for the
20 Master's Builder's Association in Western
21 Pennsylvania.

22 ATTORNEY DONNELLY:

23 Could you explain to the Board what that
24 group is and how many members you have and what your
25 function is?

1 MR. O'BRIEN:

2 The Master Builders is the Western
3 Pennsylvania Chapter of the Associated General
4 Contractors of America. We have over 30 general
5 contractor members and over 60 subcontractor members.
6 Many of the 22 people that were standing are members
7 of the Master Builder's.

8 ATTORNEY DONNELLY:

9 And have you --- has your association
10 been in a position to make an evaluation as to what
11 would happen if this project doesn't go forward versus
12 what hopefully will happen if it does go forward?

13 MR. O'BRIEN:

14 If it doesn't go forward it could
15 drastically hurt a lot of our membership. We're a
16 family run --- I mean the common theme amongst our
17 membership is we're a family-run association. Many of
18 the members first generation, second generation, all
19 the way to fifth. We've got a company over 100 years
20 old. And this could really hurt them, their
21 employees, the building trade unions. And if it goes
22 forward this would be the biggest project to my
23 knowledge in the Pittsburgh area. And it would be
24 great for the area.

25 ATTORNEY DONNELLY:

1 I was going to ask you, that knowing your
2 knowledge of jobs that have gone on in the Western
3 Pennsylvania area, are you aware of any job the size
4 of this job in the western part of the state?

5 MR. O'BRIEN:

6 To my knowledge, no. The closest I
7 believe is the current tunnel project that's going on
8 right now. And that's budgeted at \$435 million. So
9 this would be almost double that.

10 ATTORNEY DONNELLY:

11 That's all I have. Thank you.

12 CHAIRMAN COLINS:

13 Any questions for Mr. O'Brien.

14 MR. O'BRIEN:

15 I would just like to add that on behalf
16 of the Master Builder's, the membership and the Board,
17 we urge the Gaming Board to approve the transfer of
18 the license.

19 CHAIRMAN COLINS:

20 Thank you, sir.

21 MR. O'BRIEN:

22 Thanks.

23 ATTORNEY DONNELLY:

24 We kind of got you off beat. We were
25 going to speak about the unions next?

1 MR. KEATING:

2 Yes. Madam Chairman, you know this is a
3 union project and as you're heard so many times it's a
4 critical project. Certainly to the region and to the
5 state. And to date every contractor has paid every
6 workman's salary and benefits despite the fact that
7 there's been a lack of payment flowing down to them.
8 I think it will be important for you to hear from Rich
9 at this moment.

10 ATTORNEY DONNELLY:

11 I'd like to call Richard Stanizzo to the
12 stand, please.

13 MR. STANIZZO:

14 Good morning.

15 CHAIRMAN COLINS:

16 Good morning, sir. State your name for
17 the record and spell it.

18 MR. STANIZZO:

19 My name is Rich Stanizzo, it's
20 S-T-A-N-I-Z-Z-O.

21 CHAIRMAN COLINS:

22 Thank you.

23 ATTORNEY DONNELLY:

24 Mr. Stanizzo, would you tell us what your
25 position is?

1 MR. STANIZZO:

2 Yeah. I'm the business manager of the
3 Pittsburgh Regional Building Construction Trades
4 Council.

5 ATTORNEY DONNELLY:

6 I understand that's one of the largest
7 building trades councils in America?

8 MR. STANIZZO:

9 It's pretty good sized, yes.

10 ATTORNEY DONNELLY:

11 How many members?

12 MR. STANIZZO:

13 Twenty-seven (27) local unions and about
14 20,000 members.

15 ATTORNEY DONNELLY:

16 What's your interest and your member's
17 interest in this job going forward or not going
18 forward?

19 MR. STANIZZO:

20 Well, from our side it's twofold. And
21 let me explain. First of all, John, let me
22 acknowledge, I'm joined by Bill Waltercott, the
23 Assistant Executive Director of the Carpenter's
24 Council, Western Pennsylvania and he has my back.

25 We're here for twofold reasons. This

1 team of contractors that have been picked to build
2 this casino, is one of the most stable reputable
3 contractors that I've ever seen assembled on a job
4 site. They are not only good at what they do but they
5 are a class act. They have paid every penny, every
6 dollar to every worker that has been on that site to
7 date. To the point where if you heard my friend Dean
8 Mosites has put a lot of them in jeopardy for their
9 future endeavors. And that in turn hurts us. If this
10 --- if these contractors cannot recoup their money it
11 is going to change the face of construction in Western
12 Pennsylvania. And it won't be to the better.

13 We do not want to see any of these
14 contractors be faced with going out of business. It's
15 something that we in Western Pennsylvania cannot
16 stand. We're going to do everything in our power to
17 help them in any way we possibly can.

18 ATTORNEY DONNELLY:

19 Do you know --- show them the trades on
20 --- Dan or you can just say how many trades are
21 involved in this site?

22 MR. STANIZZO:

23 At this point it's the basic civil
24 trades, the steel, the concrete, that would be the
25 carpenters, the laborers, the ironworkers, the

1 ironworkers on the steel erection, the cement masons,
2 the HVAC guys are onsite. The steamfitter and
3 plumbers are onsite. The electricians are onsite.
4 The carpenters are on a couple of different levels are
5 onsite. The laborers are onsite. The only ones that
6 I would say that aren't onsite at this point in time
7 are the mill men, the millwrights, and a couple of
8 those labor locals do not have jurisdiction on this
9 project, but every other local is here.

10 ATTORNEY DONNELLY:

11 And if this site either shuts down or
12 these contractors aren't paid, what effect --- do you
13 think it will ripple through the community?

14 MR. STANIZZO:

15 It will. You know, the impact to us as
16 workers to this point has been minimal. We've been
17 very fortunate right now. We have a lot of work in
18 Western Pennsylvania. But that's going to change.
19 You know, we're like every other business. We supply
20 manpower to these contractors. We train them, we
21 bring them into the union, and we have them ready to
22 go to work. We've anticipated that somewhere down the
23 road --- and your original schedule would have been
24 somewhere around November, December, January that we
25 would probably have somewhere between 1,200 and 1,500

1 people on this site. Right now when this shut down we
2 probably had 300. That will be in the middle of
3 winter. We're looking for an enclosed site for these
4 guys to go to work. So with the number of people in
5 our council, you put 1,200, 1,500 of them on
6 unemployment, that immediately raises our unemployment
7 rate to five percent. It's something that we are
8 desperately trying to avoid because we anticipated
9 this job, some Clean Air Act work and the other
10 casino, and we brought a lot of apprentices in. My
11 boilermakers have 800 apprentices. My ironworkers
12 have about 400. The carpenters totally with all of
13 their tentacles have about 700 apprentices. We need
14 somewhere for these guys to go to work.

15 ATTORNEY DONNELLY:

16 And Dan, turning back to you. When do
17 you need to get started in order to get this building
18 enclosed so that the folks can be working in the
19 winter?

20 MR. KEATING:

21 My answer is what I told you a moment ago
22 and that is we expect to be back on site subject to
23 the Board's approval on Monday morning in order for us
24 to hit our completion schedule and to gear back up we
25 must do that for all the reasons that were just

1 mentioned by Rich. We have to get the building
2 enclosed. We have to get the people back to work.
3 And we have to keep the current purchase orders and
4 subcontracts in effect.

5 ATTORNEY DONNELLY:

6 Thank you, Rich. That's all the
7 questions I have for you.

8 MR. STANIZZO:

9 Okay. Thank you.

10 CHAIRMAN COLINS:

11 Are there any questions?

12 COMMISSIONER MCCABE:

13 I have one. Either for Mr. Keating or
14 for you.

15 Some people in Western Pennsylvania are
16 calling for us to rebid this license. So there's
17 going to be a casino in Pittsburgh, this casino or
18 maybe another one. How, if we open this up for
19 rebidding, and go through our process which some
20 people say make take three, four, five years before
21 another casino is built, how will that effect the
22 construction industry, your laborers, your people if
23 we decide to rebid this? A casino is still going to
24 be built.

25 MR. STANIZZO:

1 Let me take a shot at that. I'm a City
2 of Pittsburgh resident. I'm also the Republican
3 appointment to the ICA Board that oversees the
4 finances of the City of Pittsburgh. Just on that
5 level alone, the money that would be lost to the City
6 of Pittsburgh which is a distressed community, really
7 throws their budget out of balance. They've been
8 counting on this money to try to balance their budget
9 in the forthcoming years, so I think in that respect
10 it's important to move forward with this. As a City
11 of Pittsburgh resident I want to see that happen. As
12 a union representative I have about 1,700 members that
13 live in the City of Pittsburgh, out of that 20,000.
14 And like I said, we anticipated this work to be here.
15 If we take this and throw it out which that's your
16 decision, I think it delays this project and throws
17 the whole construction industry in Western
18 Pennsylvania in turmoil.

19 COMMISSIONER MCCABE:

20 Mr. Keating, do you have any comments?

21 MR. KEATING:

22 I appreciate Rich's comments and I would
23 tell you from a practical standpoint it would
24 devastating. The people affected as Mr. Mosites said
25 are literally thousands. Every subcontractor has

1 numerous sub-subcontractors and other vendors that are
2 part of this process. They, their families, and
3 whatnot would, I think, suffer irreparable damage as
4 would the City of Pittsburgh and as would the State of
5 Pennsylvania. It's a frightening thought that with
6 over --- well with hundreds of millions of dollars
7 spent to date and with the cure sitting right here in
8 front of you today, if we can't get this started, it
9 would just be devastating.

10 COMMISSIONER MCCABE:

11 Thank you.

12 COMMISSIONER RIVERS:

13 I have a question. If we were to listen
14 to individuals in the City of Pittsburgh who are
15 calling for us to redo this and rebid this process
16 again, do you think that the members of the individual
17 trade unions would participate in the development of a
18 new casino three or four years down the road or will
19 you be looking at new companies coming in, because the
20 gentleman behind you would be out of business?

21 MR. KEATING:

22 Well, I can't speak for ---.

23 MR. STANIZZO:

24 I can't speak for the contractor side,
25 hopefully we never reach that point. I can tell you

1 that because of the quality of the workmen that we
2 have in our unions that I would anticipate that yes,
3 we would be a big part of whatever would happen.
4 Unfortunately it would be two, three, four years down
5 the road. And I don't believe that that's good for
6 the economy of Pittsburgh or Allegheny County.

7 COMMISSIONER RIVER:

8 Thank you.

9 CHAIRMAN COLINS:

10 All right. Thank you.

11 MR. STANIZZO:

12 Thank you.

13 ATTORNEY DONNELLY:

14 I want to know for the record, did I
15 understand that you --- that the Board has received a
16 letter from the Mayor and from the County executive
17 echoing some of the statements that have been made and
18 placing on the record their support for this project
19 going forward.

20 Dan, you disappeared on me. Thank you.
21 Could you come back and just walk through a little bit
22 of the construction here for a moment, where it is
23 now?

24 MR. KEATING:

25 Well, again, as you all know, on July 1st

1 we put the project into a term that I've been using
2 that was sleep mode. And that was instead of
3 terminating everything we had an agreement with all of
4 our subcontractors that we would work with ownership
5 to try to keep the program going. As you can see from
6 the pictures that are in front of you, this job is
7 well under construction. Precast garage. I think
8 four or five cranes on there. Today we were able to
9 keep the operators in place. On their own initiative
10 the contractors agreed to continue with shop drawings,
11 not cancel their procurements which is a staggering
12 presence that they had to do that. They did not have
13 to do that. And as I said to John Donnelly earlier,
14 and some of you may find this hard to believe but with
15 all of this trouble these contractors and
16 subcontractors have operated as one unit. I haven't
17 spoken to one attorney representing any one of them
18 since July 1st, not one. Did they have the option,
19 they absolutely did. But they stuck it out. They've
20 been with us. And in my career I've never seen
21 anything like it, so good people. This construction
22 project if we can fire up Monday morning, we will
23 finish that project in August. We will hit our
24 critical dates and we have a commitment from every
25 vendor to live with the schedule. And our process is

1 that we've worked with all the men and women involved
2 in the project, all the owners, subject again to your
3 approval, we will supplement their contracts with the
4 new paperwork, that's virtually done. They need to
5 sign it today, tomorrow, the closing takes place, they
6 will be paid. And this project will have had a brief
7 moment of silence. So we're ready to go.

8 CHAIRMAN COLINS:

9 Mr. Keating, how many casinos has your
10 company built in Pennsylvania?

11 MR. KEATING:

12 In Pennsylvania?

13 CHAIRMAN COLINS:

14 In Pennsylvania.

15 MR. KEATING:

16 We have completed two projects, Penn
17 National and Mohegan Sun.

18 CHAIRMAN COLINS:

19 And you said in Pennsylvania. Overall,
20 how many casinos has your company constructed?

21 MR. KEATING:

22 I think we've been involved in 25
23 separate casino projects.

24 CHAIRMAN COLINS:

25 All right. And so you are comfortable

1 with the prediction that if you can gear up and get
2 everyone back on the job August 18th, that you will
3 have the project covered for the winter and the August
4 2009 date looks realistic to you?

5 MR. KEATING:

6 It does. I'm very, very confident that
7 --- you see these people behind me. They'll do it.

8 CHAIRMAN COLINS:

9 Okay.

10 COMMISSIONER RIVERS:

11 Question. Mr. Keating, of the number of
12 casinos that you've opened and that you've built, how
13 many have been built beyond the date or completed
14 beyond the date that you had anticipated?

15 MR. KEATING:

16 Mr. Rivers, I never get a chance to sell
17 like this. All of our projects are completed on time
18 and under budget.

19 COMMISSIONER RIVERS:

20 Thank you.

21 CHAIRMAN COLINS:

22 The commercial is over, sir. All right.
23 Thank you very much.

24 ATTORNEY DONNELLY:

25 Thank you, Dan. I'd like to call from

1 one of the representatives from the two Detroit
2 Pension Funds. Mr. Adrian Anderson. And with him I
3 understand is Joe Turner too. Joe, could you stand
4 up? Thank you.

5 CHAIRMAN COLINS:

6 Sir, would you state your name and spell
7 it for the record, please?

8 MR. ANDERSON:

9 Yes. Adrian Anderson, A-D-R-I-A-N,
10 Anderson, S-O-N, Chief Executive Officer, North Pointe
11 Advisors.

12 CHAIRMAN COLINS:

13 Thank you.

14 ATTORNEY DONNELLY:

15 Mr. Anderson, could you just explain to
16 the Board and kind of fill in on what Mr. Bluhm spoke
17 about as to the pension funds involvement in this
18 project that we've been talking about today?

19 MR. ANDERSON:

20 Yes. The two retirement systems in the
21 City of Detroit, the general retirement system and the
22 police and fire retirement system are sincerely
23 committed to the project. I am here at their
24 authority to express their commitment to the project,
25 their commitment to the bargaining team and to the

1 Walton Street team, and also to the City of
2 Pittsburgh.

3 ATTORNEY DONNELLY:

4 And I take it you're looking forward to
5 the closing as soon as possible as well?

6 MR. ANDERSON:

7 Yes. We have done all of our work and
8 we're anticipated and ready to close tomorrow.

9 ATTORNEY DONNELLY:

10 Great. That's all I have, Mr. Anderson.

11 CHAIRMAN COLINS:

12 Mr. Anderson, the Detroit pension systems
13 that you are representing, do they have --- I have
14 been led to believe that they have had other
15 relationships with Mr. Bluhm and other projects; is
16 that correct, sir?

17 MR. ANDERSON:

18 The general retirement system is a
19 limited partner in one of the Walton Street investment
20 funds, yes, ma'am.

21 CHAIRMAN COLINS:

22 All right. And so you have had prior
23 business relationships with Mr. --- with Walton Street
24 and you are comfortable obviously with going forward
25 with this project with Walton Street; is that correct?

1 MR. ANDERSON:

2 That's correct.

3 CHAIRMAN COLINS:

4 All right. And what's the basis for that
5 comfort?

6 MR. ANDERSON:

7 One, the basis is the success in the
8 investment fund that the general retirement system has
9 experienced in the existing Walton Street fund that
10 they're invested in. I've known Mr. Bluhm for going
11 all the way back to the J & B days, so there's a lot
12 of comfort level with he and his team.

13 CHAIRMAN COLINS:

14 All right. Thank you. Any questions for
15 Mr. Anderson? Thank you very much, sir.

16 ATTORNEY DONNELLY:

17 Thank you, Mr. Anderson. I'd like to
18 call Mr. Robert Bloom to the stand, no relationship.

19 Mr. Bloom, could you give your name and
20 position for the Board?

21 MR. BLOOM:

22 Yeah. Robert Bloom, it's spelled
23 B-L-O-O-M, unfortunately I'm not related to Neil. I'm
24 a principal at Walton Street Capital.

25 ATTORNEY DONNELLY:

1 Mr. Bloom, you submitted a certification
2 dated July 9th, 2008, with regard to this application.
3 Can you tell the Board why you were asked and why you
4 submitted that certification?

5 MR. BLOOM:

6 I submitted the certification because the
7 elements on it were necessary for the group to get
8 licensed.

9 ATTORNEY DONNELLY:

10 All right. Let me just ask you a
11 question for the clarity of the record.

12 MR. BLOOM:

13 Okay.

14 ATTORNEY DONNELLY:

15 You represent the six investment funds
16 affiliated with Walton?

17 MR. BLOOM:

18 Correct.

19 ATTORNEY DONNELLY:

20 And those are the funds that Mr. Bluhm
21 spoke of?

22 MR. BLOOM:

23 Yes.

24 ATTORNEY DONNELLY:

25 Those funds will not have any voting

1 rights or any power to control or influence
2 Acquisitions Holding, L.P.

3 MR. BLOOM:

4 Correct.

5 ATTORNEY DONNELLY:

6 And at least 20 percent of the investors
7 in those funds are institutional investors?

8 MR. BLOOM:

9 Correct.

10 ATTORNEY DONNELLY:

11 And no investors in the funds have the
12 right to redeem his or her interest in the funds
13 without --- within two years of the purchase of such
14 interests?

15 MR. BLOOM:

16 Correct.

17 ATTORNEY DONNELLY:

18 And Walton Street managers is the
19 ultimate general partner. Is there assurable
20 agreement that will provide that for that particular
21 investment from Neil Bluhm will be the sole member on
22 the Managers Management Committee until such time as
23 the other shareholders may be licensed?

24 MR. BLOOM:

25 Correct.

1 ATTORNEY DONNELLY:

2 And as the other shareholders may be
3 licensed by the Board you will provide signed
4 notarized statements as part of their application
5 process as required under Section 433(a)(4)(f)(6); is
6 that correct?

7 MR. BLOOM:

8 That's correct.

9 ATTORNEY DONNELLY:

10 Now, just very quickly you're aware of
11 the Investment Act of 1940?

12 MR. BLOOM:

13 I am.

14 ATTORNEY DONNELLY:

15 And you --- is Walton Street a fund under
16 that Act?

17 MR. BLOOM:

18 They are.

19 CHAIRMAN COLINS:

20 Could you speak up, Mr. Donnelly? I
21 can't hear you.

22 ATTORNEY DONNELLY:

23 I was talking about the Investment Act of
24 1940 and asking Mr. Bloom if Walton was an investment
25 fund under that Act.

1 MR. BLOOM:

2 Walton Street is an investment fund under
3 that Act.

4 ATTORNEY DONNELLY:

5 That's all the questions I have for Mr.
6 Bloom.

7 CHAIRMAN COLINS:

8 Do you have any questions, Mr. Pitre,
9 Office of Enforcement Counsel? Any Cross Examination
10 of this witness?

11 ATTORNEY PITRE:

12 Fortunately we are very familiar with
13 everything that they've said thus far, because we've
14 been verifying these things for the past month or so.
15 So I mean, the questions that we have were pretty much
16 asked by the Board and by Mr. Donnelly.

17 CHAIRMAN COLINS:

18 All right. And I was going to give you
19 an opportunity to ask any --- to cross examine any of
20 these witnesses.

21 ATTORNEY PITRE:

22 Madam Chair, I just thank you for doing
23 my job today.

24 CHAIRMAN COLINS:

25 I don't mean to do that, sir.

1 ATTORNEY PITRE:

2 I appreciate that.

3 CHAIRMAN COLINS:

4 But at any time, at any time that you
5 have questions ---

6 ATTORNEY PITRE:

7 We do have a few questions.

8 CHAIRMAN COLINS:

9 --- not only at the end to jump end.

10 ATTORNEY PITRE:

11 That's fine.

12 ATTORNEY DONNELLY:

13 That's all I have of this witness. Thank
14 you.

15 CHAIRMAN COLINS:

16 Very good.

17 ATTORNEY DONNELLY:

18 There will be a, I know, a time to close
19 later on. But I do want to again, stress that this
20 with the help of the Board ---.

21 CHAIRMAN COLINS:

22 I'm sorry. Are you finished with your
23 witnesses right now?

24 ATTORNEY DONNELLY:

25 I am not. I have one witness. I'd like

1 to recall Mr. Bluhm to specifically address the issue
2 with regard to the fee that is --- may be imposed with
3 regard to this assignment that we're asking for.
4 Again, I know there's been discussion in the
5 newspapers about this and as the Board is well aware
6 we have asked in our application, the joint
7 petitioners have both asked for a reduction of that
8 fee. And Mr. Bluhm would like to address that. I can
9 say and Mr. Bluhm understands the financial
10 transactions and this transaction far better than I,
11 but in just comparing it with the policy that the
12 Board adopted with regard to the Penn National deal in
13 a nutshell, those two transactions were money going
14 out to people who were buying. This is a transaction
15 where money is coming in. And with that I will turn
16 it over to Mr. Bluhm.

17 MR. BLUHM:

18 Thank you. Let me start out by saying
19 that the Walton Street Group and the Bluhm Group have
20 been working on this since late June night and day.
21 And you've heard from Robert Bloom, not a relative,
22 who works for Walton. He's one of the young partners.
23 He's done a great job. And as Paul Seeman who's
24 represented the Bluhm family for their investment has
25 been working night and day and done a great job.

1 At various times during this transaction
2 it's been a very difficult and close call, because
3 Walton and the Bluhm interests have to make an
4 investment that makes sense economically for us and
5 these are difficult times. And many times it's been a
6 very close call whether we should move forward or not.
7 Roughly five, six, seven days ago, I don't remember
8 the exact day, this transaction was really in balance
9 as to whether we could go forward because of the
10 difficulties of the credit market. It was very
11 intensely negotiated with the various lenders. These
12 are not easy times to get loans. And they're very
13 expensive. At one point this transaction was falling
14 apart and I said to myself when everybody was sort of
15 getting down, as long as this thing makes sense for us
16 we should hang in there because I recognize that there
17 were a lot of innocent people as you've heard today,
18 that were going to get hurt if this transaction didn't
19 go through. Mr. Barden who has spent years putting it
20 together. The contractors and I also believe very
21 strongly that the Commonwealth and the City would find
22 themselves with an empty site and I so testified very
23 strongly about that before the Senate Committee.

24 We have asked for a, at the discretion of
25 the Board, that they consider the fee that is going to

1 be charged under Section 1328 of the Statute. We
2 believe and my understanding is that a fee of \$2.5
3 million was charged in the Harrah's transaction and
4 was going to be charged in the Penn National
5 transaction. That didn't close because of financing
6 but Harrah's did. The Harrah's situation is totally
7 different than our situation. That was a buyout of
8 the existing public shareholders of Harrah's at an
9 extreme profit and a huge cash payment went to the
10 shareholders of Harrah's. It was a corporate LBO
11 buyout and a huge profit and cash went to the
12 shareholders of Harrah's who in turn did not own any
13 piece of the new business.

14 In our particular situation we are
15 refinancing a distressed situation. No money is going
16 out to Mr. Barden. He so testified. All of the cash
17 we're putting in is coming in, in order to save the
18 project and get it built. Our situation is totally
19 different than Harrah's. And we are requesting at the
20 discretion of the Board that their fee be reduced to
21 \$250,000.

22 And I'd like to just read the statute.
23 I'm an ex-lawyer so pardon me for getting a bit
24 legalistic here. But as I read the statute it says
25 that the Board may at its discretion eliminate the

1 need for qualification and/or proportionately reduce
2 but not eliminate the new license fee otherwise
3 required pursuant to this section in connection with a
4 change of control of a license depending upon the type
5 of transaction. I think ours is totally different
6 than Harrah's. The relevant ownership interest ---
7 Barden and his group are staying in the transaction,
8 and changes thereto resulting from the transaction and
9 other considerations deemed relevant by the Board.
10 And we are requesting a significantly lowered fee. We
11 don't understand, I'll be honest with you, in light of
12 all the work we've done and hanging in there, how
13 Harrah's should pay a \$2.5 million fee and we should
14 be asked to pay a similar fee. We think it should be
15 substantially reduced and that there is statutory
16 authority for doing so because clearly the type of
17 transaction is different and the relevant ownership
18 interests are different because they are staying in.
19 We are restructuring this company and adding equity in
20 order to build it. This is not a sell out where the
21 existing shareholders are cashing out with a big
22 profit and moving on to somewhere else. So we
23 respectfully request that you consider our fee
24 reduction.

25

CHAIRMAN COLINS:

1 May I ask a few questions?

2 MR. BLUHM:

3 Yes.

4 CHAIRMAN COLINS:

5 All right. You testified that during the
6 course of the negotiations that there was sensitive
7 times when there were concerns about whether to stay
8 in or not stay in.

9 MR. BLUHM:

10 Yes.

11 CHAIRMAN COLINS:

12 Obviously you're before us today and
13 you've stayed in the deal, obviously. With respect to
14 this, the fee of \$2.5 million and your request for a
15 reduction. Are you satisfied that the projections
16 that you've presented to the Board are supportive of
17 this deal whether or not the fee is \$2.5 million or
18 \$250 million?

19 MR. BLUHM:

20 Well, the projections that we have
21 supplied to the Board ---.

22 CHAIRMAN COLINS:

23 Excuse me, \$250,000.

24 MR. BLUHM:

25 Right. Right. The projections we have

1 supplied to the Board are projections of the operating
2 income from the project.

3 CHAIRMAN COLINS:

4 Right. Right.

5 MR. BLUHM:

6 If we have to put in Walton another \$2.5
7 million rather than \$250,000, it lowers the return to
8 our investors. And our costs have gone up. They went
9 up --- you heard \$6 million during the delay. The
10 delay was due to negotiations with the lenders in
11 tough times and this is in no way criticism, the
12 necessity of the staff of the Board reviewing in great
13 detail the transaction. They have done a fantastic
14 job working night and day reviewing and frankly I've
15 seen some things in the newspaper --- there was a
16 cartoon like, you know, oh, well, I'll just give this
17 to Bluhm too without reviewing it. I found it
18 offensive both to the staff and to myself, because
19 we've been working and I've been reviewed by the staff
20 in connection with Philadelphia in detail and again in
21 detail in this transaction. But the time delay has
22 cost us \$6 million because we have to pay the interest
23 on the bridge loan in order to pay them off. We have
24 to pay for the cranes that are sitting there being
25 unused. And the whole project is --- this delay cost

1 us more money. In addition our interest rates have
2 gone up during this process. So the bottom line of it
3 is it's a tight deal but we have hung in there. We
4 think still it's a great ultimate opportunity but it's
5 a close deal. And Walton and the new capital coming
6 in has to have a deal that makes economic sense for
7 Walton and its investors. And it's been much more
8 expensive than it was before when we first started.

9 CHAIRMAN COLINS:

10 Do you feel that this deal is financially
11 viable be the fee \$2.5 million or \$250,000?

12 MR. BLUHM:

13 I think it's financially viable with
14 either fee in terms of the income that will be
15 generated, but it requires another \$2,250,000
16 investment by Walton and the other investors putting
17 up this fresh capital and it becomes a more marginal
18 return to them. And we think that it is a different
19 transaction than Harrah's and that it's appropriate
20 that you under your discretionary approval consider
21 the differences that I've outlined in considering
22 whether we should have a lesser fee. I'll be very
23 frank with you, I can't understand how Harrah's should
24 be paying the same fee that we should when there's no
25 money --- it's not a buy out. There's no profit being

1 taken out of this by Mr. Barden. We are putting fresh
2 capital in to a distressed situation in order to get
3 the project built.

4 CHAIRMAN COLINS:

5 Okay. Thank you. Do you have any
6 questions?

7 ATTORNEY CREANY:

8 Yes. Chairman, my name is Barry Creany
9 for the Office of Enforcement Counsel. I'd like to
10 direct these initially to Mr. Bluhm. And generally,
11 Mr. Bluhm, are you familiar with the PITG application
12 and Statement of Conditions for its license?

13 MR. BLUHM:

14 Generally, yes, sir.

15 ATTORNEY CREANY:

16 What do you see from the inspections and
17 evaluations that have been done to be the present
18 value of the project as it sits in Pittsburgh today;
19 if you're aware of that?

20 MR. BLUHM:

21 The present value as it sits today
22 without us coming in?

23 ATTORNEY CREANY:

24 No. I mean essentially as it's been
25 constructed to date, the value that has been put out?

1 MR. BLUHM:

2 Well, as we understand it the \$200
3 million had been spent. That's the entire bridge loan
4 and there's another in excess of \$50 million that has
5 not been paid to the construction people.

6 ATTORNEY CREANY:

7 Well, with respect to our Statement of
8 Conditions on this, there was a requirement that the
9 PITG Gaming, LLC construct a \$450 million project and
10 I'm just wondering how much do you see Walton and the
11 investors and the new entity putting forth to complete
12 this project?

13 MR. BLUHM:

14 Well, we're going to put up roughly \$205
15 million of fresh equity. Plus bring in the financing
16 that we discussed before and all of that money will be
17 used to finish the project, pay off the bridge
18 lenders, pay off the contractors who haven't been
19 paid, pay off the remaining cost of finishing the
20 project and have sufficient working capital to start
21 the project.

22 MR. CARLIN:

23 The total project costs will be \$780
24 million when we're all said and done.

25 COMMISSIONER RIVERS:

1 Could you repeat that please?

2 MR. CARLIN:

3 Sure. The total project cost is
4 estimated to be approximately \$780 million when it's
5 all said and done.

6 ATTORNEY CREANY:

7 Some of these questions are operational
8 questions that Mr. Carlin could address that would be
9 appropriate, I wanted to know then at this point in
10 time when you go to closing with your funding through
11 the equity investors and with the loans that are going
12 to be coming in, what will control disbursement of all
13 of those funds? How will they be distributed?

14 MR. BLUHM:

15 There's exhaustive bank loan agreements
16 and other agreements that deal with how the funds are
17 disbursed to protect the creditors who of course want
18 to make sure that this gets built. But our money goes
19 in, their funds are deposited, ---.

20 MR. CARLIN:

21 Mr. Bluhm, Mr. Barden and myself will
22 release funds to as per the disbursement agreement.

23 ATTORNEY CREANY:

24 And the disbursement agreement you're
25 referring to is the disbursement agreement you

1 provided to the staff to review in connection with the
2 financial package for this transaction?

3 MR. BLUHM:

4 Yes, sir.

5 ATTORNEY CREANY:

6 Given the fact that there has been a
7 seven week delay or so in construction, do you feel
8 confident that you'll be able to gear up and to have
9 this project completed and closed in by winter and
10 also completed by next August as Mr. Keating
11 discussed?

12 MR. BLUHM:

13 Yes, sir. We have looked very carefully
14 at that and we've been assured by Mr. Keating, we have
15 used our own outside analysis and consultant, after
16 all, we're investing \$205 million. We've got to make
17 sure that this thing is going to get built on time and
18 on budget going forward.

19 ATTORNEY CREANY:

20 In the joint application there's requests
21 for some modifications from what was originally
22 discussed in the licensing back in December of 2006.
23 And that includes the parking garage, the ballroom and
24 some additional changes possibly with your slot
25 machines, the numbers you had, do you anticipate that

1 in all other material respects what your project will
2 be in August of 2009 will be the same that was
3 promised by Mr. Barden and his group?

4 MR. BLUHM:

5 Yes, sir.

6 ATTORNEY CREANY:

7 Are there any other modifications that
8 are being contemplated, any additions or amenities or
9 any other types of changes that we might anticipate?

10 MR. BLUHM:

11 No, sir.

12 ATTORNEY CREANY:

13 I believe in December we had hearings on
14 Mr. Barden's proposal. He had explained that they
15 were going to leave spacing internally to be able to
16 build out in the event of any additional gaming needs.
17 With the reduction of the ballroom in your
18 construction project, how is that going to affect the
19 exterior structure or interior of the facility?

20 MR. CARLIN:

21 The ballroom's not being reduced. It's
22 simply being built out at a later date, so the space
23 for the ballroom is incorporated in the plan but the
24 actual finishes won't be completed until a later date.
25 So that will not affect the existing casino space if

1 that's what you're referring to.

2 ATTORNEY CREANY:

3 And maybe this is one for you, Mr.
4 Carlin, but does the financial package that is being
5 put together that, you know, when funds are available
6 at closing is that going to eliminate all the
7 deficiencies and any delinquencies that are associated
8 with the PITG project?

9 MR. CARLIN:

10 Yes, it will.

11 ATTORNEY CREANY:

12 And will it finance the entire
13 development through to the opening day?

14 MR. CARLIN:

15 Yes, it should.

16 ATTORNEY CREANY:

17 In addition I saw one of the slides,
18 there was reference to, I believe, some vendor
19 financing but from review of some of the documents I
20 understand there may be some additional funding
21 associated with the slot machines and I believe it was
22 IGT. Could you explain how that will come in and when
23 that comes in?

24 MR. CARLIN:

25 Yes. I believe we have a signed

1 commitment from IGT to provide up to \$26 million of
2 additional debt to fund slot machines. The reason
3 that's attractive for us is because we don't have to
4 draw the debt day one today, we can draw it when the
5 slot machines will be delivered in a year, so it saves
6 the project some interest expense and also the
7 interest rate on that financing is actually lower than
8 the interest rate on our other financing and the
9 payment terms are attractive, so it's actually an
10 attractive financing for the project.

11 ATTORNEY CREANY:

12 One of the other credit facilities that
13 has been mentioned and I just wanted to get some
14 clarity is where it comes in. There's \$10 million in
15 revolving credit facility. When is that accessible
16 and what's its uses that are planned at this time?

17 MR. CARLIN:

18 Well, it's basically for working capital
19 for the project. And based on our financial
20 projections we anticipate that we will not need to use
21 that revolving credit facility, but it is available if
22 for some reason we have an unforeseen expense that we
23 need to take care of.

24 ATTORNEY CREANY:

25 Overall in the budget that has been

1 prepared and submitted for our review, does the ---
2 does that budget include a fee for this transaction
3 payable to the Board if it's approved?

4 MR. CARLIN:

5 I believe there's some --- we have some
6 what's labeled as contingency dollars to cover
7 unforeseen expenses which I believe would cover the
8 fee that you're talking about.

9 ATTORNEY CREANY:

10 And does that have a specific number on
11 it how much you worked into the budget?

12 MR. CARLIN:

13 I don't --- I'd have to ask ---.

14 MR. BLUHM:

15 I don't know. The numbers change often
16 and the transaction of this size and they've been
17 constantly changing as I mentioned last weekend we
18 incurred additional costs that we had not anticipated
19 of over \$5 million that we had to add to the project
20 in order to keep it alive.

21 ATTORNEY CREANY:

22 With respect to that budget and the
23 possibility of changes, I understand that from Mr.
24 Keating's testimony that they have had the
25 subcontractors staying with this project and even the

1 vendors and orders that are out there, are we to
2 expect that things are locked in in terms of your
3 costs, that you're not going to anticipate any
4 additional, you know, problems with respect to
5 financing down the road?

6 MR. CARLIN:

7 That's correct. That's hard construction
8 costs and that's correct.

9 MR. BLUHM:

10 And we have a contingency for cost
11 overruns which is normal in a project of this sort.
12 So we are satisfied that we can handle the
13 construction costs plus normal type contingencies and
14 expect that the project will be completed in August
15 and that we will not incur the type of problems that
16 have occurred in the past. Because the whole thing
17 will be financed.

18 MR. CARLIN:

19 But it's not uncommon to have some change
20 orders and we have a contingency as Mr. Bluhm
21 mentioned to cover change orders and the like.

22 ATTORNEY CREANY:

23 As far as any of the agreements that they
24 had, the contractor agreements, the vendor agreements,
25 they're sticking with those original agreements, we're

1 not seeing renegotiation and possibly a substantially
2 higher cost?

3 MR. BLUHM:

4 That is correct. We have incurred \$6
5 million of delay costs that Mr. Keating mentioned but
6 as I understand it the contractors are reaffirming
7 their contracts with the new group and will be
8 prepared to start as soon as we close.

9 ATTORNEY CREANY:

10 One of the documents that you provided to
11 Bureau of Investigation and Enforcement Financial was
12 a model for this budget --- or the operations, and I
13 wanted to first ask, does that in terms of your
14 revenue projections from this project, does it differ
15 in any manner even --- you know, any significantly or
16 not to the projections that we used when we looked at
17 PITG back in December of '06? And this is basically
18 market area and those kind of issues.

19 MR. CARLIN:

20 I'm sorry, are you referring to your
21 projections or the projections submitted by ---?

22 ATTORNEY CREANY:

23 The ones --- the model that was submitted
24 by PITG and Holding Acquisition which are Bureau of
25 Investigation and Enforcement Financial have looked at

1 and also the financial suitability task force has
2 tested.

3 MR. CARLIN:

4 Well, I'm not familiar with the
5 projections from 2006. We have looked at PITG
6 financials from 2008. If they're the same then I'm
7 talking about the same financials. We actually to
8 underwrite this transaction, it's not that we didn't
9 believe that PITG fit our projections, we wanted to be
10 more conservative to make sure that we had enough
11 cushion and if for example the first year numbers were
12 a little lower than anticipated, so we actually
13 modified the PITG projections. We lowered the
14 win-per-day projection assumptions and we increased
15 the costs a little bit in certain areas, in marketing
16 and employee compensation, et cetera, so our numbers
17 were a little bit different, more conservative than
18 the PITG numbers.

19 ATTORNEY CREANY:

20 Is that just the manner in which your
21 organization approaches it or is it in light of the
22 economic conditions that exist out there today?

23 MR. CARLIN:

24 Well, I think it's a little bit of both.
25 You know, the PITG retained a firm called Innovation

1 Group to run their revenue numbers and we had some
2 conversations with the people who did those numbers
3 and their current experience in the market, in the
4 gaming market around the country is that there is a
5 very slight fall off in certain markets relating to
6 the current economic conditions. So we've thought
7 about that fall off as far as doing our projections,
8 et cetera.

9 ATTORNEY CREANY:

10 That's where I was going with the next
11 question. So it basically you've worked in the
12 possibility that we may be in a period where we've
13 heard a lot of news about different gaming projects
14 being shelved for awhile and some that are, you know,
15 at this point off entirely. But do you believe that
16 your projections include reasonable assumptions with
17 respect to going forward conditions in the economy?

18 MR. CARLIN:

19 We do. Our current projections, that's
20 our base case, and we've actually internally stress
21 tested those, ran them if we were off by five or ten
22 percent and we're comfortable that the financing will
23 not be impacted, that the covenant levels will be met,
24 even if there's a discount to the current projections.

25 ATTORNEY CREANY:

1 When you did your projections did you
2 work with the number of 3,000 slot machines for the
3 five-year period or does it add at any point in time
4 within those five years?

5 MR. CARLIN:

6 Well, our projections as submitted
7 contemplate going from 3,000 to 5,000 machines but we
8 also internally run them going from 3,000 to 4,000. I
9 don't think we've ever run a case just staying at
10 3,000. But we at least contemplate going up from
11 3,000 to 4,000.

12 ATTORNEY CREANY:

13 Do you know at what point you might be
14 making that assumption that you'll go to 4,000?

15 MR. CARLIN:

16 Well, again, we're --- it's all dependent
17 on market demand but we believe the demand will be
18 there to increase to 4,000, you know, after probably
19 around one year of operation.

20 ATTORNEY CREANY:

21 In the event that there is no significant
22 economic improvements do you have --- with the
23 Innovations Group and other advisors do you feel that
24 you're still going to be able to --- the numbers still
25 work with this project?

1 MR. CARLIN:

2 We do.

3 ATTORNEY CREANY:

4 And you might be familiar with some of
5 the other items that are included. We talked about
6 the community commitments both to the community
7 groups, to the Commonwealth and there are some other
8 additional ones in the Statement of Conditions. The
9 one for the High River Boulevard, all of that's
10 factored into your projections?

11 MR. CARLIN:

12 Yes, it is.

13 ATTORNEY CREANY:

14 Okay. Mr. Carlin, I wanted to ask you
15 some of these more toward your experience with the
16 project that you did at Niagara Falls View Casino.
17 What was the role of your company in that? Was it a
18 developer, are you operators or what is the role
19 specifically?

20 MR. CARLIN:

21 Well, our company, Falls Management
22 Company, was selected by the Providence of Ontario in
23 a competitive process to develop a new casino in
24 Niagara Falls and manage the existing casino and the
25 new casino under a long-term management contract. I

1 was very active negotiating with the Providence, all
2 the various agreements. I sit on the Board of the
3 company, Neil is the Chairman of the Board, and I've
4 been very active in that company and involved in
5 managing the facility.

6 ATTORNEY CREANY:

7 So it was both on the development end and
8 also now the operations?

9 MR. CARLIN:

10 Correct.

11 ATTORNEY CREANY:

12 And what about the Vicksburg Casino that
13 we heard reference to? What was the role of your
14 group in that?

15 MR. CARLIN:

16 We had a similar role. We are the ---
17 our company is developing that role --- developing
18 that project and we will manage it as well.

19 ATTORNEY CREANY:

20 Will you be the owners of that project?

21 MR. CARLIN:

22 We're the majority owners, yes.

23 ATTORNEY CREANY:

24 How does the project that you said you
25 built one of the casinos up in Falls View, how does

1 that compare to the project here in Pittsburgh?

2 MR. CARLIN:

3 Well, it's similar. They're both on,
4 well on water, on rivers. The casino in Niagara Falls
5 has 3,000 slot machines and 150 table games. It also
6 has a retail mall. It has a big garage like the one
7 in Pittsburgh. We do have a hotel in Niagara Falls,
8 378 rooms, which we, you know, hopefully we like in
9 the future, build a hotel in the future in Pittsburgh,
10 so they're comparably sized projects. But the one in
11 Niagara Falls has like I said, a retail shopping mall
12 and a hotel.

13 ATTORNEY CREANY:

14 And in the last couple of years in that
15 experience have you been meeting expectations of the
16 projections with respect to the operations at the
17 Falls?

18 MR. CARLIN:

19 Yes, we have. But I will point out that
20 the project itself, is owned by the government in
21 Ontario and we have certain restrictions up there
22 relating to --- we have no smoking policy and we have
23 competitors across the river who allow smoking. We
24 have a no alcohol comp policy, our competitors across
25 the river have --- are able to comp their customers.

1 In spite of that we've performed very well and we've
2 exceeded our projection. Our original projections of
3 the Providence and we've exceeded them by substantial
4 amount.

5 ATTORNEY CREANY:

6 In the recent times has the economy
7 impacted you much there?

8 MR. CARLIN:

9 Yes, it has. The Canadian dollar
10 strengthening has actually had a very negative impact
11 on our business because a lot of our customers were
12 from the United States side so that has impacted the
13 amount of revenue we generate from U.S. customers.
14 And the border crossing issue after 9/11 it's become
15 more difficult to cross the border so it's impacted
16 the business up there. Yes.

17 ATTORNEY CREANY:

18 Now, we had talked earlier about the
19 modeling that was done to project how performance
20 might be once the casino opens in Pittsburgh. In the
21 past have you routinely relied upon this type of
22 modeling in order to go forward with these projects?

23 MR. CARLIN:

24 Yes, we have. We worked extensively with
25 the Innovation Group on past projects and are very

1 comfortable with their ability to estimate markets.

2 ATTORNEY CREANY:

3 From that experience do you have anything
4 you could share with us of any items that may
5 undermine the accuracy of such modeling?

6 MR. CARLIN:

7 Well, certainly changes in economic
8 conditions could affect modeling. Also the addition
9 of competition could affect the modeling, you know,
10 those types of things.

11 MR. BLUHM:

12 And I'd like to add something.
13 Projections are projections. All right. In my 38
14 years of experience it's rare that anything works
15 exactly like the projections. What we did ask the
16 Innovation Group to do they did a study of the revenue
17 here for us and then they --- then they said at our
18 request and our urging really, that they review those
19 in light of current market conditions and they came up
20 with --- by market conditions, really dealing with the
21 economy, the high cost of gas and the slower economy
22 and reduced their initial numbers by some number each
23 year and then grew back to sort of more normalized.
24 And we stressed all of these numbers. And that was
25 one of the reasons we wanted to put more equity and

1 lower our debt so that we would feel more comfortable
2 and safer. That we would meet all of the covenants
3 and be in solid financial shape. So we've been
4 spending a lot of time on these numbers.

5 ATTORNEY CREANY:

6 Between the experience you've had at the
7 Falls View Casino, could you tell us how that might
8 compare between what we have projected here in
9 Pittsburgh in terms of the operations and the upper
10 management of the casino?

11 MR. CARLIN:

12 As far as the similarity or the ---?

13 ATTORNEY CREANY:

14 Particularly you were introduced as being
15 the partner that's involved in overseeing the gaming
16 operations but we have a series of documents that
17 control the entities and within those there is in the
18 immediate grouping a Management Committee right now
19 set in place and it initially would just be Mr.
20 Barden, Mr. Bluhm and yourself, operating that
21 Management Committee. Is that similar to the way that
22 you've operated in the Falls View?

23 MR. CARLIN:

24 In Niagara Falls we've got a Board of
25 Directors and we have a management team and we have a

1 casino management team, so I think I would take a more
2 active role in the Pittsburgh project. I'm actually
3 the CEO of the operations so I would have a more
4 active role here than in Niagara Falls.

5 ATTORNEY CREANY:

6 And one of the things that comes out I
7 believe it is in the borrowers LLC agreement, where
8 they have this management team established is
9 eventually other individuals will be able to exercise
10 some say in the operations. But do you agree and
11 acknowledge that those people can't have any sort of
12 influence or participation until such time as the
13 Board would license other individuals?

14 MR. CARLIN:

15 Yes.

16 ATTORNEY CREANY:

17 And at the initial stage, although it
18 will be just the three of you, Mr. Barden, Mr. Bluhm
19 and Mr. Carlin, it does provide in some of those
20 agreements an ability to designate representatives.
21 And would you acknowledge and agree to the Board that
22 until such time as other individuals are licensed you
23 won't be delegating duties for the Management
24 Committee?

25 MR. CARLIN:

1 That's absolutely correct.

2 ATTORNEY CREANY:

3 And essentially we're talking about a
4 casino that's in development, not in --- not out in
5 gaming, so to that extent you'll have until August of
6 2009 to put all of your applications in place and have
7 people cleared for fitness and suitability in order to
8 establish that, you know, delegation and to introduce
9 other members, the equity investors and others to
10 participate?

11 MR. CARLIN:

12 That's correct.

13 ATTORNEY CREANY:

14 And with respect to that, to the extent
15 there should be a problem with any of those people,
16 are you in your warrants and such, if I've invested
17 money and I don't clear the suitability process, will
18 there be any return to that investor other than the
19 dollars that were invested initially?

20 MR. CARLIN:

21 I'm not sure how the documents work.

22 ATTORNEY DONNELLY:

23 As in all jurisdictions really if the
24 person isn't licensed, that person will have to leave
25 the entity and will not receive a return on his

1 investment. He'd get his money back but not a return.

2 ATTORNEY CREANY:

3 I just have one last question for Mr.
4 Bluhm. With respect to your ownership interest and
5 you had laid it out in one of the slides how the
6 ownership is broken down over at HSP and in this
7 project, but could you maybe explain why you believe
8 that your ownership interest in this casino will not
9 violate Section 1330 which restricts you to a 33
10 percent in any casino?

11 MR. BLUHM:

12 Yes, sir. The --- I should start out by
13 saying as soon as this was introduced at our meeting
14 we went to our attorneys and immediately started
15 checking this out because it was an obvious thing for
16 us to understand. The --- I personally will own
17 somewhere less than I think two percent of the
18 interest in the Pittsburgh casino. However and I
19 testified to this at the hearing before the State
20 Senate Casino Group --- I forgot their technical name,
21 but I said to myself as well as our attorneys and
22 others that irrespective of that I want to even look
23 at this even though our lawyers are telling me that
24 you have to look at me, and that the three trusts of
25 the children would not be combined together with me, I

1 said I want to look at this even if it were. And
2 under that scenario if you take the three trusts and
3 my interests all the way through Walton, we own
4 something like 20 percent, although we don't believe
5 that the statute requires that. The statute calls for
6 a group that owns another license not to own more than
7 a third. So we are way under the third even if you
8 put the three trusts together and my interest in
9 Walton, so we're somewhere around 20 percent. But
10 we've been advised by counsel that that isn't even the
11 way the statute requires it. But I wanted to be extra
12 careful and safe on this point.

13 ATTORNEY CREANY:

14 Thank you. I have no further questions.

15 CHAIRMAN COLINS:

16 Mr. Pitre, any questions?

17 ATTORNEY PITRE:

18 No, ma'am, Chairman Colins, that
19 completes it.

20 CHAIRMAN COLINS:

21 All right. Are there any other questions
22 of the Board?

23 COMMISSIONER GINTY:

24 Yes.

25 COMMISSIONER ANGELI:

1 Yes.

2 COMMISSIONER GINTY:

3 This isn't a question for now, Mr.
4 Donnelly, but I understand at the end of this you're
5 going to have a closing statement. You have this
6 morning made a very compelling case for the calm if
7 not the devastation that would happen to
8 subcontractors and indeed to the construction industry
9 in Pittsburgh if this project does not go forward.
10 You have made a compelling case as to the economic
11 benefits to the City of Pittsburgh and to Allegheny
12 County. And in fact we have heard from the county
13 executive and the Mayor of Pittsburgh, supporting and
14 underlining those benefits. Notwithstanding all of
15 that there are those who question the integrity of the
16 process. And we were reminded just a couple of weeks
17 ago that the legislative intent of the statute is very
18 clear that protecting the public interest, protecting
19 the integrity of these proceedings in the language of
20 the statute is the primary objective to which all
21 other objectives and purposes are secondary. We
22 confronted this issue a few weeks ago with respect to
23 another application. In your closing arguments I
24 would like you to address how you feel and make the
25 case that we are by granting this application we would

1 in fact be protecting the public interest and would be
2 consistent with maintaining the integrity of these
3 proceedings.

4 CHAIRMAN COLINS:

5 Commissioner Angeli, do you have
6 questions?

7 COMMISSIONER ANGELI:

8 Thank you. It's a little bit of a
9 follow-up, and I don't mean to beat a dead horse here,
10 and that's no disrespect to the Harness Racing
11 Commission or the Thoroughbred Commission, but I just
12 want to look at some initial numbers here, because the
13 original proposal was for \$470 million. And you know,
14 given the interest rates at that time, the
15 construction costs at that time and the operating
16 costs that have moved forward. And now we're looking
17 at, in total, if you'll consider the \$780 million and
18 the \$26 million for the vendors and the \$10 million
19 line of credit, we're looking at an \$816 million
20 project.

21 MR. BLUHM:

22 Sir, can I just comment on that?

23 COMMISSIONER ANGELI:

24 Sure.

25 MR. BLUHM:

1 The \$780 million included all the other
2 items, so the total is \$780 million.

3 COMMISSIONER ANGELI:

4 Oh, okay. So that's within that. So in
5 looking at that, and I'm sure you've done the
6 projections and the win per-play on that 3,000 slots
7 and everything. Can you --- can someone just address
8 the difference in those two things and how this works
9 now with, and I know you've put about \$205 million of
10 equity into it, but that's still, roughly, you know,
11 about \$550 million or \$600 million left over of debt
12 service, and somehow assure the Board that the numbers
13 work now as opposed to the \$470 million.

14 MR. BLUHM:

15 I want to comment, and you've asked a
16 very good question. When this license was originally
17 granted, under the assumption that this would have
18 gotten built a few years ago, okay, maybe the revenue
19 would have been a little lower under the projection.
20 But this would have been a homerun based upon those
21 numbers. Mr. Barden would have had a situation where
22 there would have been a huge profit based upon the
23 cost of building this, the cost of financing and the
24 projected income. That has changed, but it still
25 represents an acceptable return to Walton. We think

1 this will produce well over a \$100 million of earnings
2 and our investment will be just under \$800 million.
3 And that we will have an acceptable return.

4 But as I testified --- but it's not a
5 homerun. It's not --- it's not what it was three
6 years ago. The world has changed. Costs are up and
7 financings costs are up. The income projections are
8 probably not much different. You might argue as to
9 whether we're a little more conservative. That's the
10 way we are by nature. All right. But it's an
11 acceptable return. It's not a homerun. And I think I
12 testified to the Senate hearing. This is a deal for
13 Walton and Bluhm. If it makes sense, we'll do it. If
14 not, we'll lose our legal fees and we'll move on.

15 But we have hung in there because we
16 think it's a good investment. It's not a homerun.
17 But we also, as we worked, and as I just testified,
18 when it became close and you might get your emotions,
19 our costs, or the lenders were being tough, I also
20 felt that we should try to hang in there as long as I
21 believed it's a good investment for Walton. I believe
22 it's a good investment. I don't think it's the
23 greatest investment I've ever seen, but you don't know
24 how these things are going to turn out, and we're in
25 tough economic times.

1 But looking ahead, I think that it'll
2 work. I think it'll be successful. I think we'll get
3 a reasonable return on our investment.

4 COMMISSIONER ANGELI:

5 Thank you. Just one other short question
6 here. In your --- when you were discussing this ---
7 I'm not sure who mentioned it, but they mentioned that
8 Don Barden will be an owner. And when I looked at the
9 organizational charts, I saw where, to me, it looks
10 like that Walton Street Managers are the general
11 partner, and they are --- they are the owners and they
12 are the controlling entity of this entire project; is
13 that true?

14 MR. BLUHM:

15 Yes. There is going to be what, I guess,
16 what you'd call a Management Committee for want of a
17 better word, and on that committee Mr. Barden will
18 sit. He will have one vote, but Walton has five
19 votes, and therefore --- because they put up the
20 majority of the equity and they will have the ultimate
21 vote. But I will be representing Walton, and I will
22 be the only decision maker until other principals of
23 Walton are approved by the Staff and the Gaming Board,
24 and then there could be like a Board of Directors,
25 they could then be on the Board.

1 But the day-to-day operations and the
2 running of this project is going to be Mr. Carlin and
3 his group, and that will not change. But the Walton
4 people will come on, which in substance will be more
5 like a Board of Directors if and when they are
6 approved.

7 COMMISSIONER ANGELI:

8 Thank you. I have no further questions.

9 CHAIRMAN COLINS:

10 I have a question, sir. There was prior
11 litigation involving the PITG project and the
12 Pittsburgh Steelers and the Pirates and there were
13 settlements reached. Will Holdings Acquisition honor
14 those commitments and settlements that Mr. Barden
15 reached with those groups?

16 MR. CARLIN:

17 Yes, we will.

18 CHAIRMAN COLINS:

19 Okay. Thank you. There being --- are
20 there any further questions? If not, what we'll do
21 then is we had planned on moving into public comment
22 period before we get to the presentation of the Office
23 of Enforcement Counsel (OEC) and the Bureau of
24 Licensing. We have seven people who have signed up.
25 I'm going to ask that we make room at the end of

1 table. I'm going to ask that the Office of
2 Enforcement Counsel (OEC) move next to Mr. Carlin and
3 that we bring up the first witness is Gerald Wiemann.
4 Now, have you been sworn? Are you Gerald Wiemann?

5 MR. WIEMANN:

6 Yes, I am.

7 CHAIRMAN COLINS:

8 Sir, have you been sworn?

9 MR. WIEMANN:

10 Yes, I did swear in.

11 CHAIRMAN COLINS:

12 All right. I will remind all those who
13 have signed up that the time allotted for your
14 presentation is three minutes, and we'll notify you
15 when your three minutes are up. Thank you, sir. Have
16 a seat, please. State your name for the record, spell
17 it, and then you can begin.

18 -----

19 GERALD WIEMANN, HAVING BEEN PREVIOUSLY SWORN,

20 TESTIFIED AS FOLLOWS:

21 -----

22 MR. WIEMANN:

23 Gerald Wiemann. Last name is

24 W-I-E-M-A-N-N.

25 CHAIRMAN COLINS:

1 All right. Proceed.

2 MR. WIEMANN:

3 Yes. Madam Chair, Members of the Board,
4 originally when I had signed up to speak here, I was
5 set to oppose this transfer of the license vehemently
6 for many reasons. And some of you may know, I know
7 Mr. Barden does, that I had actually worked for one of
8 his competitors whenever the licensing process went
9 through originally. And at that time I felt other
10 projects were much better than what he had proposed
11 and maybe that's --- that was the case, but that was
12 my belief and many people thought that in Pittsburgh
13 as well.

14 But in any event, as I drove in yesterday
15 --- I had to drive in yesterday because of --- I had
16 to drive slow down that turnpike, anymore I get
17 speeding tickets coming in early, but in any event, I
18 kept an open mind on this thing. And as I was driving
19 in I thought, you know, there's going to be --- it's
20 tough economic times, and if the --- this casino
21 doesn't get built now and move forward, it may never
22 get built. And I say that because I've worked in the
23 casino industry. I was a consultant to one of the
24 other gaming companies. I've been very close to this
25 process for years and years and years. Even before it

1 was --- this Board was set up, established, et cetera.

2 And I'm very close to Pittsburgh. I was
3 born and raised in Pittsburgh. I know that market. I
4 know the area. I know the trouble that the people are
5 having there in that area, and --- you know, what will
6 happen if this casino doesn't get built and up and
7 operating now. There's a lot of good people. A lot
8 of the contractors. Other people that'll need jobs,
9 myself included, that if this casino doesn't get built
10 or others in the area, they don't get finished and up
11 and going a lot of people, good people are going to
12 get hurt. And we need these casinos. We need this
13 business in the area.

14 So as I was driving in --- like I said,
15 I'd keep an open mind, unless something, you know,
16 came up today. I was actually going to speak out
17 against this transfer, and like I said, for many
18 reasons. And maybe, technically, it should be re-bid.
19 But after hearing what's been said and thinking over
20 through this process yesterday as I was driving in,
21 I'm actually in support of this project and this
22 transfer taking place.

23 I believe it needs to be done now. And I
24 know, because I'm aware of the economic times. I'm
25 aware of how these casinos are financed. What it

1 takes to get a casino up and going, what it takes to
2 operate a casino. And I commend Mr. Bluhm and Mr.
3 Barden and all those for moving forward with this
4 because it's going to be awfully tough to make this
5 thing work. And this Pittsburgh market is fickle.
6 It's not up ---.

7 COMMISSIONER RIVERS:

8 Sir, your time is up now.

9 MR. WIEMANN:

10 Okay. Thank you. But again, at this
11 point in time, I want to recommend that this thing go
12 forward now for the people of Pittsburgh and Western
13 Pennsylvania.

14 CHAIRMAN COLINS:

15 Thank you, sir. Thank you very much.
16 I've Paul Bonnie next. Are you Paul Bonnie, sir?

17 ATTORNEY BONNIE:

18 Yes, I am.

19 CHAIRMAN COLINS:

20 Very good. Have you been sworn?

21 ATTORNEY BONNIE:

22 Yes, I have been.

23 CHAIRMAN COLINS:

24 Good. Would you then just state your
25 name and spell it for the record?

1 -----
2 PAUL BONNIE, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED
3 AS FOLLOWS:
4 -----

5 ATTORNEY BONNIE:

6 Absolutely. And I was informed, Madam
7 Chairwoman, that we should try and keep it to three
8 minutes, but I have --- I'm going to go a couple of
9 minutes over, if that's okay with this Board?

10 CHAIRMAN COLINS:

11 Just a moment. Three minutes for each
12 speaker. State your name, spell it and we'll start
13 when you begin that.

14 ATTORNEY BONNIE:

15 But if it's okay with the Madam
16 Chairwoman I have some friends here who are also on
17 that list of seven people who are willing to truncate
18 their time in order that I can have about five
19 minutes. So that the overall time for public comments
20 would not be elongated.

21 CHAIRMAN COLINS:

22 Who would be the speaker who would be
23 giving up their time for you, and your name, please?

24 MS. CAVANAGH:

25 Lily Cavanagh.

1 CHAIRMAN COLINS:

2 Lily, I'm sorry, Cavanagh. All right.

3 MS. CAVANAGH:

4 Yes.

5 CHAIRMAN COLINS:

6 All right.

7 ATTORNEY BONNIE:

8 Okay. Thank you.

9 CHAIRMAN COLINS:

10 And you may have --- you may have a total
11 of six minutes, then, sir.

12 MS. CAVANAGH:

13 Well, I'll still speak, but I won't
14 say ---.

15 ATTORNEY BONNIE:

16 We'll do six between us.

17 CHAIRMAN COLINS:

18 Just a moment. Just a moment. Sir, go
19 on. You're going to have three minutes, and then
20 we'll pass the torch to the next person. Those are
21 our published regulations. Go on.

22 ATTORNEY BONNIE:

23 I didn't see those in the published
24 regulations, and I was told about three minutes. My
25 name is Paul ---.

1 CHAIRMAN COLINS:

2 Sir, I'm not going to argue with you.
3 You have three minutes. You may begin now.

4 ATTORNEY BONNIE:

5 My name is Paul Bonnie. I'm the attorney
6 for Casino Free Philadelphia, whose mission is to
7 prevent casinos from coming to Philadelphia and to
8 shut down any that open. That said, we have a
9 tradition of advocating for open and fair government,
10 and it's in that spirit that we're here today. We
11 believe that Neil Bluhm is trying to hedge his bets
12 improperly. He can not build the SugarHouse Casino in
13 Philadelphia, and he won't, and he sees that
14 opposition and those obstacles, and so he's trying to
15 seek an new opportunity in Pittsburgh.

16 But the law only allows him to own one
17 casino. Therefore, Mr. Bluhm's application must be
18 denied. There are, of course, a few important reasons
19 why some one person cannot own more than one casino,
20 but we do not want, as expressed in the law, an undo
21 concentration of control in the casino industry in
22 Pennsylvania.

23 We have some documents. We have this
24 chart provided by Mr. Bluhm. Does this tell us who
25 controls the casino? No, it doesn't. Ownership

1 shares are meaningless, unless we know who controls
2 the companies. Mr. Bluhm can own one percent of the
3 company, but if the shareholder agreement provides
4 that he calls the shots, then it's his company. In
5 fact, today Mr. Bluhm has had a few slips of the
6 tongue where he, you know, says not just Walton, but
7 also Bluhm or we or me.

8 And in fact, at one point he say I will
9 be the only decision maker. The Board is risking an
10 engagement here with Enron accounting. What happened
11 in Enron? Enron set up separate shell corporations
12 and then put those shell corporations off the balance
13 sheet, saying we don't own them through ownership
14 structure, and so therefore we don't have to report on
15 that debt. Of course, they --- those debts did come
16 to fruition and Enron fell like a house of cards. For
17 all we know, that's what we have here.

18 Mr. Bluhm sets up these other
19 corporations. Tells us that he doesn't own them,
20 they're not his. He wants to keep those companies at
21 arms length, just like Enron did. But who is the
22 decision maker? I think we heard that here today.

23 I'm sure you have heard accounts and
24 representations and certifications and even your own
25 staff tell you that all this is proper and that Mr.

1 Bluhm does not, in fact, own or control these other
2 companies. But remember Enron's books were
3 certified. They were certified by Arthur Anderson.
4 The books were technically correct and they followed
5 specific accounting rules.

6 Enron went wrong not because they
7 violated the specific rules, but because they violated
8 the core principles of accounting.

9 COMMISSIONER RIVERS:

10 Thirty (30) seconds.

11 ATTORNEY BONNIE:

12 By seeking to command two-thirds of the
13 gaming market in the two biggest cities in
14 Pennsylvania, Mr. Bluhm is trying to concentrate an
15 undo amount of control. You've heard a lot --- and
16 I'll close with this. You've heard a lot about
17 Walton, the company, Walton. You even heard some
18 Detroit pension funds ---.

19 COMMISSIONER RIVERS:

20 Sir, your time is up.

21 ATTORNEY BONNIE:

22 May I just finish my thought here, Madam
23 Chairwoman?

24 CHAIRMAN COLINS:

25 Finish your thought, please.

1 ATTORNEY BONNIE:

2 Okay. Thank you.

3 CHAIRMAN COLINS:

4 I'll give you a few seconds to finish.

5 ATTORNEY BONNIE:

6 Thank you very much.

7 CHAIRMAN COLINS:

8 Thank you.

9 ATTORNEY BONNIE:

10 Just two weeks ago, and I'll hand these
11 up for the record, Forbes Magazine published an
12 article called The Other Real Estate Disaster. And
13 it's all about how pension funds are doing badly in
14 real estate pools and working very hard with private
15 equity operators to keep you in the dark. And Mr.
16 Bluhm is cited and interviewed many times here.

17 CHAIRMAN COLINS:

18 Very good. We'll accept that as an
19 exhibit. Thank you, sir. Your time is up.

20 ATTORNEY BONNIE:

21 Okay.

22 CHAIRMAN COLINS:

23 Thank you, Mr. Bonnie. Just leave them
24 on that chair.

25 ATTORNEY BONNIE:

1 I do just for the record want to object
2 to the limited amount of time that you're giving public
3 speakers. I feel it's inappropriate. This process
4 has been way too handled behind closed doors ---.

5 CHAIRMAN COLINS:

6 Sir, your objection is noted. Your
7 objection is noted and we thank you for comments
8 today. You may leave your exhibits. And the next
9 speaker is Jethro Heiko, also Philadelphia.

10 MR. HEIKO:

11 Thank you.

12 CHAIRMAN COLINS:

13 And Mr. Heiko, you brought your son, sir?

14 MR. HEIKO:

15 Daughter.

16 CHAIRMAN COLINS:

17 Your daughter?

18 MR. HEIKO:

19 We don't always dress her in pink.

20 CHAIRMAN COLINS:

21 Very good.

22 MR. HEIKO:

23 A little policy.

24 CHAIRMAN COLINS:

25 And how is your --- how old is the infant

1 that you're sitting at the table with you?

2 MR. HEIKO:

3 She's 11 weeks. Her name is Hazel Heiko,
4 and she lives with me and my wife at 139 East Allen
5 Street.

6 CHAIRMAN COLINS:

7 Oh, very good. And spell your name for
8 the record, and you may begin your three minutes.

9 -----

10 JETHRO HEIKO, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED
11 AS FOLLOWS:

12 -----

13 MR. HEIKO:

14 Jethro Heiko, J-E-T-H-R-O, H-E-I-K-O. I
15 have addressed the Board before. Thanks for the time.
16 I think this is time I've been on the record. For the
17 last two years you weren't allowed -- I wasn't allowed
18 to be on the record. What I would have told you then
19 more than two years ago is what I'll tell you now. As
20 someone who lives just less than 300 feet from the
21 proposed SugarHouse Casino, I've unfortunately become
22 somewhat of an expert in dealing with Neil Bluhm and
23 HSP Gaming.

24 My belief is that --- or my feeling is
25 that you heard a lot earlier --- we heard a lot

1 earlier about the fact that these guys have been
2 licensed before, but they're licensed because they're
3 HPS Gaming and therefore --- and therefore, you know,
4 the way to kind of fast track this transfer.

5 The fact is that they should not --- they
6 should not be licensed. They've been unsuccessful at
7 developing SugarHouse Casino. They do not have
8 political support for it from the mayor or the
9 governor. There's current discussions about reciting
10 the casino in large part because of the proximity, and
11 according the Section 1326(b) of the Gaming Act, if an
12 invest --- sorry.

13 BRIEF INTERRUPTION

14 MR. HEIKO:

15 If it turns that an investor in a casino
16 and owner had an applicant at any point has misled or
17 misinformed or provided false information to the
18 Board, that there should be an investigation and that
19 you can, you may, according to the law, revoke the
20 license.

21 In at least two instances, Mr. Bluhm and
22 HSP Gaming misled and provided false information to
23 the Board in relation to HSP Gaming. That involved
24 existing zoning laws, zoning law 141624, which was not
25 mentioned in their original impact report, which

1 specifically prohibits adult entertainment uses in the
2 area between Spring Garden Avenue and Allegheny Avenue
3 in order to protect families like my own --- like mine
4 from adult entertainments uses, which dominated the
5 Delaware River front for years and caused tremendous
6 hardship not to mention tremendous expense to
7 taxpayers.

8 In addition, he misinformed the Board
9 about the buffer zone. There's a claim in the buffer
10 zone, which you and your page 409 in your adjudication
11 of February of 2007 state that the buffer zone was one
12 of the major reasons for citing SugarHouse and for you
13 deciding to license SugarHouse. The fact is, there is
14 no buffer zone. I live directly across --- my block
15 is directly across the street. We have homes directly
16 across from the proposed SugarHouse Casino. That was
17 a mischaracterization, misinformation in order to show
18 the Board or tell the Board that there'd be protection
19 for families.

20 CHAIRMAN COLINS:

21 Sir, your time is up. Your time is up
22 now. Thank you very much and the baby's been crying
23 so she seems a little unhappy, but your time is up.

24 MR. HEIKO:

25 She cries all the time. She's a ---.

1 CHAIRMAN COLINS:

2 Thank you.

3 MR. HEIKO:

4 I'm used to it.

5 CHAIRMAN COLINS:

6 Thank you very much.

7 MR. HEIKO:

8 She's going to cry a lot more if they
9 build the SugarHouse Casino. I hope you revoke the
10 license for SugarHouse ---.

11 CHAIRMAN COLINS:

12 Sir, your time is up now. That's
13 inappropriate. Ms. Cavanagh, come on up. Lily
14 Cavanagh, come on up. Have you been sworn, ma'am?

15 MS. CAVANAGH:

16 No, I haven't.

17 CHAIRMAN COLINS:

18 We're going to ask you to take an oath,
19 if you would, please.

20 MS. CAVANAGH:

21 Sure.

22 CHAIRMAN COLINS:

23 Would you raise, please?

24 MS. CAVANAGH:

25 Oh, yes. Sorry.

1 -----
2 LILY CAVANAGH, HAVING FIRST BEEN DULY SWORN, TESTIFIED
3 AS FOLLOWS:
4 -----

5 CHAIRMAN COLINS:

6 Thank you. State your name and spell it
7 for the record, please.

8 MS. CAVANAGH:

9 Sure. My name is Lily Cavanagh, L-I-L-Y,
10 C-A-V-A-N-A-G-H. And I also live in Philadelphia.
11 I'm also here to oppose this application. In my
12 opinion, this is not a bonafied financial application.
13 This is a political favor. Neil Bluhm and those he
14 has bundled has given --- have given tens of thousands
15 of dollars to Governor Ed Rendell's political
16 campaigns and hundreds of thousands to the Democratic
17 Party, of which Mr. Rendell is part and parcel.

18 Mr. Bluhm has probably given to the
19 Republican's, too. But again, under oath, so it's
20 just a suggestion maybe he has.

21 Thanks to the press we do know that Ed
22 Rendell personally helped broker this deal. It would
23 be enough for the Governor to be a huge proponent of
24 gambling in Pennsylvania, but here's her playing
25 favorites by personally vouching for a particular

1 casino applicant. Mr. Rendell refused to endorse any
2 mayoral candidate for the City of Philadelphia, but he
3 will endorse Neil Bluhm, whom, by the way, now
4 apparently holds more power than Mayor Michael Nutter.

5 If any of the elected officials from
6 Pittsburgh care to see Mr. Bluhm's brand of
7 disrespect, I encourage them to come to Philadelphia
8 and speak to our Mayor. I also call on the this
9 Board, the Attorney General's Office and the FBI to
10 investigate any ex parte contacts that have occurred
11 leading up to this hearing.

12 I also want to remind the members of this
13 Board, as we learned from Tad Decker, the current head
14 of Cozen O'Connor, which is the firm that represents
15 Mr. Bluhm's HSP Gaming in Philadelphia, it's never too
16 late to recuse yourself.

17 In closing, I ask this Board to deny the
18 application, investigate any improprieties and do your
19 best to restore credibility to the regulation of
20 gaming here in Pennsylvania. Thank you.

21 CHAIRMAN COLINS:

22 Thank you. Sharon Capretto, please.
23 Have you been sworn?

24 MS. CAPRETTO:

25 No, I have not.

1 CHAIRMAN COLINS:

2 All right. Would you raise your right
3 hand, please?

4 -----

5 SHARON CAPRETTO, HAVING FIRST BEEN DULY SWORN,
6 TESTIFIED AS FOLLOWS:

7 -----

8 CHAIRMAN COLINS:

9 Have a seat. State your name and spell
10 it for the record, please.

11 MS. CAPRETTO:

12 Sharon Capretto, C-A-P-R-E-T-T-O.

13 CHAIRMAN COLINS:

14 Proceed.

15 MS. CAPRETTO:

16 Good afternoon, Chairman Colins and
17 members of the Pennsylvania Gaming Control Board.
18 Thank you for allowing me the opportunity to speak at
19 this public hearing today. My name is Sharon Capretto
20 from --- and I am a representative from Casino Free
21 Pittsburgh, which was formed to enable the voice of
22 the people of the City of Pittsburgh to be heard
23 regarding the statewide gambling agenda.

24 This very serious situation involving the
25 current casino license and the City of Pittsburgh is a

1 result of a flawed decision. We want decisions like
2 this to be avoided now and in the future. No matter
3 what the pressures are from those who stand to profit
4 from holding these licenses are from those who benefit
5 in any way from it, you should not be forced to make
6 any rash or hasty decisions regarding this or any
7 other licensing agreements. To do so, would be ---
8 would raise question to the credibility of this Board
9 and your decision-making process.

10 Sadly, the most serious and inexcusable
11 mistake has already been made when our elected
12 officials brought slot machines into the State of
13 Pennsylvania denying any citizen input or hearings
14 prior to the passage of Act 71 of 2004. We were not
15 given a chance for a statewide referendum. Casino
16 Free Pittsburgh seeks your approval for a moratorium
17 on further gambling licenses and restructuring or
18 changes to any current gambling licenses until the
19 Attorney General and State Police are involved in
20 performing necessary background checks on qualified
21 applicants, as recommended by the Casino Free
22 Pennsylvania in their letter dated August 8th of 2008,
23 and you have all received that letter.

24 Due diligence regarding the background
25 checks and other information by the attorney's general

1 office and state police including the PA Gaming
2 Control Board's evaluation will prevent problems in
3 Pennsylvania, and those that have already --- and some
4 that have already been experienced in the past. The
5 current casino Licensee in Pittsburgh is undeserving
6 of a license, as he has failed to meet the obligations
7 of the contract.

8 In the banking industry, this would be a
9 breach of a contract, and it would be no longer a
10 valid contract. You are --- your acceptance of the
11 moratorium is an opportunity to demonstrate your
12 willingness to place the best interests of the people
13 of the City of Pittsburgh and the State of
14 Pennsylvania at the forefront. Please understand that
15 the most well intended ideas and plans will never
16 reach a successful outcome if they are not rooted in
17 truth and honesty.

18 In the law of physics, it has been
19 proven, if an equation begins in error it shall always
20 remain in error. Thank you.

21 CHAIRMAN COLINS:

22 Thank you. Debbie King, please come
23 forward. Have you been sworn, ma'am?

24 MS. KING:

25 Yes.

1 CHAIRMAN COLINS:

2 All right. Very good. Have a seat and
3 state your name for the record and spell it, please.

4 -----

5 DEBBIE KING, HAVING BEEN PREVIOUSLY SWORN, TESTIFIED
6 AS FOLLOWS:

7 -----

8 MS. KING:

9 My name is Debbie King, D-E-B-B-I-E,
10 K-I-N-G.

11 CHAIRMAN COLINS:

12 Proceed.

13 MS. KING:

14 And if I may, I'd like to cede my time to
15 Paul Bonnie. I feel like his testimony was very
16 important and it was unfair to cut him off. Thank
17 you.

18 CHAIRMAN COLINS:

19 Come on, Mr. Bonnie.

20 ATTORNEY BONNIE:

21 All right. Thank you.

22 CHAIRMAN COLINS:

23 Three minutes.

24 ATTORNEY BONNIE:

25 Absolutely, thank you. I want to point

1 out that if there's a choice here of getting more
2 revenue faster and getting contractors paid as opposed
3 to compliance with the law, you must chose the latter.
4 Section 1330 of the Gaming Act says that no Licensee
5 or affiliates or subsidiary can own more than 33
6 percent of another Licensee subsidiary or affiliates.
7 To me, we have here subsidiaries and affiliates of the
8 Pittsburgh Casino, if this is approved, owning 100
9 percent of subsidiaries and affiliates of the
10 SugarHouse Group. To me that means, you can't have
11 common ownership. That's how the law is drafted. I
12 don't see how it can be interpreted any other way.

13 And I want to use just the remaining bit
14 of my time to go a little bit further into this Forbes
15 article which, I hope, you will all read before you
16 make a decision, and it's called The Other Real Estate
17 Disaster. It talks about the other meltdown. The one
18 you haven't heard about yet. It talks about pension
19 funds that if the setbacks from these opportunities
20 funds, like Walton, are severe enough that it will
21 force state government --- it could force state
22 governments to raise taxes to cover shortfalls for
23 their pensions funds.

24 Many opportunity funds, Forbes tells us
25 are black boxes. They're virtually unregulated, and

1 Mr. Bluhm is referred to a few times here, and he's
2 actually interviewed for this article. And the whole
3 point of it is that these funds promote themselves at
4 a certain interest --- rate of return, if you will.
5 But that they're not adjusted for risk. They're not
6 adjusted for the amount of leverage that's involved in
7 these deals. Risk adjusted returns, there is no such
8 thing insists Chicago billionaire, Neil Bluhm. He
9 says that's for eggheads.

10 And towards the end of the article
11 there's a couple of sentences that I'll just read, and
12 then I'll close up. It says at the very least
13 advertised returns are highly mutable. Consider the
14 case of Chicago's Walton Street Capital, who's
15 founder, Neil Bluhm, head of JMB Reality, a syndicator
16 of real estate limited partnerships that tanked in the
17 1990s --- in the early 1990s. Chicago teachers, such
18 a pension fund, I guess, had \$26.5 million in Walton
19 Street I and II. In 2000, when Bluhm set out to raise
20 his third fund he was showing unrealized net returns
21 of 20 percent for his first two funds and Chicago
22 teachers pledged another \$15 million. After the
23 office market softened the following year, Bluhm
24 marked down returns.

25 I'm sorry. Bluhm marked down returns of

1 his first two funds to the low teens. I would ask
2 this Board that you can look behind the
3 organizational ---.

4 CHAIRMAN COLINS:

5 Time is up now.

6 ATTORNEY BONNIE:

7 Okay. Look behind the organizational
8 chart to find the true numbers. Thank you.

9 CHAIRMAN COLINS:

10 Thank you. Thank you very much. All
11 right. Now, we'll move to the presentation of the
12 Office of Chief Enforcement Counsel (OEC). Sir, if
13 you leave those, we'll get them.

14 ATTORNEY BONNIE:

15 Okay.

16 ATTORNEY PITRE:

17 Madam Chair, if I may. I'd like to first
18 offer into the record, assuming I have no objection
19 from opposing Counsel, various written comments that
20 were received with regard to the joint application.
21 John, do you have any objection?

22 ATTORNEY DONNELLY:

23 None.

24 ATTORNEY PITRE:

25 No. If I may, I would like to go through

1 the list of the documents that were received with
2 regard to this application and just --- in brief
3 summary, and say what they were. On April 23rd, 2008
4 Senators Jay Costa, Jim Ferlo and Wayne Fontana of
5 Allegheny County co-authored a letter. The Senators
6 objected to PITG's petition to amend the Statement of
7 Conditions regarding the \$3 million commitments to the
8 Hill District.

9 On May 7, 2008 Representative Joseph
10 Preston, Jr. of Allegheny County submitted a letter in
11 support of PITG's petition to amend the Statement of
12 Conditions and urges the Board to work with Mr.
13 Barden. On July 2nd, 2008 Mayor Luke Ravenstahl of
14 Pittsburgh submitted a letter voicing concern over
15 PITG's proposed modifications to the aesthetics of the
16 dock and the excess pads. The Mayor does not oppose
17 the postponement of completion of the amphitheater or
18 ballroom until Phase III of construction.

19 On July 8, 2008 Senator Jane Orie of
20 Allegheny County submitted written comment objecting
21 to the issuance of the Pittsburgh license to PIT ---
22 objecting to PI --- Pittsburgh --- the issuance of the
23 Pittsburgh license to PITG and objecting to any
24 proposal that would alleviate PITG of the commitments
25 to the new Pittsburgh Arena.

1 On July 14th, 2008 Representatives Mike
2 Turzai, Paul Clymer, Doug Reichley, Mike Vereb and
3 Kurt Schroder recommended that the Board put the
4 Pittsburgh Category 2 License in trusteeship by way of
5 revocation or allow public bidding on the license.

6 On July 14th, 2008, received a letter
7 from Senators Jim Ferlo and Jane Orie, was co-authored
8 calling for revocation of PITG's Gaming license and to
9 reopen the licensee to a competitive process. Also
10 submitted as an 18-page comment memo regarding various
11 issues addressing joint application filed by PITG and
12 Holdings Acquisitions Company. They also object to
13 the issuance of confidentially as applied by the
14 Board.

15 July 16th, 2008, Senators Jay Costa and
16 Wayne Fantana co-authored a letter urging the Board
17 Staff to make a joint petition --- make the joint
18 petition filed by PITG and Holdings Acquisition a
19 priority for the Agency and requested that the Board
20 insure that the commitments to the Hill District and
21 the City of Pittsburgh previously made by PITG were
22 honored.

23 On July 16th, 2008, Representative Joseph
24 Preston, Jr. expressed by way of letter his ardent
25 support of the PITG Gaming reconfiguration and finance

1 proposal for the Majestic Star project. He urged the
2 Board not to get bogged down in bureaucratic
3 gamesmanship since this project is of such importance
4 to the people of Pittsburgh.

5 On July 17th, 2008, Senator Joe Scarnati,
6 President Pro Temp, urged the Board to open its entire
7 deliberation process to the public for consideration
8 and comment. In his view, the joint application is
9 not a modification of the current, but a wholesale
10 change in ownership, warranting public hearings and
11 comprehensive review. Mr. Scarnati also requested
12 that the documents associated with the transaction be
13 made public.

14 On July 18th, 2008, Senators Jane Orie
15 and Jim Ferlo co-authored a letter outlining ex parte
16 communications and responsibility to the Act to act in
17 an objective, impartial and independent manner. They,
18 again, urged the Board to revoke the PITG Gaming
19 license.

20 On July 24, 2008, Representative Jake
21 Wheatley, Jr. wrote to express his strong support of
22 the joint petition, particularly in light of the
23 agreement of the new investors to honor the
24 commitments PITG Gaming made to the City of
25 Pittsburgh. He expressed concern over the possibility

1 that if the deal does not get Board approval, one of
2 the most valuable pieces of real estate in Pittsburgh
3 could become abandoned, partially built facility.

4 On July 31st, 2008, Senators Jane Orie
5 and Jim Ferlo wrote to, again, request the public
6 release of documents submitted in connection with the
7 joint petition that had been declared confidential by
8 the joint petitioners including the debt payment terms
9 and schedules, the joint venture agreements and
10 investor identities.

11 On August 7, 2008 Representative Harold
12 James, Chairman of the Gaming Oversight Committee,
13 wrote requesting documents governing the
14 reorganization, recapitalization and change of
15 control, the debt financing documents and the business
16 organizational charts.

17 On August 8th, 2008, Senators Jane Orie
18 and Jim Ferlo wrote to request that the public hearing
19 regarding the joint application be held in Pittsburgh
20 and not Harrisburg to better serve the public as well
21 as the city, county and municipality officials.

22 On August 13th, 2008, Representative Jake
23 Wheatley, Jr. wrote requesting that the Board allow
24 proposed business agreement between PITG Gaming and
25 Holdings Acquisition --- that the Board allow the

1 proposed business agreement, and he offers support to
2 the extent that there are clear and documented
3 agreements that guarantee PITG Gaming's commitments to
4 the Hill District, the Northside Leadership Conference
5 and the new multi-use arena. He also reiterated his
6 support for diversity.

7 On August 13th, 2008, Senator Jay Costa
8 wrote to express support of the transfer of PITG
9 Gaming license, as requested in the joint petition.
10 He comments that the project is of vital importance to
11 the --- of the City of Pittsburgh and Allegheny ---
12 the Allegheny County region. He also supplied written
13 testimony requesting that the Board bind Holdings
14 Acquisition to the City of Pittsburgh's ---
15 City of Pittsburgh commitments made by PITG Gaming.

16 On August 13th, 2008, Senator Jane Orie
17 supplied written testimony, a memo, outlining her
18 position regarding the statutory interpretation of the
19 Gaming Act. She believed that the Board meeting and
20 the public comments should be held in Pittsburgh.
21 That the Board is overly broad in its interpretation
22 of the confidentiality provision of the Gaming Act.
23 And that the Board should revoke the PITG Gaming
24 license.

25 On August 13th, 2008, the Pennsylvania

1 Legislative Black Caucus wrote, the Board received a
2 letter from them stressing the continued diversity
3 participation in connection with the joint
4 application. They request that the Board state for
5 the record any anticipated dilution language and
6 agreements that may adversely affect minority
7 participation in all areas of the new casino plan.

8 On August 13, 2008, the Allegheny ---
9 Allegheny County Executive, Dan Onorato, wrote that he
10 had met Mr. Neil Bluhm and Greg Carlin on August 13th,
11 2008. He requested the Board verify the investors'
12 ability to complete the casino within the identified
13 time frame and they're willingness and ability to meet
14 the commitments to the Hill District, the multiple
15 purpose arena and the Northside Leadership Conference.

16
17 On August 13th, 2008, the City of
18 Pittsburgh Mayor, Luke Ravenstahl, wrote that me met
19 with Mr. Neil Bluhm and Mr. Greg Carlin on August
20 13th, 2008 to discuss the PITG Gaming commitments to
21 the City of Pittsburgh. He supports the approval the
22 of the transfer of the license contingent on the
23 continued commitments to what was promised to the
24 city, which includes the casino, the completion of the
25 amphitheater and the walkway at the same time that the

1 completion of the casino.

2 On August 13, 2008, the Board received a
3 joint letter and memo from the Pittsburgh Steelers and
4 the Pirates. They believe that the new group is
5 legally bound by all the PITG obligations, including
6 the consent decree and contribution agreement. And
7 they provide copies with the memo.

8 On July 21, 2007, the Sports and
9 Exhibition Authority wrote to express concern over any
10 proposed changes to the commitments that PITG Gaming
11 made with respect to the development and construction
12 of the multi-use area in Pittsburgh. The group urged
13 that if any amendment to such conditions were proposed
14 or contemplated that the Board would consider such
15 modifications only after full public discussion.

16 On July 18th, 2008, Lux Capital submitted
17 a letter requesting that the Board revoke the PITG
18 Gaming license and re-issue it to Lux Capital, since
19 it is a minority owned and operated, or in the
20 alternative re-open the bidding process.

21 On August 8, 2008, Casino Free
22 Pennsylvania wrote requesting that the Board place a
23 moratorium on the awarding or transport for any slot
24 machine license until procedures for the involvement
25 of the Pennsylvania Attorney General and State Police

1 can be agreed upon and implemented.

2 The Board received 36 e-mail
3 correspondences from the general public. Eighteen
4 (18) letters are against PITG Gaming and would like
5 the license revoked and the bidding process re-opened.
6 Four comments were in support of PITG Gaming project.
7 The remaining 14 letters were comments to the Board
8 regarding the bidding and review process for issuance
9 of the PITG Gaming license.

10 And that concludes the public comment.
11 And I'd like to offer those --- into the record as
12 Exhibit Public Comment One.

13 (Public Comment Exhibit One
14 marked for identification.)

15 CHAIRMAN COLINS:

16 Thank you. It's accepted.

17 COMMISSIONER GINTY:

18 I have a question for Cyrus.

19 CHAIRMAN COLINS:

20 Yes.

21 COMMISSIONER GINTY:

22 Cyrus, it occurs to me, going through
23 these, that a number of these letters, including some
24 from our representatives amount to ex parte contacts;
25 would that be correct?

1 ATTORNEY PITRE:

2 There were no ex parte communications.
3 The letters came in to Staff --- I believe, this may
4 be the first time that Board may have heard these
5 letters. My office has reviewed the letters as of
6 individuals and Chief Counsel, have prepared summaries
7 of what the letters were and we offer this to the
8 Board for consideration now.

9 COMMISSIONER GINTY:

10 So if they are, it's been cured by this
11 process?

12 ATTORNEY PITRE:

13 Yes.

14 COMMISSIONER GINTY:

15 Okay.

16 ATTORNEY PITRE:

17 Unless Chief Counsel disagrees with me, I
18 would assume it has. Moving right along.

19 CHAIRMAN COLINS:

20 Good.

21 ATTORNEY PITRE:

22 As my first witness for Office
23 Enforcement Counsel, I'd like to call forward Ms.
24 Susan Hensel, Director of the Bureau of Licensing. I
25 believe Susan has a statement and --- do you have a

1 presentation?

2 MS. HENSEL:

3 I have a statement. Thank you. As with
4 any modification or reorganization of a slot machine
5 licensee, corporate or ownership structure, the Bureau
6 of Licensing's charge is to analyze the transaction to
7 identify the individuals and entities that are
8 required to be licensed. In addition, the Bureau of
9 Licensing must assess whether the proposed transaction
10 comports with the Gaming Act and the Board's
11 regulations. To those ends, the Bureau of Licensing
12 has conducted a throughout review of the entity
13 governance and ownership agreements of the proposed
14 organizational structure contemplated by the joint
15 application being considered today.

16 Fundamental to this review was whether
17 the proposed transaction and organizational structure
18 provide adequate assurances to safeguard the public's
19 interest in the holder of the Category 2 slot machine
20 license. The Bureau of Licensing finds that the
21 Board's approval of the joint application is
22 permissible under the Gaming Act and the Board's
23 regulations and is consistent with the primary
24 objective of the Gaming Act, which is the protection
25 of the public.

1 First and foremost, the individuals who
2 will control the slot machine license within the
3 organizational structure being proposed are already
4 licensed by the Board. And although the proposed
5 reorganization of PITG involves several newly created
6 entities, the effective owners of the reorganized PITG
7 license fall within one of three groups; individuals
8 and entities that have been licensed as principles by
9 the Board as a result of their association with
10 another slot machine licensee and whose licenses are
11 in good standing.

12 Investment funds, primarily comprised of
13 institutional investors that are exempt from licensure
14 pursuant to the Board's regulations. And individuals
15 that are exempt from licensure, since their ownership
16 interests do not exceed the minimum threshold for
17 licensure under the Board's regulations.

18 In addition, under Section 1330 of the
19 Gaming Act, a slot machine licensee or its affiliates
20 are prohibited from possessing greater than a
21 one-third interest in another slot machine licensee.
22 Here, neither Neil Bluhm, Greg Carlin or any of the
23 Bluhm family trusts that are licensed in connection
24 with HSP Gaming own more than one-third of Holdings
25 Acquisition Co., L.P. In fact, even if you were to

1 aggregate the interests of Neil Bluhm and his family,
2 which is not required by the Act, such interests do
3 not equate to one-third of Holding Acquisitions Co.,
4 L.P.

5 Further, the proposed reorganization of
6 the PITG license comtemplates a transaction under
7 Section 1328 of the Gaming Act which relates to
8 changes in ownership or control of a slot machine
9 licensee. Under Sections 1327 and 1328 of the Gaming
10 Act, the Board has the authority to assign the PITG
11 license to a new entity in connection with its overall
12 approval of the transaction.

13 Significantly, although a new entity
14 would hold the Category 2 license, this would not be a
15 new license. Instead, the Board would be assigning
16 the existing Category 2 license for Pittsburgh to a
17 new ownership structure, which includes Don Barden, a
18 principle of the originally licensed project. While
19 what is being proposed is a change in ownership of a
20 casino project, it is not a new casino project. It is
21 materially the same casino project on the same casino
22 site with the same community commitments that were
23 approved by the Board in December of 2006.

24 It should also be noted that the facility
25 is not in operation. Because this is an assignment of

1 an existing license, should the Board approve the
2 transaction, Holdings Acquisition Co., L.P., would
3 step into the shoes of PITG Gaming, thereby
4 inheriting, in its entirety, the bundle of rights and
5 obligations attendant to the PITG license. Should the
6 Board approve the transaction, the Bureau of Licensing
7 would recommend additional conditions on the license.

8 These conditions would include but not be
9 limited to the requirements that Holding Acquisitions
10 Co., L.P. could not commence gaming operations prior
11 to licensure of all individuals and entities
12 contemplated in the joint application. Holdings
13 Acquisition Co., L.P. would not be permitted to make
14 upstream distributions prior to the licensure of the
15 individuals and entities contemplated in the joint
16 application.

17 And Holding Acquisition Co., L.P. must
18 execute and abide by a Statement of Conditions that
19 would be identical to the Statement of Conditions
20 executed by PITG Gaming on April 24th, 2007 except for
21 any relief granted by the Board.

22 In conclusion, based on its review of
23 entity governance and ownership agreements, as well as
24 the proposed organizational structure, the Bureau of
25 Licensing has not, at this point in time, identified

1 any issues that would preclude Board approval of the
2 proposed transaction.

3 ATTORNEY PITRE:

4 Now, I'd like to call Jim Talerico and
5 Richard O'Neill just to give the Board an idea of what
6 we did by way of reviewing the financial documents in
7 this matter.

8 BRIEF INTERRUPTION

9 CHAIRMAN COLINS:

10 Gentlemen, have you been sworn?

11 MR. O'NEILL:

12 Yes, I was sworn.

13 CHAIRMAN COLINS:

14 Thank you.

15 -----

16 RICHARD O'NEILL, HAVING BEEN PREVIOUSLY SWORN,
17 TESTIFIED AS FOLLOWS:

18 -----

19 MR. O'NEILL:

20 My name is Rich O'Neill. I'm the
21 forensic accountant in the western office of
22 Pittsburgh, PA. I've been asked to give you an
23 overview of the review process we've done in
24 connection with this proposal. When we receive the
25 initial documents, we try to obtain an understanding

1 of the proposal. That would involve what are the
2 entities, who are the owners, who are the investors,
3 how ---.

4 CHAIRMAN COLINS:

5 Let me interrupt you right now. Are you
6 going to speak about just your role, or are you going
7 to talk about the taskforce that was involved in this?

8 ATTORNEY PITRE:

9 We will get that today. He's going to
10 speak to his roll as far as Bureau of Investigation
11 and Enforcement, and then we'll get to the taskforce
12 role as a whole.

13 CHAIRMAN COLINS:

14 Very good. Thank you. Go on.

15 MR. O'NEILL:

16 As I was saying, the --- we need to
17 understand the proposal, and that include the entities
18 that are involved, who are the owners and investors,
19 how does the control flow and who are putting --- what
20 people or entities are putting in equity
21 contributions. In connection with the equity piece,
22 we would review items such as financial statements for
23 the entities, letters from banks, investment companies
24 are obtained to verify that the funds are available.
25 This would also apply to any idivudals who are putting

1 funds into the project.

2 Then we begin --- our piece was the loan
3 documents. I had the first lien loan in the equity
4 piece and Jim had the second lien and the credit
5 enhancement piece. When we get these documents, we
6 begin our review and begin to gather the important
7 parts of each loan agreement, such as the interest
8 rate, terms of the loan, when will it be paid off, are
9 the requirements by the lenders such as conditions
10 that have to exist before they will grant the loan and
11 ongoing reporting by the borrower to the lenders.
12 What events would cause a default and any other terms
13 that are necessary to get an overall understanding of
14 what the loan involves.

15 In this case, there were several versions
16 of these loan documents as changes were ongoing, so
17 we began reviewing the initial and then would change
18 our report based on the changes in the documents.
19 After we review these loans, we prepare a summary of
20 the documents, and my summary and Jim's summary are
21 then combined into an overall report which goes to
22 Enforcement Counsel for review and then it's
23 finalized.

24 One of the things that we do note in
25 these loan documents is that there are certain

1 reporting requirements. These involve reporting of
2 financial statements on a monthly, quarterly and an
3 annual basis. And also some narrative reports and
4 budget reports that are going to be produced. We have
5 suggested that these reporting requirements be part of
6 the conditions for granting ---.

7 CHAIRMAN COLINS:

8 Reporting requirements of whom to whom?

9 MR. O'NEILL:

10 I'm sorry. From the lender --- or from
11 the borrower to the lender.

12 CHAIRMAN COLINS:

13 Okay.

14 MR. O'NEILL:

15 And we're going to ask for copies to be
16 provided to us at the same time so that we can closely
17 monitor the progress of the project itself.

18 ATTORNEY PITRE:

19 I would just ask you a question. You
20 were responsible for reviewing the first lien loan?

21 MR. O'NEILL:

22 Correct.

23 ATTORNEY PITRE:

24 And you were responsible for reviewing
25 the equity contributions of \$205 million?

1 MR. O'NEILL:

2 Correct.

3 ATTORNEY PITRE:

4 And did you verify the source of that ---
5 of all that --- as far as the equity contribution, did
6 you verify the source of those \$205 million?

7 MR. O'NEILL:

8 We provided verification that the funds
9 were available for the equity contributions.

10 ATTORNEY PITRE:

11 So each individual that's required to
12 toss money into the pot we've verified that that
13 individual has that money?

14 MR. O'NEILL:

15 Has the capacity to provide the money.
16 Correct.

17 ATTORNEY PITRE:

18 With regard to the first lien. You
19 reviewed that loan document?

20 MR. O'NEILL:

21 Yes.

22 ATTORNEY PITRE:

23 And you verified the investors who are
24 putting --- who are investing money towards this first
25 lien?

1 MR. O'NEILL:

2 We've received the list of the
3 syndication --- the syndication list of the banks that
4 are going to be involved.

5 ATTORNEY PITRE:

6 And they're all ---?

7 MR. O'NEILL:

8 They're all major. They're major
9 financial institutions. And in fact, the information
10 we received indicated that the loan was over
11 subscribed, meaning more people wanted to be part of
12 the deal than was necessary.

13 ATTORNEY PITRE:

14 So they didn't have any problem raising
15 money?

16 MR. O'NEILL:

17 It does not appear so at all.

18 ATTORNEY PITRE:

19 I'd like to call Jim Talerico now, unless
20 the Board has any questions for Mr. O'Neill?

21 COMMISSIONER GINTY:

22 There's been some suggestions that the
23 structure of this deal is overly complex. Would that
24 be your view as well?

25 MR. O'NEILL:

1 It's certainly complex. I don't say it's
2 overly complex because I was able to satisfy myself
3 that I can see how the ownership flows. We have
4 received organizing documents which shows how each
5 entity is to operate, and so we've done a review of
6 that.

7 COMMISSIONER GINTY:

8 So you're very confident that you
9 understand the nature of the deal and the flow of the
10 deal?

11 MR. O'NEILL:

12 Absolutely.

13 COMMISSIONER GINTY:

14 And in fact, deals like this do tend to
15 be complex when you have several parties.

16 MR. O'NEILL:

17 Yes, they do. It makes it interesting.

18 COMMISSIONER RIVERS:

19 I have a question. Can you tell me the
20 number of years of experience you have in reviewing
21 these types of financial documents?

22 MR. O'NEILL:

23 Well, I started with the Gaming Control
24 Board at the beginning. My past experience, I'm a
25 CPA. I have --- I'm an attorney. I spent 18 years in

1 public accounting and five years with the Special
2 Investigation Unit of the District Attorney's Office
3 of Allegheny County. We did white collar crime
4 investigations.

5 COMMISSIONER RIVERS:

6 Thank you.

7 MR. O'NEILL:

8 Thank you.

9 ATTORNEY PITRE:

10 Mr. James Talerico. And Jim, if you
11 could just start out with your experience and then go
12 from there and tell --- and explain to the Board what
13 it is you did as a part of your process.

14 MR. TALERICO:

15 My experience was that I was started as
16 an auditor for the Pennsylvania Department of Auditor
17 General 36 years ago. I worked for the Auditor General
18 Department for 33 years. I was an Assistant Bureau
19 Director when I departed from there and came here to
20 the Gaming Control Board. I have a Master's degree in
21 Accounting from the accounting department of Temple
22 University. I have a Master's degree in Government
23 Administration from the University of Pennsylvania,
24 including my Ph.D. in Government Administration. I
25 guess that's enough experience.

1 As Rich explained, he did the first lien
2 and he did the equity. I reviewed the second lien
3 documents and also the credit enhancement documents
4 and supporting documents. Just as a side note, the
5 number of documents amount to over a hundred documents
6 and there were various versions as Rich said, so it
7 was quite a task.

8 But as far as the credit enhancement
9 documents, I reviewed the documents, the ancillary
10 documents, the pension fund financial statements to
11 make sure the pension funds were okay with that. I
12 reviewed the pension fund investment policies to make
13 sure that the policy --- and I also allowed it and I
14 also reviewed the Board approvals, because each
15 pension board had to review that.

16 By the way, I'm also part of that
17 experience at the Auditor General's Department, I have
18 over 20 years of auditing pension funds and I audit
19 the City of Philadelphia fund which is much bigger
20 than both of those pension funds put together, so I'm
21 very familiar with pension fund audit.

22 ATTORNEY PITRE:

23 And based on your review, does the
24 pension fund have enough assets to back the second
25 lien loan?

1 MR. TALERICO:

2 Yes, it most definitely does.

3 ATTORNEY PITRE:

4 Okay. And did you see anything
5 irregular or anything that would cause concern for you
6 in reviewing those documents?

7 MR. TALERICO:

8 No concern whatsoever.

9 ATTORNEY PITRE:

10 And are you comfortable that the \$150
11 million second lien will be there and available to put
12 towards this project?

13 MR. TALERICO:

14 Yes, I am very comfortable.

15 ATTORNEY PITRE:

16 Unless the Board has any questions for
17 Mr. Talerico ---.

18 CHAIRMAN COLINS:

19 Any questions? Thank you, sir. Thank
20 you very much.

21 ATTORNEY PITRE:

22 I also have Dave Kwait, Director of
23 Bureau of Investigation Enforcement.

24 CHAIRMAN COLINS:

25 Very good.

1 MR. KWAIT:

2 Good afternoon, Commissioners. Thank you
3 very much for this opportunity to make a few brief
4 remarks regarding the Bureau of Investigation and
5 Enforcement's investigation, which began nearly four
6 months ago with PITG's first notice of its intent to
7 reorganize. Today's proceedings conclude a
8 considerable effort of many of the Bureau's agents and
9 staff who collectively spent over 1,500 hours
10 investigating the background and the suitability of
11 the reorganization. They often exceeded their duties
12 well beyond the business hours and even over weekends,
13 and I thank Mr. Bluhm and Mr. Donnelly for pointing
14 that out.

15 I specifically want to thank, again, Jim
16 Talerico, Rich O'Neill, Paul Morrow, Deputy Director
17 of Investigations and of course the case agent, Tom
18 Clinton. And I thank the Board for taking and at
19 times a very unpopular stance of delaying the
20 scheduling of today's meeting in order to afford
21 Bureau of Investigation and Enforcement, the time
22 necessary to allow our investigation to run its
23 natural course. I and every member of my staff
24 appreciate having the full backing of this Board to
25 fulfill our duties to the Commonwealth, to safeguard

1 the integrity of this process.

2 Our efforts were aided by the continuing
3 cooperation of all parties in this rigorous and at
4 times, admittedly, intrusive process. As regulators,
5 we recognize these transactions are complex and
6 involve numerous third-parties, lenders, accountants
7 and advisors. Each with a team of attorney's,
8 sometimes pursuing separate interests outside the
9 petitioner's control. Throughout this whole process,
10 the petitioners have provided the papers we needed,
11 the drafts on a very timely basis, and I'm most
12 appreciative.

13 Therefore, having completed our
14 investigations, and with the considered input from our
15 sister bureau's, I now report that Bureau of
16 Investigation and Enforcement does not object
17 --- does not object to the Board approving the
18 proposed reorganization, change of control and
19 recapitalization of PITG Gaming, LLC as set forth in
20 the joint application of July 9, 2008. Thank you.

21 CHAIRMAN COLINS:

22 I have a question. Are you satisfied,
23 Mr. Kwait, that as a result of the background
24 investigation work that Bureau of Investigation and
25 Enforcement has done, that the individuals who will be

1 --- who will be in control of the Holdings Acquisition
2 are of suitable character?

3 MR. KWAIT:

4 I am.

5 CHAIRMAN COLINS:

6 Okay. Thank you.

7 COMMISSIONER RIVERS:

8 Mr. Kwait, at any time, did you feel any
9 pressure from the Board or other members of the Staff
10 that you had to complete this without or present this
11 without having the opportunity to do a complete job?

12 MR. KWAIT:

13 No, absolutely not. I don't think I had
14 any contact at all with the members of the Board.

15 COMMISSIONER RIVERS:

16 Thank you.

17 COMMISSIONER GINTY:

18 For the record, David, could you give us
19 a bit of your background qualifications?

20 MR. KWAIT:

21 I am a retired 30-year veteran from the
22 Federal Bureau of Investigation. I spent eight years
23 as the Director of Attorney General's Investigator's
24 here in Harrisburg prior to coming to the Gaming
25 Control Board in 2005.

1 COMMISSIONER GINTY:

2 You've conducted a few investigations in
3 your day?

4 MR. KWAIT:

5 I've conducted a few investigations, sir.

6 COMMISSIONER GINTY:

7 And again, just to reiterate what my
8 colleagues have said, you're satisfied that this
9 investigation was thorough and maintains the integrity
10 of the process?

11 MR. KWAIT:

12 I am completely satisfied.

13 COMMISSIONER GINTY:

14 Okay.

15 CHAIRMAN COLINS:

16 Anything else? Thank you very much.

17 ATTORNEY PITRE:

18 I don't want to belabor the issue, but
19 just so that the Board fully understands --- and John,
20 I don't know where the gentleman you had working, but
21 if he could bring up the borrower. The four entities
22 that we're looking to license. My staff has reviewed
23 every agreement that will be in place. We've reviewed
24 those agreements, a formation documents for all
25 entities involved. We reviewed the --- all the

1 business agreements. We insisted that some of those
2 agreements be executed to ensue that the integrity of
3 the industry was maintained.

4 The Management Committee that will be in
5 place will be made up of licensed principles. No one
6 else can excise any control. No one can exercise
7 control of the money and the assets. The money from
8 the loans, Holdings Gaming Borrower, L.P., is the
9 borrower on the first loan, on the first lien loan and
10 the second lien loan. The assets and liabilities from
11 PITG Gaming will be in Holdings Acquisition Company,
12 L.P.

13 That Management Committee is in place of
14 licensed principles to ensure that no one else can
15 control the assets or the money. As we've completed
16 our background investigations with regard to the ---
17 any other individuals that wish to exercise control or
18 receive any equity, then they'll be put in place. The
19 casino won't open until either all those individuals
20 are licensed or divested from this project. So I want
21 the Board to understand --- I've been doing this for
22 about 12 years now that this was something that Mr.
23 Donnelly understood. Something that Mr. Sklar
24 understood and it is definitely something that we
25 insisted upon in order that we maintain integrity

1 within the industry.

2 As far as we're concerned, Mr. Bluhm, Mr.
3 Carlin and Mr. Barden is responsible for anything that
4 --- good that happens, anything that's bad that
5 happens. And we will monitor the situation going
6 forward. We will complete our background
7 investigations of whoever wants to partake in this,
8 but we will hold those individuals accountable if
9 anything goes awry. So I just want the Board to be
10 rest assured, and I've given the Board my
11 recommendation in this matter. It's 21 pages, so I
12 won't read the whole thing, outlining the change of
13 ownership.

14 We also did a separate analysis from the
15 Bureau of Licensing. We found no violation of, I
16 believe, it's 1330 or 33 and a third rule is what I
17 call it, by Mr. Bluhm, Mr. Carlin or any of the trusts
18 with regard to their ownership interest. We believe
19 that this is not a situation of a new license. These
20 types of transactions happen in the casino industry
21 all the time in every jurisdiction. This is a change
22 of ownership, or change of control, however you want
23 to say it.

24 This is not something new to the industry
25 nor should we start to recreate the wheel. So with

1 that if we could have a brief break so that Mr.
2 Donnelly and I could prepare our closing comments, but
3 I am open to any Board questions.

4 CHAIRMAN COLINS:

5 Well, in summary, your recommendation is?

6 ATTORNEY PITRE:

7 Well, I would like to make that in
8 closing, if that's ---. In summary, my recommendation
9 is that the Board approve this transaction and move
10 forward with the licensing of Holdings Acquisition
11 Company, L.P. Assigning that PITG license to Holdings
12 Acquisition to license Holdings Acquisition Company,
13 GP, LLC, Holdings Gaming Borrower, L.P. and Holdings
14 Gaming Borrower, GP, LLC as principles. These are all
15 newly formed companies that are under the exclusive
16 control of this Management Committee. They have no
17 history, but once a transaction occurs, there'll be an
18 influx of money coming into those companies and an
19 influx of assets and liabilities.

20 CHAIRMAN COLINS:

21 All right. Now, with respect to the
22 taskforce and the issue of the financial viability of
23 the project, tell us about the taskforce, and let's
24 hear the findings of the taskforce, as it relates to
25 this project. Will the numbers support the project?

1 ATTORNEY PITRE:

2 I'd like to call Mr. French up, if I may.
3 The taskforce was made up of Jim Talerico, Rich
4 O'Neill, and we have Mr. French and Ms. Lewis also
5 that participated and created analysis for us.

6 CHAIRMAN COLINS:

7 All right. What we're going to do is
8 we're gong to take a five-minute recess. We'll hear
9 from Mr. French. Just five minutes, we'll come back
10 and then go to the closings.

11 SHORT BREAK TAKEN

12 CHAIRMAN COLINS:

13 All right. Will you state your name for
14 the record, please.

15 MR. FRENCH:

16 Yes. My name's Michael French. I'm a
17 partner at PriceWaterhouseCoopers.

18 CHAIRMAN COLINS:

19 Proceed.

20 MR. FRENCH:

21 I --- PriceWaterhouseCoopers has been
22 involved with the Staff and the Pennsylvania Gaming
23 Control Board as advisors for the past three years.
24 And we have worked in conjunction with the Staff as
25 part of the Credential Suitability Taskforce.

1 As it relates to this application, this
2 transaction, one of our roles was to review the
3 financial model prepared by Mr. Carlin in his
4 operational group. This is something that we have
5 done as part of the taskforce with all the applicants.
6 We follow a process very similar to what a banker
7 might follow. A lot of people in our group have
8 banking backgrounds as well.

9 By going through a number of tests,
10 testing the key assumptions as well as comparing those
11 assumptions against the analysis that we have done,
12 which we typically characterize as our drive time
13 analysis. In this process we also benchmark some of
14 the key assumptions such as win per gaming position,
15 total revenues, various EBITDA percentage and run
16 rates. We also look at ratios like adjusted EBITDA to
17 cash interest expense, and the total debt to adjusted
18 EBITDA and many other different ratios similar to the
19 ways that investment banks, pension funds and others
20 evaluate transactions.

21 In doing so, and particularly in light of
22 the revised financial structure with the significantly
23 increased level of equity, we looked at some of other
24 operations that are up and running in the state in
25 terms of win per gaming position. You know, for some

1 actual history that we had with some operations that
2 have six to 12 months of history. Plus looking at
3 some additional jurisdictions where there are more
4 mature markets that are comparable.

5 We reviewed the financial model and we
6 are comfortable with the estimate. We think that they
7 are both reasonable and achievable. And in some
8 cases, particularly in light of some of the factors,
9 the economic factors that have been identified by many
10 today, we think that they are conservative. And in
11 light of some characteristics like gas prices, travel
12 restrictions, airline prices, et cetera, we think that
13 the --- that overall, the estimates that were prepared
14 by Mr. Carlin's group are reasonable and achievable.

15 CHAIRMAN COLINS:

16 Thank you. Any questions?

17 COMMISSIONER GINTY:

18 I have one. Question. Mike, the notice
19 that --- and for both the applicants' estimates and
20 the taskforce's estimates, you take it out over five
21 years. And the taskforce's estimates are higher than
22 the joint applicant's estimates in years, two, three,
23 four and five, and in some cases significantly higher.
24 They --- however, the taskforce's recommendation
25 estimate in year one for gross terminal revenue is

1 lower than the applicant's estimate. Is that any
2 reason for concern?

3 MR. FRENCH:

4 No, I don't think so. I think that we
5 --- I think the applicant took, in the later years, a
6 more conservative --- you know, basically an
7 inflationary adjustment through years four and five.
8 You know, we believe based on, you know, our model,
9 our drive time model, that there would be, you know,
10 additional incremental growth over time. I think that
11 our financial model is such that we look at it more
12 than just stabilizing that and adding inflation. We
13 do believe that in the initial year that the property
14 will do --- will be a little bit more robust.

15 But I will also add, I think somebody
16 said projections are projections. I think all these
17 projections, in terms of win per unit per day are
18 fairly comparable. And the good thing I think that
19 the Board can feel comfortable with is that we had
20 some actual operating history from our existing
21 casinos that are up and running. That is fairly
22 comparable to what the applicant has projected and to
23 what the taskforce has been using as well.

24 COMMISSIONER GINTY:

25 I'm not going to --- it's running late,

1 but I notice you do a number of studies comparing
2 different margins or measures, and I notice that just
3 about all cases the Pittsburgh casino does about what
4 the averages in the industry, and in a couple of
5 instances higher.

6 MR. FRENCH:

7 Yes. I mean, we've compared it to, I
8 guess about 25 different gaming enterprises, and
9 typically the, you know, total debt to adjust EBITDA
10 out of ratio, which is a critical banking, you know,
11 ratio is comparable to the mix of enterprises that
12 we've used in our sample, so another reason why we're
13 comfortable. We also look at the, you know, just the
14 EBITDA percentage, you know, as a percentage of total
15 revenue, and it's pretty much consistent with what
16 we're getting in the industry right now.

17 COMMISSIONER GINTY:

18 One final question. Were these estimates
19 prepared before the new infusion of equity? In other
20 words, you know, I guess the total of equity committed
21 now is ---.

22 MR. FRENCH:

23 This model has been changed almost daily,
24 maybe on the hour. So this is the absolute most
25 current. It's done and it's the last model. So we've

1 gone through a number of different adjustments, you
2 know, some have been just slight adjustments, tweaks I
3 would say.

4 COMMISSIONER GINTY:

5 Like I said, does this reflect the \$200
6 million ---?

7 MR. FRENCH:

8 Yes.

9 COMMISSIONER GINTY:

10 It does, okay.

11 CHAIRMAN COLINS:

12 Any other questions?

13 COMMISSIONER SOJKA:

14 Yes. Just one brief question. You did
15 mention a couple of imponderables, gas prices,
16 airplane tickets and things and I'm almost embarrassed
17 to raise this word in a hearing of this kind, but have
18 you done anything like a Monte Carlo analysis on those
19 projections with some of those other things put in
20 with different values or do you try to do that?

21 MR. FRENCH:

22 I'm not sure what you mean by Monte
23 Carlo.

24 COMMISSIONER SOJKA:

25 Well, have you tried to run those

1 projections with the assumptions, for example, gas
2 prices would be very high or the plane tickets would
3 be sufficiently high that people couldn't cover, you
4 just don't go into those things?

5 MR. FRENCH:

6 We've done many different tests and
7 sensitivity analysis on our numbers and also on the
8 model reflected by the Applicant's numbers. And you
9 have a regional drive-in market for the most part so
10 you're not going to be impacted like Las Vegas is on,
11 you know, reduce number of airlines now flying into
12 Las Vegas and higher airline prices, so we do do that.
13 And you know, mainly --- and the most I think
14 significant potential delta that could change is that
15 obviously gas and that would affect people's spending.
16 They might spend less. They might visit less. You
17 know, so those are the types of indicators that we
18 have already adjustments for in our analysis.

19 CHAIRMAN COLINS:

20 Any other questions? Thank you very
21 much.

22 MR. FRENCH:

23 Thank you.

24 CHAIRMAN COLINS:

25 Do you have questions of Mr. French?

1 MR. BLUHM:

2 No, I do not.

3 CHAIRMAN COLINS:

4 Okay. Very good. Thank you, sir. Do
5 you have any other witnesses?

6 ATTORNEY PITRE:

7 No, ma'am. Madam Chair, there is the
8 issue of the evidence that we'd like to move into the
9 record.

10 CHAIRMAN COLINS:

11 Okay. Let's go through the exhibits or
12 move into evidence what you need.

13 ATTORNEY PITRE:

14 Well, I presented the court reporter with
15 a list and rather than go through the multi-page list
16 of evidence that we would like to enter, I think we'd
17 like to enter a joint --- move the evidence in
18 jointly. Basically all the exhibits that we utilized
19 in this hearing to come up with our recommendations.

20 CHAIRMAN COLINS:

21 All right. So they're Joint Exhibits
22 Number One through what?

23 ATTORNEY PITRE:

24 Madam Chair, I refer to them as binders.

25 CHAIRMAN COLINS:

1 Okay.

2 ATTORNEY PITRE:

3 Okay. And it's a basic agreement binder.
4 There's Binder One, Binder Two, Binder Three, Binder
5 Four, Binder Five, Binder Six, Binder Seven and then
6 we have the Barden Binder, the Financial Binder, the
7 Application Binder. And then separately and not part
8 of the joint moving into evidence and barring no
9 objection from opposing Counsel, the Office of
10 Enforcement Counsel (OEC) Binder.

11 (Binders One through Seven, Barden,
12 Financial, Application and Office of
13 Enforcement Counsel Binders marked for
14 identification.)

15 CHAIRMAN COLINS:

16 All right. Thank you. They're accepted
17 into evidence. No objection, these are jointly moved?
18 Okay. Thank you. So let's go to the closings.

19 ATTORNEY PITRE:

20 I'm sorry, Madam Chair. I neglected a
21 Binder. The first lien credit agreement exhibits,
22 that's also a joint. The second lien term loan
23 agreement, that is also a joint submission, that's a
24 separate binder. Did I cover all of them? And the
25 joint application is also a joint exhibit and that's a

1 separate binder also.

2 (First and Second Lien Credit Agreements
3 and Joint Exhibits marked for
4 identification.)

5 CHAIRMAN COLINS:

6 Okay. Very good. Are we ready then to
7 go with closings?

8 ATTORNEY DONNELLY:

9 I would like to move into evidence, Madam
10 Chairwoman, which would include our petition, the
11 power point presentation that we presented today. I
12 think it's appropriate that the PITG original record
13 all be considered as part of this record particularly
14 as we want to emphasize that this is the same project.
15 The PITG, February 1, '07 adjudication of the Board
16 --- there is of course, a Supreme Court decision, but
17 that's of record elsewhere. The 7/9/08 letter brief
18 to Ms. Hensel, that's our letter, the 7/27/08 letter
19 to Mr. Donaghue, Acting Executive Director, the
20 7/24/08 Senate Hearing transcript. That is we have
21 CDs on which I had delivered to Mr. Sherman, that's
22 the Senate Committee on Economic and Community
23 Recreational Development. The Bridge Lender Default
24 letter that I spoke of in the opening which is dated
25 July 9, 2008 to Doug Sherman. And also I think it

1 would be appropriate for the purpose of this record
2 for the Board also to have in the record, those
3 findings of suitability which it made in the
4 SugarHouse Petition with the regard to the persons who
5 are already licensed.

6 CHAIRMAN COLINS:

7 Any objection?

8 ATTORNEY PITRE:

9 I have no objection.

10 CHAIRMAN COLINS:

11 All right. Thank you.

12 ATTORNEY PITRE:

13 Also, Madam Chair, I must also request,
14 because counsel has requested that he's constantly
15 with every document that he's submitted that it be
16 confidential under the Board's --- under the Act
17 pursuant to 1206 and I have no objection to that.

18 ATTORNEY DONNELLY:

19 407 regulation as well and thank you, Mr.
20 Pitre, that's correct.

21 CHAIRMAN COLINS:

22 All right. Thank you.

23 ATTORNEY DONNELLY:

24 Before we go into the opening, if you
25 would, you stated that there would be a brief rebuttal

1 from comments that were raised. Mr. Bluhm would like
2 to address one comment briefly that was made by one of
3 the members of the public.

4 CHAIRMAN COLINS:

5 All right.

6 MR. BLUHM:

7 Thank you. I want to make sure that the
8 entire Forbes Article and the charts attached to it
9 are included in evidence. The gentleman from Casino
10 Three, Pennsylvania has attempted to impugn the track
11 record of Walton Street Capital, which is one of the
12 top performing real estate funds in the country. I
13 think it's intellectually dishonest if he's opposed to
14 casinos, that's his opinion, and he certainly has the
15 right to express it. But I don't think he should be
16 intellectually dishonest in attempt to attack the
17 performance of Walton Street. And the article that he
18 was referring to has a chart in it that shows that
19 Walton Street's performance is amongst the top
20 quartile of all the real estate opportunity funds and
21 I request that the chart be included in the materials
22 that he's asked to be put into evidence.

23 CHAIRMAN COLINS:

24 Well, I haven't seen the document, but if
25 not, you can offer that.

1 ATTORNEY DONNELLY:

2 I would move that entire article and
3 we'll submit it to the Board as soon as we get our
4 hands on it.

5 CHAIRMAN COLINS:

6 All right. Thank you. Thank you very
7 much. Did you have a question?

8 COMMISSIONER GINTY:

9 No. I just asked counsel whether the
10 exhibit that was proffered did include the chart and
11 it appears that it did not include the chart. So
12 thank you very much for bringing that chart.

13 CHAIRMAN COLINS:

14 So you can submit the full article.

15 MR. BLUHM:

16 Thank you.

17 CHAIRMAN COLINS:

18 Thank you. All right. Let's proceed
19 then.

20 ATTORNEY DONNELLY:

21 Thank you very much. I'll be brief in
22 the closing. Chief Enforcement Counsel, I sometimes
23 tend to run. Chief Enforcement Counsel, I think he
24 put his finger on it. It's about the money. It's
25 about the control. It's about the assets. The money

1 is coming from sources that this Board I think can and
2 should be extremely comfortable with. The sources are
3 investment funds that are exempt by regulation. It is
4 from entities that have been licensed after literally
5 thousands of pages of investigation and hours and
6 hours of investigation and many, many thousands of
7 dollars worth of costs associated with those
8 investigations.

9 The debt is coming from licensed lending
10 institutions such as Key Bank or through a syndication
11 from Credit Suisse and through a guarantee from yet
12 other exempt entities, pension funds, that are exempt
13 under your regulations. So there can be no real or
14 rational question about the source of these funds,
15 which is always a key issue in addressing, as I will
16 throughout this, Mr. Ginty's question to me.

17 Number one, where's the money coming
18 from? Is it from an appropriate source? These
19 sources are impeccable. They're either licensed or
20 they're exempt, so there's not a question there.
21 Number two, where is the control? Because the poll
22 star of the integrity and the protection of the public
23 that is spoken of in the very first paragraph of the
24 Gaming Act depends on one thing which is throughout
25 this statute. Good character, honesty and integrity.

1 Those are the three words. Now, what do those three
2 words mean? How does anyone ever determine those?
3 They determine them the way this Board did when it
4 initially licensed these entities. It has a form
5 that's several hundred pages that's used throughout
6 the country, it's Personal History Disclosure Form.
7 It has the Pennsylvania Supplement in that form which
8 is many, many more pages.

9 For those people in the audience who
10 don't understand I will use the word intrusiveness of
11 the investigation requires income tax returns to be
12 examined. Something I've never in all my years of
13 practicing law been able to get my hands on from an
14 adversary because courts won't usually allow them. It
15 requires an investigation from the state police and
16 investigation from the FBI with regard to criminal
17 histories. It requires a person to open their entire
18 public and private life to investigators, what they've
19 done since they were approximately 18 years old, where
20 have they lived, what do their children do, if they've
21 been married, what do they own, what do they owe, open
22 up bank records, credit card records and so on. Why,
23 all to the end of good character, honesty and
24 integrity. Because at the time these investigations
25 were done on, for example, Mr. Bluhm, Mr. Carlin and

1 these trusts, and I'll tell you as an aside, some of
2 these trusts for the children, grown children of Neil
3 Bluhm, that his grown children created, included some
4 of the other examinations that have gone on. And
5 that's how thorough he's been.

6 Once those persons are licensed, we know,
7 you know everything that is conceivably can be known
8 about a person. And back to what you asked Mr. Ginty.
9 That's what this revolves around, the good character,
10 the honesty and the integrity of the people that are
11 coming in to this Commonwealth to operate. That's
12 what we have to rely on and that's what we do. We
13 drill down and down and down until we know everything
14 about those people and we reach a level of comfort
15 that those persons have that good character, honesty
16 and integrity and they won't take money from improper
17 sources. They won't use money for improper sources.
18 After we know what they have done all their lives from
19 age 18, we can feel as competent as human beings can
20 be that we have that control in check. So that's the
21 people.

22 The third thing is where the money goes.
23 The money is going, as your investigators are showing,
24 they know where the money came from, they know who's
25 controlling the money, they know where the money is

1 going. The money is going into this project. It's
2 the same project that this Board approved in the
3 adjudication in February of 2007, with only minor,
4 very minor requests for changes. It's a project that
5 this Board found was the best fit for Pennsylvania ---
6 or for Pittsburgh, excuse me. It's the same project
7 that Supreme Court of this state in response to
8 attacks by the two disappointed suitors all affirmed
9 and quoted at length the Section 1325 findings that
10 this Board made on the project and the traffic of the
11 project and the design of the project and the ability
12 of the project to succeed. So we have the money in,
13 the people who control where the money is going,
14 where's the asset? The assets investigated by them
15 knows precisely where those assets are.

16 Those things allow us to predict the best
17 possible ability of the people in this room what will
18 happen. We can predict with great certainty that the
19 people involved are persons of high integrity, who are
20 used to obeying the laws and regulations and
21 requirements of Gaming Boards and others, and who have
22 a long, long history of that. Projections are
23 projections and we have people who are wise in making
24 productions and have a history of success in reaching
25 good investment decisions. We have what we think is a

1 great facility and this Board has found that it is a
2 great facility. We have a continuity of the vision
3 with Don Barden that he brought into this facility in
4 the citing of it and the design of it and so on and
5 his wisdom to add to many years of casino practice to
6 bring to this. That's what I think answers your
7 question, Mr. Commissioner, as to are you following
8 Job One? You are following Job One.

9 Now, there are other things that do take
10 a secondary status, but those are here and are fairly
11 well, too. Those are jobs, those are taxes, those are
12 investment, those are what's creation of development
13 for the City of Pittsburgh. You heard from the
14 gentleman from the --- one of the gentleman from Dan
15 Keating's group. It would be a crime to let this
16 project go down. It would be a severe disappointment
17 for the City of Pittsburgh and I think it would be
18 absolutely contrary to the statutory requirements and
19 the goal of the legislature, when it opened its doors
20 to this new entertainment and this new experiment of
21 gaming. It didn't do it --- or didn't do it for very
22 powerful reasons and those reasons are jobs for its
23 citizens, economic development for its citizens,
24 tourism, recreation and all those things casino gaming
25 can bring. But all back to Job Number One. You have

1 that here.

2 As we said early on, we were in kind of
3 perfect situation to look up and get together with Don
4 Barden because we had licensed people. We had
5 financial sources. And through kind of a miracle of
6 all these people coming together in this very
7 difficult times --- a very important thing is about to
8 happen and all we can do is ask this Board to use its
9 power and its discretion and to be, as you have been
10 before, willing to stand up on both sides to pressures
11 from everybody and do what you believe to be the
12 appropriate thing and to honor your commitments under
13 the statute and we know you will. I want to say
14 again, I'm absolutely positive everyone knows me, this
15 staff has been terrific. They have worked like dogs
16 on this thing and my hat's off to them. Thank you.

17 CHAIRMAN COLINS:

18 Mr. Pitre.

19 ATTORNEY PITRE:

20 Hopefully I won't be as long winded as
21 Mr. Donnelly.

22 COMMISSIONER RIVERS:

23 We get paid by the hour.

24 ATTORNEY PITRE:

25 This is true, so in the interest of time

1 --- I just want to read my recommendation into the
2 record for my closing. Just so everyone knows the
3 Bureau of Investigation and Enforcement and the Office
4 of Enforcement Council have actively pursued three
5 separate actions under three possible scenarios that
6 could have occurred and may still occur regarding the
7 Pittsburgh Category 2 License.

8 Bureau of Investigation and Enforcement
9 and Office of Enforcement Counsel have been
10 consistently updated with regard to the bridge loan
11 and have carefully monitored the actions of the bridge
12 lenders and PITG. Under scenario one, if at any time
13 the bridge lenders would choose to force a public sale
14 of PITG's assets, the Office of Enforcement Counsel
15 will have no choice but to immediately present to the
16 Board's Executive Director with a petition seeking
17 emergency suspension of PITG's Category 2 License.
18 Such action would be necessary to protect the
19 Commonwealth's interest in the license and the Board's
20 sole regulatory authority over such a license.

21 Bureau of Investigation and Enforcement
22 and the Office of Enforcement Counsel have also been
23 carefully monitoring the worksite of the unfinished
24 Pittsburgh casino and have been consistently updated
25 by PITG contractors and subcontractors and as well as

1 PITG. Under this scenario, if at anytime PITG
2 subcontractors would have filed a suit or PITG or Mr.
3 Barden chose to file bankruptcy, the Office of
4 Enforcement Counsel would immediately file an
5 enforcement action seeking to revoke PITG's Category 2
6 License in order to protect the Commonwealth's
7 interest in the license and the Board's authority over
8 such license.

9 Bureau of Investigation and Enforcement
10 and Office of Enforcement Counsel have carefully
11 reviewed every document and agreement submitted under
12 the proposed transaction. Bureau of Investigation and
13 Enforcement and Office of Enforcement Counsel have
14 requested and reviewed numerous supporting documents
15 and have conducted entity investigations of the four
16 companies that were the require licensure under the
17 proposed transaction.

18 Under scenario three, Bureau of
19 Investigation and Enforcement and Office of
20 Enforcement Counsel has prepared and has questioned
21 the petitioner. We've answered the Board's inquiry
22 and we gave a recommendation regarding the joint
23 application. Timing and thoroughness are critical in
24 each of these scenarios. An emergency suspension or
25 revocation filed prematurely would more than likely

1 force the licensee into federal bankruptcy court which
2 in and of itself would ensure months of litigation and
3 risk the loss of the commitments that were previously
4 made to the Commonwealth.

5 Additionally the due process rights of the
6 licensee must be fully respected and as a result
7 months of litigation would be added to any emergency
8 suspension or revocation action by the Board as the
9 case made its way through appeal. Meanwhile, the
10 steel structure and concrete standing in Pittsburgh
11 and what was to be the side of Majestic Star would
12 remain as it appears today, in my opinion, for at
13 least two years. This assumes that the Board would
14 not relocate the site pursuant to its authority under
15 Section 1329 of the Act.

16 In my opinion, Pittsburgh would be
17 without a licensed facility for at least three years.
18 As a result Office of Enforcement Counsel made the
19 determination that rushing into an emergency
20 suspension or revocation would not be in the best
21 interest of the Commonwealth. Nor would such action
22 be prudent or logical given the circumstances and the
23 willingness of all involved to resolve this matter in
24 a positive manner.

25 The Joint Application Petition and

1 supporting documents show a commitment to deliver
2 everything that was promised to the Board, Pittsburgh
3 and the Commonwealth. Furthermore, the money and the
4 assets will be controlled by persons who have been
5 previously licensed as principals by the Board and
6 have maintained suitability throughout licensure
7 thereby preserving the integrity of the industry. And
8 those change of ownership are controlled matters that
9 previously came before the Board and in another aside
10 from the PITG matter that is presently pending, the
11 licensees were and are completely operational in
12 several jurisdictions including the Commonwealth.
13 They had an active revenue stream and they have
14 thousands of employees. Additionally, in each of
15 those matters, the licensee was either completely
16 acquired or sought to be completely acquired by
17 persons that were new to the Pennsylvania Gaming
18 Industry.

19 In this instance, PITG is a Category 2
20 License facility presently in construction phase and
21 not operational. The facility has no active revenue
22 stream and has very few employees. As result, in such
23 preoperational status, it is essential to ensure that
24 the funding is in place and fully committed to the
25 completion of the project as licensed. The various

1 business formations and agreements do not run afoul of
2 the Gaming Act and that those individuals in a
3 position of authority and control have been found
4 suitable and granted licenses by the Board.

5 Each individual must also maintain that
6 suitability. In this instance, although the immediate
7 concerns are not as broad as a possible change of
8 ownership or control involving a multi jurisdictional
9 fully operational business they are just as
10 significant, if not more. In the case of a fully
11 operational casino, the focus is on maintaining a
12 viable business and the commitments that were made to
13 the Commonwealth. While in this scenario the focus is
14 on obtaining a viable business and the commitments
15 made to the Commonwealth. We believe that we've
16 established that those commitments will be obtained
17 and that the funding is fully in place and the control
18 is in place by licensed individuals. As a result, it
19 is a recommendation of Bureau of Investigation and
20 Enforcement through my office that the proposed
21 transaction be approved and the PITG's Category 2
22 License be assigned to Holdings Acquisition Company,
23 L.P. with principal licenses issued to Holdings Gaming
24 Borrower, L.P., Holdings Acquisition Company, GP, LLC
25 and Holdings Gaming Borrower GP, LLC pursuant to the

1 conditions requested by the Bureau of Licensing, the
2 Bureau of Investigation Enforcement and the Office of
3 Enforcement Counsel. The only objection that I have
4 is to the \$250,000 that Mr. Donnelly proposes be
5 entered as a fee.

6 CHAIRMAN COLINS:

7 All right. Thank you very much.

8 COMMISSIONER COY:

9 Madam Chair?

10 CHAIRMAN COLINS:

11 Yes.

12 COMMISSIONER COY:

13 Just two quick questions if it's okay.

14 CHAIRMAN COLINS:

15 Yes.

16 COMMISSIONER COY:

17 Mr. Pitre, earlier one of the Board
18 members asked Mr. Kwait if he felt his staff had
19 enough time and was not rushed to judgment or finality
20 in this matter and I would ask you the same question.
21 Have you and your staff, those for which you have
22 responsibility had enough time and not felt rushed to
23 come to your judgments in this regard?

24 ATTORNEY PITRE:

25 We've had enough time. We don't feel

1 rushed and there was no influence by anyone or any
2 party for us to do anything other than what I asked my
3 staff to do.

4 COMMISSIONER COY:

5 Thank you. I want to ask you one more
6 question and also give Mr. Bluhm and opportunity if he
7 cares to, earlier there was allegations of political
8 contributions. Certainly the allegations sounded like
9 at least to me that they would have been untoward or
10 illegal, but in your investigation, were there any
11 illegal contributions made, that is after Mr. Bluhm
12 became an applicant?

13 ATTORNEY PITRE:

14 No, sir.

15 COMMISSIONER COY:

16 And I don't know if you care to respond
17 to that at all, Mr. Bluhm, because I thought the
18 allegations certainly intended to indicate that this
19 was an ongoing thing.

20 MR. BLUHM:

21 You know, you wonder why somebody like me
22 has to sit here. I don't have to do this. I'm not
23 stuck in this deal and I'm offended by those
24 allegations which may be libelous or slanderous. I
25 have been a long-time supporter of the democratic

1 party and have made contributions for years to the
2 Democratic National Committee before it ever ---
3 before the idea of gaming ever came up in
4 Pennsylvania. And at one point Governor Rendell was I
5 believe head of the Democratic National Committee and
6 at that time I made contributions which I do almost
7 all the time to the Democratic National Committee, but
8 I've certainly made no contributions to anybody in
9 Pennsylvania after we got involved in the gaming
10 situation. And these were done many years ago before
11 I ever heard of gaming in Pennsylvania.

12 CHAIRMAN COLINS:

13 Thank you.

14 COMMISSIONER COY:

15 Thank you very much.

16 CHAIRMAN COLINS:

17 Anything else?

18 ATTORNEY PITRE:

19 That concludes --- that's the end.

20 CHAIRMAN COLINS:

21 Okay. Good. Here's how we're going to
22 proceed. We're going to break shortly, although
23 there's one totally different matter that'll take us
24 just a few minutes that I want to wrap up before we
25 adjourn --- or recess, I should say, before we recess

1 for deliberation. It's a hiring matter. It'll take
2 just a few minutes. Then we're going to recess.
3 Everyone can go have lunch. We're going to
4 deliberate. We will --- when we're ready to come back
5 or it looks like we've made a decision, we will
6 somehow get notice to you. You know, Counsel will
7 have to leave cell phone numbers with our secretary,
8 Board secretary. If you will leave your cell phone
9 numbers, we will reach out to you and let you know
10 when we're going to reconvene and vote. All right?
11 So if you wouldn't mind relinquishing your seats now.
12 We'll ask Eileen McNulty to come up. We'll take care
13 of this one matter and then we're going to recess.

14 COMMISSIONER RIVERS:

15 How long are we going to be out?

16 CHAIRMAN COLINS:

17 Well, we're going to recess until we
18 reach a decision on this matter. Counsel, if I were
19 you, I would check back here in about an hour and a
20 half, check in.

21 COMMISSIONER SOJKA:

22 How about an hour?

23 CHAIRMAN COLINS:

24 An hour and a half check in; okay?

25 Eileen, let's just proceed. If we could have some

1 quiet while we continue with our business please.
2 Let's proceed with this hiring matter and then we'll
3 recess.

4 MS. MCNULTY:

5 Thank you, Chairman Colins. Mike Cruz,
6 the Director of the Gaming Lab has proposed the hiring
7 of Chelsea Donahue as a statistician. She is a May
8 2008 graduate of Slippery Rock University with a BS in
9 Mathematics and Minors in Actuarial Science and
10 Finance. She has completed the Gaming Control Board's
11 interview process and background investigation and is
12 recommended for hire.

13 CHAIRMAN COLINS:

14 Very good. May I have a motion then?

15 COMMISSIONER RIVERS:

16 Yes. Madam Chairman, I move that the
17 Board approve the hiring of agency staff on the basis
18 that the employee has completed the necessary
19 background investigation and drug testing.

20 CHAIRMAN COLINS:

21 May I have a second?

22 COMMISSIONER MCCABE:

23 Second.

24 CHAIRMAN COLINS:

25 All in favor?

1 ALL RESPOND AYE

2 CHAIRMAN COLINS:

3 Opposed? Motion carries. The meeting is
4 recessed now.

5 BRIEF RECESS

6 CHAIRMAN COLINS:

7 All right. We'll reconvene now the
8 public meeting which we recessed earlier and
9 specifically we are reconvened for the consideration
10 of the Joint Application of PITG Gaming and LLC and
11 Holdings Acquisition Company, L.P. for approval of
12 reorganization, change of control and recapitalization
13 of PITG Gaming LLC and other relief in connection with
14 that. Now, I'm going to ask for a motion as to the
15 joint application.

16 COMMISSIONER MCCABE:

17 Madam Chair, I move that the Board
18 approve certain relief requested in the joint
19 application of PITG Gaming, LLC and Holdings
20 Acquisition Company, L.P. for approval of
21 reorganization, change of control and recapitalization
22 of PITG Gaming, LLC and other relief in connection
23 therewith in accordance with the proposed Order which
24 Chief Counsel will read.

25 ATTORNEY SHERMAN:

1 Madam Chairman, Members of the Board, the
2 proposed order reads as follows. And now this 14th
3 day of August, 2008, the Pennsylvania Gaming Control
4 Board having reviewed the complete evidentiary record
5 and hearing positions of Counsel for the joint
6 applicants and the Office of Enforcement Counsel
7 hereby enters the following Order with respect to the
8 Joint Application of PITG Gaming, LLC and Holdings
9 Acquisition Company, L.P. for approval of the
10 reorganization, change of control and recapitalization
11 of PITG Gaming, LLC and other relief in connection
12 therewith. With respect to the reorganization and
13 recapitalization of the PITG Gaming, LLC Project, the
14 following relief is hereby granted. Holdings
15 Acquisition Company, L.P. is assigned the Category 2
16 Slot Machine License presently held by PITG Gaming,
17 LLC pursuant to 4PACS Section 1327 and Section 1328
18 subject to the following conditions. Number one,
19 Holdings Acquisition Company, L.P. is required to
20 close on the transaction outlined in the joint
21 application within five business days of the date of
22 this Order. Number two, Holdings Acquisition Company,
23 L.P. shall execute and abide by the Statement of
24 Conditions that will be identical to the Statement of
25 Conditions executed by PITG Gaming, LLC on April 24th,

1 2007, except as modified by this order. Holdings
2 Acquisition Company, L.P. shall complete the design
3 and construction of the gaming facility in all related
4 amenities as originally proposed by PITG Gaming, LLC
5 at its licensing suitability hearing on November 21st,
6 2006.

7 In addition, Holdings Acquisition
8 Company, L.P. shall be responsible for any additional
9 representations made by or on behalf of PITG Gaming,
10 LLC to the Board concerning the proposed gaming
11 facility related amenities and any additional
12 obligations that were relied upon by the Board in
13 approving PITG Gaming, LLC for a Category 2 Slot
14 Machine License on December 20th, 2006, except as
15 modified by this order.

16 Number four, Holdings Acquisition
17 Company, L.P. shall be responsible for all commitments
18 and representations made to the Board during the
19 hearings of July 10th, 2008 and August 14th, 2008,
20 concerning the joint application.

21 Number five, Holdings Acquisition
22 Company, L.P. shall not be authorized to commence
23 gaming operations prior to licensure in connection
24 with Holdings Acquisition Company, L.P. of all
25 individuals and entities associated with the joint

1 application.

2 Number six, Holdings Acquisition Company,
3 L.P. shall not be permitted to make upstream
4 distributions prior to the satisfaction of the
5 condition I just read in number five.

6 Number seven, all agreements in entity
7 formation documents submitted to the Board as of this
8 date in connection with the Joint Application shall
9 remain identical in all material respects. All
10 documents executed at the time of the closing of the
11 transaction outlined in the Joint Application shall be
12 provided to the Board within three business days of
13 the closing.

14 Number eight, until further order of the
15 Board, control of Holdings Acquisitions Company, L.P.
16 shall be vested in the Holdings Gaming Borrower, GP,
17 LLC Management Committee which will be comprised of
18 Don Barden, Neil Bluhm and Gregory Carlin, all of whom
19 have been previously licensed as principals by the
20 Board and whose licenses are in good standing.

21 Number nine, no individual other than
22 those referenced in condition eight above shall become
23 a member of the Holdings Gaming Borrower, GP, LLC
24 Management Committee or have any legal right to
25 control the affairs in such Management Committee prior

1 to being approved for licensure as a principal in
2 connection with Holdings Acquisition Company, L.P. by
3 the Board.

4 Number ten, Holdings Acquisition Company,
5 L.P. has assessed a \$2,500,000 fee and shall remit
6 stated fee to the Board within 12 months of the
7 commencement of casino operations. No other change of
8 ownership or control fee shall be assessed by the
9 Board against Holdings Acquisition Company, L.P. in
10 connection with its approval of this transaction and
11 the assignment of the PITG Gaming, LLC license to
12 Holdings Acquisition Company, L.P.

13 Number 11, Holdings Acquisition Company,
14 L.P. shall remit to the Board within ten business days
15 of the consummation of the transaction contemplated in
16 the joint application any other outstanding fees,
17 costs or expenses incurred in the investigation and
18 approval of the joint application to the date.
19 Moreover Holdings Acquisition Company, L.P. shall
20 continue to pay fees, costs and expenses incurred by
21 the Board in accordance with the Gaming Act.

22 With respect to the joint application's
23 request for certain modifications to the project's
24 development plans, the Board hereby grants and
25 approves the following modifications to the Statement

1 of Conditions that apply to this license. One, on
2 condition 54, completion of the ballroom space as
3 originally proposed by PITG Gaming, LLC shall be
4 postponed from phase one to phase three of
5 construction which will occur within two years of
6 commencement of casino operations.

7 Two, in condition 52, the requirement to
8 open a parking structure with approximately 4,100 non-
9 employee parking spaces is reduced to a minimum of
10 3,750 parking spaces. And three, the casino shall
11 open with 3,000 slot machines as originally proposed
12 by PITG Gaming, LLC at its licensing suitability
13 hearing on November 21st, 2006. The Licensee must
14 petition the Board pursuant to 4PACS Section 1210 for
15 the addition of additional slot machines. With
16 respect to the Principal Applications submitted by
17 Holdings Acquisition Company, L.P., the following
18 entities are hereby approved for Principal Licenses
19 and are subject to all conditions, restrictions, and
20 requirements of the Pennsylvania Race Horse
21 Development and Gaming Act, all regulations of the
22 Board and all conditions to licensure placed on
23 Holdings Acquisition Company, L.P. by the Board. And
24 those entities being licensed would be Holdings
25 Acquisition Company, GP, LLC, Holdings Gaming

1 Borrower, L.P. and Holdings Gaming Borrower GP, LLC.
2 The Petition filed by PITG Gaming, LLC on April 15th,
3 2008 is deemed moot by this Order and the Board shall
4 issue an Adjudication including Findings of Fact and
5 Conclusions of Law in accordance with this Order. And
6 that concludes the entire Proposed Order.

7 CHAIRMAN COLINS:

8 Very good. Thank you. May I have a
9 second?

10 COMMISSIONER RIVERS:

11 Yes. Madam Chairman, I second the
12 motion.

13 CHAIRMAN COLINS:

14 All right. Are there any comments or
15 questions at this point? I'll start with Commissioner
16 Ginty.

17 COMMISSIONER GINTY:

18 Yes. I know it's getting late, but I do
19 feel compelled to make a couple of statements. As I
20 mentioned to Mr. Donnelly earlier, we have been
21 reminded for several weeks that the prime
22 responsibility of this Board is to protect the public
23 interest in terms of the integrity of our proceedings.
24 The integrity of all our proceedings has been
25 questioned. Unfortunately, that has not been my

1 experience. I'm still a junior member on the Board
2 here, but I think what is most unfortunate in the
3 controversy that surrounds this is that it overlooks
4 what I have come to appreciate is the highest degree
5 of professionalism, independence, integrity,
6 experience and commitment by the Board's staff. And I
7 think particularly in this instance they're to be
8 commended by the hard work that they have done and the
9 thoroughness with which they have proceeded in this.

10 It's, quite frankly, my honor to have
11 been associated with them for the ten months I've been
12 here and I look forward to that association over the
13 next couple of years. Based on their review, which
14 has unquestionably, in my view, been thorough on the
15 recommendations, on the evidence put forth by the
16 applications, I believe that the integrity of our
17 proceedings have been at the highest quality and that
18 the granting of this application would certainly be in
19 the public interest. Quite frankly, I think to deny
20 this application would do a tremendous disservice to
21 the people of Pittsburgh, to the citizens of Allegheny
22 County and to the citizens of Pennsylvania. That's my
23 statement.

24 CHAIRMAN COLINS:

25 All right. Thank you. Commission Sojka.

1 COMMISSIONER SOJKA:

2 Like my colleague Mr. Ginty, I'm also one
3 of the junior members. He and I represent the two
4 members of this seven-person Board who did not take
5 part in the original or initial decision involving
6 PITG Gaming. And like Mr. Ginty, I also feel
7 compelled to make a statement. Since joining this
8 Board, we have, indeed, received a substantial amount
9 of criticism. Much of it has to do with a few basic
10 categories. We've been accused of rushing to
11 judgment, failing to do appropriate due diligence,
12 possibly interfering with the activities of our own
13 investigators and enforcement counsel, okay, yielding
14 to political pressure and not adequately listening to
15 the public.

16 I think this case puts all those things
17 very clearly in front of us. The time that this was
18 taken, and I think it's in a sense --- a shame for
19 everyone that it's taking as long as it has, I think,
20 clearly indicates that we were doing no rushing to
21 judgment here but taking a very deliberate stance in
22 trying to make sure we understood everything. We have
23 heard comments repeatedly today that our investigators
24 were not rushed and they were in no way guided or
25 interfered with.

1 There certainly is a political atmosphere
2 that exists in Pennsylvania. I think many of us here
3 today were, for example, at a Senate hearing a couple
4 of weeks ago in which this Board faced a storm of
5 criticism. In my opinion, much of it either
6 incompletely or ill-informed gratuitous, probably
7 unwarranted and unmerited, but clearly constituting a
8 smoke screen and a distraction because we had to come
9 to grips with this admittedly complex proposal which
10 does not fit absolutely easily into a statute which
11 was written before anything of this kind came up.

12 We did listen to the public and we've
13 listened to the public repeatedly, and we've heard all
14 kinds of things. We've heard people suggest that any
15 complex deal without making any reference to
16 documentation or proof is, in fact, equivalent to the
17 Enron situation. We've been admonished to pay
18 attention to the laws of physics. As a scientist, I
19 honestly wish these problems could be reduced to the
20 pristine laws of physics that is absent, of course,
21 the complications of quantum mechanics, but be that as
22 it may, this is an issue of polity. It is not an
23 issue of mechanics, and therefore, I think people have
24 to understand that we do engage in the final point,
25 which is risk analysis, and there are people who would

1 like us to make perfect predictions having to do with
2 risk. I know the principals themselves would like to
3 be able to make perfect predictions. That isn't
4 possible.

5 All we can do is appropriate due
6 diligence, and I'm hoping there is ample evidence that
7 that has been done. So I'm simply going to say that
8 today when I'm called to give my vote, I can tell you
9 that it will be given in the absence of political
10 pressure. It will not be rushed. I have tried as
11 hard as I can to understand what is admittedly a
12 complex arrangement. I have worried about the
13 specific issues of the amount of ownership that Mr.
14 Bluhm might have and others might have and so on. And
15 when I do, essentially, reach my vote, it will be my
16 decision and will not be based on any of these other
17 things that this Board has been accused of.

18 CHAIRMAN COLINS:

19 Commissioner Rivers.

20 COMMISSIONER RIVERS:

21 As a resident of Pittsburgh, I've always
22 stated that I would only support that which was
23 promised, which I originally voted on, a world class
24 casino. And Mr. Bluhm, you are providing Pittsburgh
25 with just that a world class facility. Mr. Bluhm,

1 thank you for removing the doom and gloom that hovers
2 over the Pittsburgh casino and its amenities, and we
3 appreciate your participation, and I'm sure the
4 residents of the city of Pittsburgh look forward to
5 visiting our world class facility. Thank you.

6 CHAIRMAN COLINS:

7 Commissioner McCabe.

8 COMMISSIONER MCCABE:

9 Thank you. First I'd like to thank
10 everybody involved. This has been brought to our
11 attention, been hard fought, been a long process. I
12 know we've suffered through the different emotions
13 along the last four or five, six months over this, and
14 I'd like to thank you both for staying with it, Mr.
15 Bluhm, Mr. Barden and not given up when other people
16 who would say, well, let's walk away and quit.

17 I also am a Pittsburgh resident and care
18 about the people in Pittsburgh. I've carefully looked
19 at all the evidence. I've listened to the testimony.
20 I've read the letters from the public in from the
21 Senate and the House of Representatives. I've seen
22 the interviews, and I do not agree with the people
23 that say that this should be revoked and re-bid. I
24 think if we revoke it and re-bid it, it will only help
25 a small group of people, and it would be disastrous

1 for thousands of families for Pittsburgh and for the
2 Commonwealth who would lose jobs, who will lose
3 revenue, and not only just for a couple years. I
4 think it would take four to five years to possibly get
5 another casino up and running in Pittsburgh.

6 In addition, I believe if this was re-bid
7 the \$7.5 million to the arena, the \$3 million to the
8 Northside Leadership and the \$3 million to the Hill
9 District would be off the table, that Pittsburgh would
10 lose all that and Pittsburgh would be the big losers
11 in this if we decided to re-bid and revoke it. I,
12 too, am going to make my decision based on the facts
13 and independent of any political or any type of
14 pressure from anybody and I will cast my vote the way
15 I believe I should based on the facts and evidence and
16 to do what's right for the people of Pittsburgh and
17 the Commonwealth of Pennsylvania.

18 CHAIRMAN COLINS:

19 Commissioner?

20 COMMISSIONER COY:

21 Thank you, Madam Chair. I'm not going to
22 say a whole lot, but I do want to indicate --- and I
23 didn't mention it during the hearing itself, but when
24 I heard Mr. Bluhm respond to the question that I had
25 about political contributions and he feeling a bit

1 assailed if not libeled. I will say that the Chair
2 and I both spoke about our feelings about the ex parte
3 telephone call we received to not affect or contribute
4 to any pressure about this and we continue to feel
5 that way and that's why we have participated in the
6 hearing. The other thing that occurred, however,
7 which was printed in one of the Pittsburgh papers was
8 that I participated in a conference call along with
9 several others including the Governor that
10 categorically wasn't true. I did not --- it never
11 happened that I was part of that, and then for the
12 paper two days later to follow up by a cheap attempted
13 humor by printing a column, so to speak, in which they
14 attempted to quote you, Mr. Bluhm, and me in not very
15 nice terms.

16 You felt a little bit libeled by some
17 comments today. I felt libeled by that. It might
18 have been an attempt of humor, but it's not very
19 humorous when the paper has, in the meantime, between
20 the first article and then the publishing of this
21 humorous story, admitted that the first story was
22 incorrect, and that I was not part of it. So I felt I
23 had to say that for the record. Because it's not fun
24 when the untruths are told in which tend to affect
25 your character.

1 On the question at hand, for me, I wanted
2 to give our enforcement people, Bureau of
3 Investigation and Enforcement and our Enforcement
4 Counsel enough time to be able to find something wrong
5 with this if there was something wrong with it. I
6 felt there was so much, and you've heard it said
7 before, about the public good that's being done, the
8 jobs. One of the things that Mr. Pitre said today in
9 his opinion three or four years to open a casino out
10 there if this one --- if we weren't approved, if we
11 did not approve.

12 So for me, I wanted to be able to say
13 that I gave Bureau of Investigation and Enforcement
14 and our investigators enough time to find something
15 wrong if there was something wrong. Otherwise, I
16 think we need to support it. And I think our folks
17 demonstrated to me that it is a good deal, that it's
18 the best deal we have at the time, and that's where we
19 are today, making a decision about the deal that's
20 presented to us right now. Not a deal that might have
21 been presented six months ago or six months from now,
22 but right now. And for me, I'm okay with it. Thank
23 you.

24 CHAIRMAN COLINS:

25 Commissioner Angeli.

1 COMMISSIONER ANGELI:

2 Yes. Thank you very much. You know,
3 when this Board made its initial decision, it was
4 based on a lot of deliberation way back when we first
5 looked at all the proposals in Pittsburgh that were
6 given to us, and at that time I believe we all felt
7 that Mr. Barden had brought to us a dynamic proposal
8 that would be a terrific thing for the City of
9 Pittsburgh, and my compliments to everyone here today
10 for bringing that back to the table with something
11 that has resolution and that we'll be able to move
12 forward, and I agree with the comments that have been
13 made to see something in the City of Pittsburgh
14 that'll be a showplace and hopefully support the
15 original attempt that Mr. Barden had brought forward.
16 So my compliments to all.

17 CHAIRMAN COLINS:

18 Thank you. Let's have our vote. We'll
19 ask for a role call vote. I'll ask for a roll call
20 vote.

21 MS. KANE:

22 Commissioner Angeli?

23 COMMISSIONER ANGELI:

24 Yes.

25 MS. KANE:

1 Commissioner Coy?

2 COMMISSIONER COY:

3 Yes.

4 MS. KANE:

5 Commissioner Ginty?

6 COMMISSIONER GINTY:

7 Yes.

8 MS. KANE:

9 Commissioner McCabe?

10 COMMISSIONER MCCABE:

11 Yes.

12 MS. KANE:

13 Commissioner Rivers?

14 COMMISSIONER RIVERS:

15 Yes.

16 MS. KANE:

17 Commissioner Sojka?

18 COMMISSIONER SOJKA:

19 Yes.

20 MS. KANE:

21 Commissioner Colins?

22 CHAIRMAN COLINS:

23 Yes. The motion passes. Now, before
24 concluding, I believe it's very important that the
25 record be firm and that we complete the record. I

1 have Findings of Fact and Conclusions of Law, which I
2 want to place on this record before we adjourn, so I'm
3 going to do that now. On December 20th, 2006, PGCB,
4 Pennsylvania Gaming Control Board, awarded PITG the
5 Category 2 slot machine license available for the City
6 of Pittsburgh, PA. Statement of Conditions was signed
7 by PITG on April 24th, 2007, agreeing, among other
8 things, to the following conditions.

9 One, to provide a \$1 million annual grant
10 to the Northside Leadership Conference for three
11 consecutive years with the initial grant of \$1 million
12 due at the end of the tenth month after opening of the
13 casino. Two, to provide \$1 million per year for three
14 consecutive years for the re-development of the Hill
15 section of the City of Pittsburgh commencing within
16 one year of opening the gaming facility. And three,
17 to provide a cash contribution of at least \$7.5
18 million per year for a period of 30 years in support
19 of the development and construction of a multi purpose
20 arena for the City of Pittsburgh.

21 On December 11th, 2007, PITG began
22 construction of its Category 2 facility and
23 anticipated its completion at some point in the second
24 quarter of 2009. On November 19th, 2007, PITG secured
25 a \$20 million pre-development financing package bridge

1 financing. PITG then pursued permanent financing to
2 satisfy the obligations associated with the bridge
3 financing and to complete development of its project.
4 The bridge financing matured on May 19th, 2008.

5 PITG has been notified by the lenders
6 providing the bridge financing that they believe PITG
7 is in default of its obligations under the applicable
8 loan documents and that they may exercise default
9 remedies they're under, which actions have taken, what
10 other material detrimental impact on the development
11 and completely of the PITG Project. PITG filed
12 petitions in April of 2008, requesting approval of
13 modification to its proposed permanent facility and
14 amendment of the related Statement of Conditions. On
15 April 24th, 2008, Mr. Barden appeared before the Board
16 pursuant to PITG --- strike that.

17 PITG's amended petition filed on April
18 23rd, 2008. Steel has been erected at the proposed
19 casino site, but construction was halted on July 1st,
20 2008, due to non-payment and had not resumed and has
21 not resumed as of this date. To date, approximately
22 \$107.3 million has been spent on this project. Over
23 2,500 jobs are expected to be provided during the life
24 of the construction project. Of the approximately, 50
25 subcontractors involved in the project, over 85

1 percent are from Pennsylvania, and the record will
2 reflect that approximately 25 of the subcontractors
3 appeared today at this hearing. The joint applicants
4 represented that if the Board approves this
5 transaction, construction can resume on Monday, August
6 18th, 2008, with project completion by August 2009 as
7 originally approved by the Board.

8 On July 9th, 2008, PITG and Holdings
9 Acquisition filed a Joint Application for approval of
10 the Reorganization Change of Control and
11 Recapitalization of PITG Gaming and Other Relief in
12 Connection Therewith. The application seeks approval
13 of, among others, relief, a proposed reorganization
14 and resulting change of control and recapitalization,
15 an assessment of a change of control, slot machine
16 license fee of no more than \$250,000, modifications to
17 certain conditions in the Statement of Conditions.
18 Don Barden would remain a principal licensee as an
19 indirect owner of Holdings Acquisition Company, L.P.

20 An affiliate of Holdings Acquisition
21 Company, L.P. will also enter into a permanent
22 financing transaction, which will repay the existing
23 bridge loan and then complete the project.
24 Approximately \$205 million in equity will be
25 contributed by Pittsburgh Gaming investors, which

1 consist of the Walton Street Capital Group, High Pick
2 Gaming, L.P., HPP, L.P. and Cira Pittsburgh Gaming
3 Investors, L.P. The remaining project will be
4 financed through debt financing through Credit Suisse
5 and Key Bank.

6 Initial management and control of
7 Holdings Acquisition would be vested in Greg Carlin,
8 Neil G. Bluhm and Don Barden, each of whom is
9 currently licensed by the Board as principals. Other
10 members of the Management Committee will be added only
11 as they become licensed in the future by the Board.
12 The ownership interest in Holdings Acquisition is as
13 follows, the Walton Street six investment funds will
14 own 55.61 percent interest, the Barden Investors Group
15 will own a 20-percent interest, the Family Trusts
16 established by Neil Bluhm's children will own a 13.13
17 percent interest, the Cira Gaming Group will own a
18 5.12 percent warrant and the Detroit Pension Funds
19 will own a combined 5 percent.

20 The ownership and organizational
21 structure of proposed reorganization PITG includes
22 several common individuals and entities who are
23 affiliated with HSP Gaming, L.P., a Category 2 slot
24 machine licensee in Philadelphia, a license issued by
25 the Board. The following are the respective ownership

1 interests of those individuals and entities and PITG,
2 Holdings Acquisition, Neil Bluhm under 1 percent;
3 Gregory Carlin, approximately 2 percent; AGB Trust,
4 7.25 percent; LNB Trust, 7.25 percent and AB Trust,
5 7.25 percent.

6 PITG and Holdings represent that they
7 have submitted copies of all documents, contracts and
8 agreements, including all business organization
9 documents and draft financial documents related to the
10 reorganization and resulting change of control and
11 recapitalization of PITG Gaming. As part of the
12 transaction proposed by PITG and Holdings, Holdings
13 Acquisition will honor the conditions of licensure
14 imposed on PITG by the Board including the obligations
15 to the City of Pittsburgh. Holdings Acquisition is
16 committed to construction and opening the outdoor
17 amphitheatre is phase I of construction as originally
18 proposed to the Board. Holdings Acquisition will open
19 the facility with 3,000 slot machines. It's
20 contemplated that Holdings Acquisition will add an
21 additional 1,000 slot machines within two years of
22 commencing operations as the market will bear it.

23 At this time the PGCB Financial
24 Suitability Taskforce projects a revenue estimate for
25 Pittsburgh Project of approximately \$611.6 million

1 annually in a stabilized year, that being year five of
2 operation in 2009, with a \$335 win per position per
3 day at 5,000 machines. The joint applicants, PITG and
4 Holdings Acquisition have projected a revenue estimate
5 of approximately \$507.4 million annually in a
6 stabilized year, that being year five of operation, in
7 2009 with a \$278 win per position per day at 5,000
8 machines.

9 The PGCB Financial Suitability Taskforce
10 has analyzed the revenue projections taken into
11 consideration the equity and debt projections involved
12 in the transfer and has determined that the
13 projections are reasonable and consistent with
14 expectations in the gaming industry in Pennsylvania
15 and nationally. The PGCB Financial Suitability
16 Taskforce is confident that they fully understand the
17 proposed transaction and have no issues or concerns.
18 With respect to investigations, the Bureau of
19 Investigation and Enforcement has spent over 1,500
20 hours investigating the proposed transactions and has
21 no objection. Both the Office of Enforcement Counsel
22 and the Bureau of Licensing have independently
23 reviewed all documents relevant to the proposed
24 transaction and have no objection to the Board's re-
25 assignment of the Category 2 license and the licensing

1 of the following entities; Holdings Acquisition
2 Company, L.P., Holdings Acquisition Company, GP, LLC,
3 Holdings Gaming Borrower, L.P. and Holdings Gaming
4 Borrower, GP, LLC.

5 The Office of Enforcement Counsel
6 believes the approval of re-assignment of the
7 Pittsburgh Category 2, as presented, is in the best
8 interest of the Commonwealth, in that to not grant
9 such a relief would likely result in protracted
10 litigation to the detriment of the people of the
11 Commonwealth.

12 Conclusions of law, the joint petitioner
13 had met their burden by a preponderance of the
14 evidence. The Pittsburgh Category 2 facility, as
15 restructured and recapitalized, is a financially
16 viable project. The joint applicants have proven that
17 the financial backers of this project have the
18 integrity required by the Gaming Act. The structure
19 of this project, assuring that only persons licensed
20 as principals by the PGCB will be permitted to
21 exercise control and management over the project will
22 serve to protect the public interest.

23 All persons licensed as principals by the
24 PGCB have shown by clear and convincing evidence their
25 suitability for licensure. The approval of the Joint

1 Application will permit the continuation of the
2 Pittsburgh Category 2 project, as previously approved
3 by the Board in its February 1st, 2007 adjudication,
4 and thereby deliver economic benefit to the citizens
5 of Pennsylvania in a timely manner consistent with the
6 goals of the Gaming Act.

7 The approval of the Joint Application
8 assures the continuation of economic aide and
9 community benefits to the citizens of Pittsburgh as
10 previously required in the Board's February 1st, 2007
11 adjudication in the Statement of Conditions to the
12 PITG Gaming license.

13 In accordance with Section 1330, no
14 licensee, its affiliate, intermediary, subsidiary area
15 or holding company in this transaction possesses an
16 ownership interest or financial interest greater than
17 33.3 percent of another slot machine licensee. The
18 Board concludes that transaction presented and the
19 assignment of the Category 2 license contemplated
20 thereby has authorized by the Gaming Act. The joint
21 applicants have established their burden that a
22 majority of the relief requested in the Joint
23 Application is in the best interest of the
24 Commonwealth.

25 That concludes the Findings of Fact, the

1 Conclusion of Law. That we are at the end of the
2 hearing. I will be signing on behalf of the Board the
3 Order. The Board will be issuing an adjudication in
4 support of the Order within the next week. I believe
5 that the record is clear and precise as to the Board's
6 actions and the reasons for its actions, and based on
7 that, the Board will have no further comments until
8 the adjudication has been issued. So thank you very
9 much. The meeting is adjourned.

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PUBLIC MEETING CONCLUDED AT 4:42 P.M.

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