

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

* * * * *

IN RE: HOLDINGS ACQUISITION COMPANY, LP
(RIVERS CASINO)

CATEGORY 2 SLOT MACHINE LICENSE RENEWAL

* * * * *

BEFORE: WILLIAM H. RYAN, JR., CHAIRMAN
Gregory C. Fajt, James B. Ginty,
Keith R. McCall, Anthony C. Moscato,
Gary A. Sojka, Kenneth I. Trujillo; Members
Robert Coyne, Representing Daniel P.
Meuser, Secretary of Revenue
Christopher Craig, Representing Robert
McCord, State Treasurer

HEARING: September 14, 2011,

LOCATION: PUC Keystone Building
Hearing Room #1
Harrisburg, PA

WITNESSES: None

Reporter: Kenneth Dominic O'Hearn

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(Rivers Casino)

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CHAIRMAN:

First of all, let me introduce myself. My name is Bill Ryan. I am the Chairman of the Pennsylvania Gaming Control Board. Before we begin, I would like to ask everyone to please turn off your cell phones, PDAs and other electronic devices. Thank you.

In addition to the seven appointed members of the Board, joining us today is Christopher Craig, representing State Treasurer Robert McCord; Robert Coyne, representing the Secretary for the Department of Revenue, Daniel Meuser. I want to thank both of those gentlemen for being here for us.

First order of business, since we have a quorum of members being present, I'll call this meeting to order. And at this time I would like to ask everyone to stand for the Pledge of Allegiance.

PLEDGE OF ALLEGIANCE RECITED

CHAIRMAN:

Thank you. Okay. We have a few items before the Board today by way of public hearings, which will take place prior to our public meeting and I would expect will take some period of time to get

1 through. At the conclusion of these hearings, we will
2 take a recess to conduct quasi judicial deliberations
3 before returning to conduct our regularly-scheduled
4 meeting.

5 The first public hearing pertains to the
6 renewal of Holdings Acquisition Company, LP's Category
7 2 Slot Machine License. Holdings Acquisition operates
8 The Rivers Casino in the City of Pittsburgh. Can I
9 please have all persons participating in these
10 proceedings to please come forward. All present.
11 Very good. Can I now have all persons who are not
12 attorneys but who will be presenting evidence to
13 please stand and be sworn?

14 -----
15 WITNESSES SWORN EN MASSE
16 -----

17 CHAIRMAN:

18 Before we begin, I would ask that all
19 persons participating please identify yourselves
20 before speaking. Also, if you could spell your name
21 for the benefit of the court reporter, that would be
22 greatly appreciated. Holdings, you may begin.

23 ATTORNEY SKLAR:

24 Thank you. Good morning, Mr. Chairman
25 and members of the Board. We're delighted to be here

1 this morning. As many of you know, on May 5th, 2011,
2 Rivers conducted a public input hearing in Pittsburgh,
3 and rather than rehash the same exact materials that
4 we presented at that time, we're going to sort of
5 focus on giving you updated information since the date
6 of information had been provided at that time.

7 As many of you will recall, Neil Bluhm,
8 Greg Carlin and the other partners stepped into this
9 project during very, very difficult economic times,
10 and they have committed to you that if the Board
11 approves the license and the transfer of the license
12 to this new ownership group, that they would open a
13 first-class facility on time and on budget. And we're
14 very happy that we can report to you that that's
15 exactly what they did. It's a magnificent facility.
16 I think the majority of you certainly have been there.
17 And let me introduce who I have with me today, Craig
18 Clark, who is the General Manager; Andre Barnabei, who
19 is the Vice-President of Human Resources; and Rhonda
20 Gilchrist, who is the Vice-President of Compliance.
21 Craig is a new member of the team, and I'm going to
22 turn it over to him, and he's going to give you a
23 background about himself and a little information on
24 the current state of the facility and the tax revenue
25 that's been generated thus far. I'll turn it over to

1 Craig.

2 MR. CLARK:

3 Thank you, Chairman and members of the
4 Commission. I'm very pleased to be here today to
5 speak to you about The Rivers in Pittsburgh. I wanted
6 to begin with a little bit of my background in coming
7 to Pennsylvania to this great property. I started my
8 professional career with Ernest & Young. I worked
9 there for four-plus years, obtained my CPA license.
10 Joined the gaming industry in '93 as an internal audit
11 manager. And I think, once again, it's important to
12 understand all parts of the business, and it gives me
13 that background. Within nine months I moved to
14 Director of Finance for the next six years. And from
15 2000 to today, I've been General Manager. I've only
16 worked in two other jurisdictions, in New York and in
17 California, and most recently, for the last year-and-
18 a-half. I joined The Rivers in June of this year, and
19 I'm very pleased to have three months under my belt
20 understanding our team members, the City of Pittsburgh
21 and the opportunities that we have in Pittsburgh. I
22 guess I violated the first rule. Craig Clark,
23 C-R-A-I-G, C-L-A-R-K.

24 Just a quick overview of the facility.
25 We currently have 2,960 slot machines. They vary from

1 a price point denomination of a penny up to a hundred
2 dollars, giving a wide selection of choices to our
3 customer. We have the same experience when it comes
4 to table games, something that's dramatically changed
5 the facility over its two-year history, just over a
6 year ago. Table games, once again, it's a wide
7 variety, going from the core products of Blackjack,
8 craps and roulette and then the novelty mixed games.
9 Most recently we introduced Mississippi Stud, which
10 has really been popular for our facility. And once
11 again, it's giving a great deal of choices to our
12 customer. We also have a very nice poker room, 30
13 tables. This week we're celebrating our relationship
14 with The Mario Lemieux Foundation in a 16-day
15 celebration of raising funds for the community. We
16 also have a variety of price points when it comes to
17 restaurant choices, from quick-service restaurants,
18 all the way up to our Andrew's Restaurant, which is a
19 steak and seafood ---. Just, once again, completing
20 that choices of alternatives for our guests. When
21 they come in they have many different price points,
22 many different options.

23 One of the facilities that's been
24 recently approved and is getting ready to be completed
25 this week is our banquet facility. We're opening up

1 in about the next week a banquet facility for meeting
2 space. It's a room that can be divisible into three
3 different sections. We've been holding some banquet
4 meetings in our restaurant space in the last year or
5 so, and we've been very successful. Currently, we
6 have 51 events scheduled in this banquet area between
7 now and the end of the year. They range from dinner
8 theaters to New Year's Eve celebrations, to VIP
9 service events. Once again, it's something being
10 added to the facility to give people another reason to
11 visit our property and our entertainment district on
12 the North Shore.

13 Obviously, jobs are very important, and
14 I'm going to talk about that in a few minutes. That's
15 our number one commitment to our team members. But
16 also it's the revenue that's been generated from this
17 facility for the Commonwealth of Pennsylvania,
18 Allegheny County, and the City of Pittsburgh. \$323
19 million have been raised and remitted to taxing
20 authorities in the first two-and-a-half years --- or
21 just over two years of operation. And that's really
22 fulfilling some of that commitment that our owners
23 made to giving back through the taxation structure,
24 our commitment to the community. And with that, I'd
25 like to turn it over to Andre, who's going to talk

1 about our employment, some of our diversity programs,
2 as well as our charitable giving in the community.
3 Thank you very much.

4 MR. BARNABEI:

5 Thank you, Craig. Andre Barnabei,
6 A-N-D-R-E, B-A-R-N-A-B-E-I. Mr. Chairman, members of
7 the Board, thank you for allowing us to come out to
8 give an over of some of our accomplishments since
9 we've been able to open the door at Rivers Casino.

10 I'd like to first start by taking a look
11 at some job creation opportunities that we had. As
12 you might have noticed, since 2009 we've had
13 tremendous growth in the opportunities provided to the
14 Pittsburgh area residents and to those in the State of
15 Pennsylvania, starting off somewhere in between 979
16 and 1,000 when we began, growing up to our current
17 number of 1,756, with the projections being greater
18 than 1,800 by the end of this coming year.

19 Some specific statistics amongst those
20 groups, very focused on employment demographic. As
21 you will see here, our minority groups employed are
22 greater than 19 percent for Rivers Casino versus that
23 of the county, of 18.5 percent. That's based on the
24 data that's available through the county's website.
25 We've made some continued progress in increasing these

1 numbers. And although we may be proud of where we're
2 at, we're not finished in where we're going.

3 When we take a breakdown of those team
4 members, specifically looking at who is a Pennsylvania
5 resident and who is not, you'll see that only 7.5
6 percent of our workforce is not a declared State of
7 Pennsylvania resident. I anticipate that number will
8 continue to shrink as those of you are able to
9 relocate to join the team here in Pittsburgh, find
10 permanent residency and declare themselves a citizen
11 of the state.

12 When we look at who's working in those
13 types of opportunities, we have a great story to tell
14 here. From opening date to today, we've had over 500
15 internal growth or transfer opportunities. These are
16 opportunities where team members have had the ability
17 to start off in one area and grow their career,
18 whether it's level of responsibility or financial
19 income grade level. It's basically occurred not only
20 in the front-line positions but in management
21 positions as well.

22 So where do we find our folks? We
23 consider ourselves great partners with those in the
24 City of Pittsburgh and the Greater Allegheny area. We
25 work with, as you'll see, multiple recruitment

1 outreach sources, most of which are non-profit
2 organizations, that strive to find those that are
3 underemployed or unemployed and find them better
4 opportunities. Recently we were actually awarded the
5 top employer of the year by one of these
6 organizations, the Mon Valley Initiative, for our
7 employment efforts and research and from hiring from
8 within that organization. And at the time we had only
9 been working with them for about half of that year.
10 So, to receive that accomplishment was very important
11 for us.

12 Internally, we had some internal as well
13 as external career fairs. We also hold some off-site
14 interview sessions with those organizations where
15 we're able to go out and touch those applicants that,
16 again, are underemployed or unemployed without giving
17 them the responsibility of coming to our property
18 specifically.

19 From a table games standpoint, this has
20 definitely been our largest growth factor in
21 employment. We have so far facilitated five internal
22 schools, including one currently that will graduate in
23 the next couple of weeks and another one projected to
24 start in October 2012. We do not charge anyone to
25 attend these schools. We do have a selection process

1 for those that want to enroll, but we do not charge
2 any type of registration fees or any other types of
3 fees for them to gain this accreditation. So far,
4 we've had over 85 internal graduates from the school,
5 over 370 external. There's currently 30 in the
6 school. And we're looking to bring about 100 more to
7 start the school here in October. Again, just showing
8 the growth opportunities that we're adding here at the
9 City of Pittsburgh.

10 From a supplier diversity standpoint, we
11 prepared for you our numbers from July of 2010 through
12 June 2011. And you'll see our minority and
13 women-owned business spend is roughly 8.1 percent of
14 total spend. Our local business spend, 71.9 percent.
15 And our total spend in Pennsylvania is about 74.7
16 percent. Although we may be happy with where we're
17 at, again, we want to continue to strive to make
18 additional growth in these areas. Some of the things
19 that we are doing for our minority outreach and
20 inclusion, we've held group leader meetings with
21 different organizations, such as the African-American
22 or Hispanic Chambers of Commerce and other
23 organizations in the City of Pittsburgh, Allegheny
24 County and the surrounding counties, where we have
25 one-on-one contact with the director of each of those

1 organizations basically outlining the way we look for
2 vendors, the way the procurement process works, the
3 way the licensing process works, et cetera, and that
4 has allowed us to gain entry to all of our members
5 within that organization.

6 We prepared presentations titled How to
7 Do Business with Rivers Casino where we've had over 60
8 vendors to date attend, and we basically spelled out
9 from start to end how they would go through the
10 bidding process, how they might obtain a bid, how they
11 register with the state as a certified minority or
12 woman-owned business, and then how they would go
13 through the process to register with the Gaming
14 Control Board. From there, we also advertised that we
15 would be conducting quarterly bid opportunity
16 meetings. We've had two so far to date. And the
17 whole goal of these meetings is to increase bid
18 opportunities for those organizations. We've
19 basically been able to post in advance what types of
20 opportunities they'll have to bid and allow those to
21 come in, learn about the process, and again, place
22 bids on items that they were wishing to procure. Some
23 of the specifics for July and August were a new copy
24 paper contract, which was awarded to an MWDBE. Rough
25 estimate of that would be over \$20,000 spend annually.

1 So it was a great win for that vendor there, and it
2 was identified through this process.

3 Where we're going to continue to go,
4 we're reaching back out to those organizations and
5 we're asking them to identify five of the top vendors,
6 and we're going to sit down on a one-on-one basis with
7 those vendors and try to coach them on practices of
8 how to go back to their suppliers and get reductions
9 in the cost that they are provided for for the items,
10 as well as how to identify some second-tier minority
11 vendors so that we can ensure that we're taking
12 advantage of all opportunities to purchase from
13 minority and women-owned vendors.

14 From a community standpoint, we have a
15 few commitments that we've been definitely upholding.
16 Our first was \$7.5 million a year annually for the
17 Sports and Exhibition Authority, which has been used
18 to produce the Consol Energy Center, home of the
19 Pittsburgh Penguins and other events that have been
20 held here in the city. We also have a commitment to
21 the North Side Leadership Conference, where we've
22 donated one million annually. The agreement is for
23 the first three years of operation. That money there
24 is used for increase in business opportunities and
25 residential opportunities on the North Side, which is

1 where our property is located in the City of
2 Pittsburgh. And also to the Hill District Foundation
3 we again are committed to a one million dollar
4 commitment for the first three years to be used for
5 the same types of business growth and housing
6 opportunities in the Hill District.

7 In terms of total donations and
8 contributions given out from Rivers Casino, you'll see
9 there a vast list of our different partners and
10 organizations who have benefited, totaling north of
11 \$18 million from August 2009 to current. But it
12 doesn't stop there. We actually have some wonderful
13 programs and some wonderful team members that like to
14 get involved in the community. You'll see there a
15 list of community projects that we've completed so far
16 in 2011 and some additional projects that we plan to
17 complete before the calendar year end in 2011. Our
18 team members have volunteered their time to get out in
19 the community and to make a difference. From helping
20 out at the food bank in the Greater Pittsburgh area to
21 the Children's Museum of Pittsburgh, we've donated
22 time, whether it was repacking food, cleaning their
23 organization, et cetera, and it's been vastly
24 supported by all of our team members and well received
25 by those organizations.

1 And in closing, we have here --- I
2 apologize, it may be difficult to read up there --- a
3 letter from the Chief of Police in the Pittsburgh
4 area, which basically tells the story of crime in the
5 area, because that was a concern to some of the
6 residents that were around the casino, that there
7 might be some increased crime, et cetera. And what
8 you'll find here, supported here by Nate Harper, the
9 Chief of Police, is that the year to date, Bureau of
10 Police, Zone One, has realized the decrease of 17
11 percent in Part I crimes on the North Side, which is
12 inclusive of the North Shore, where we reside. We
13 find that to be a great accomplishment not only for us
14 but for the surrounding community. And with that, I'm
15 going to turn it back over to Michael.

16 ATTORNEY SKLAR:

17 Thanks, Andre. I think, given what
18 you've heard here today and the information that's
19 been presented previously to the Board, the Rivers
20 Casino has made a tremendous positive impact for the
21 Commonwealth, the local community, Allegheny County
22 and Pittsburgh certainly in terms of the tax revenue
23 generated, charitable contributions, and equally as
24 important in terms of the positive impact for the team
25 members of The Rivers Casino, 1,800 and counting, and

1 the --- if you haven't had a chance, I would encourage
2 you to look at the Gaming Board's website, at the
3 video from the public input hearing. We had four team
4 members give their own personal story as to what it
5 has meant to get a job at The Rivers Casino. It's
6 pretty powerful. I think that that really is one of
7 the best stories about bringing gaming to Pittsburgh
8 certainly. And with that, I would ask you to renew
9 Rivers' license. Thank you.

10 CHAIRMAN:

11 Thank you. Does the Office of
12 Enforcement Counsel (OEC) have any questions of any of
13 the witnesses?

14 ATTORNEY CREANY:

15 Yes, Chairman Ryan. Barry Creany, with
16 the OEC. I just want to explore a little bit of the
17 detail that Mr. Barnabei had on the employment
18 figures. I was curious, Mr. Barnabei, do you have a
19 breakdown for us generally what we're talking in terms
20 of average salary and benefits, and if it's all
21 grouped together, whether that's including upper
22 management and also the rank and file? Generally,
23 what do you have as far as the statistics on those
24 1,756 jobs?

25 MR. BARNABEI:

1 I don't have any specific numbers. I
2 would say that our salaries range from tipped
3 positions all the way up to positions that would earn
4 pay by the company in the neighborhood of \$23, \$24 an
5 hour for our hourly team members. And our salary team
6 members range anywhere from the mid 30s on up. I
7 would say that all of our full-time positions do have
8 the opportunity to maintain benefits. We have
9 tremendous benefit plans, very little cost to the team
10 member. An hourly team member could allow themselves
11 to enroll in a full benefit plan for around \$50 a
12 month. We really strive to make sure that that's
13 affordable. I can tell you specifically for a table
14 games dealer --- I reviewed some statistics the other
15 day, the range was \$4.50 an hour that they are paid,
16 with an additional \$12 to \$24 an hour in tokes,
17 averaging about \$15.50 an hour in tokes, depending on
18 the day of the week and the shift that you work.

19 ATTORNEY CREANY:

20 I have no further questions.

21 ATTORNEY PITRE:

22 Just one question. Regarding the banquet
23 facility --- Cyrus Pitre, P-I-T-R-E. Regarding the
24 banquet facility, when do you --- when can we expect
25 the completion date of that?

1 MR. CLARK:

2 Right now it's scheduled for September
3 17th.

4 ATTORNEY PITRE:

5 At that point would it be ready for PGCB
6 inspection? Because that is subject to a special
7 condition, and that would allow us to possibly remove
8 that special condition for the next licensing period.

9 MR. CLARK:

10 Yes. We're working with the on-site
11 regulatory bodies to review the facility right now. I
12 believe as of today we're getting the Occupancy
13 Certificates, so that should be just a matter of days
14 before that's completed and all those requirements are
15 met.

16 ATTORNEY PITRE:

17 Thank you.

18 ATTORNEY SKLAR:

19 Just let me add, Cyrus, I believe the
20 construction part is done, and now it's just a matter
21 of having some of the city officials come in and issue
22 the CO. I think that's where we stand.

23 MR. CLARK:

24 As well as City of Pittsburgh Police
25 Force. I gave a tour of the facility on Monday. So,

1 once again, we continue to highlight the area, show
2 the area so there's the coordination with our partners
3 and law enforcement and other community members.

4 ATTORNEY PITRE:

5 I have no further questions.

6 CHAIRMAN:

7 Mr. Creany, just to make me feel better,
8 spell your name for the court reporter.

9 ATTORNEY CREANY:

10 Sorry. It's C-R-E-A-N-Y.

11 CHAIRMAN:

12 Thank you very much. Does the Board have
13 any questions of Holdings Acquisition?

14 MR. SOJKA:

15 Uh-huh (yes). Could I ask a couple
16 questions to Mr. Barnabei? Rivers is, I would guess,
17 in a stable situation now. You finished the banquet
18 facility, the facility is pretty well completed, yet
19 you're projecting a significant increase in
20 employment. What are those jobs? Where will you add
21 yet more jobs?

22 MR. BARNABEI:

23 We're going to have some additional
24 opportunities for the table games area. The banquet
25 area itself will produce some of those opportunities.

1 And then due to the volumes of business that we
2 anticipate in the banquet facility, we may add to
3 other areas, such as security, slot attendants, valet
4 operations and other areas that support those efforts.

5 MR. SOJKA:

6 So, it's a growth in existing business
7 that you're talking about?

8 MR. BARNABEI:

9 Right.

10 MR. SOJKA:

11 I wanted to note one other thing. I was
12 looking at the --- when you were talking about your
13 outreach to find persons and the intent being to
14 improve diversity, one of the groups you say you reach
15 out to is the AARP. And perhaps it's because of the
16 age cohort in which I find myself that I am interested
17 in that. Are you people making a concerted effort to
18 hire persons of a more advanced age?

19 MR. BARNABEI:

20 We make an effort to hire from within all
21 of these organizations. What we do is we've actually
22 held on-site open --- we call them open-forum
23 opportunities where we invite representatives from
24 each of these organizations to the property to explain
25 the hiring process, to explain what we look for in

1 candidates, what type of availability they may need to
2 be open for in terms of scheduling, and also to go
3 through the state licensing process. AARP is one of
4 those members that we work with. They did not attend
5 the first, but I think they plan on attending the
6 second. And each of these outreach groups receives on
7 a weekly basis a list of open opportunities in the
8 form of a file so that they can redistribute that to
9 all of the members within their organizations.

10 MR. SOJKA:

11 That's good. And I would simply
12 encourage you to continue to look at that because it's
13 not an area of diversity that we track, and we won't
14 see columns of persons of a certain age group. But in
15 this economy, persons at those more advanced ages are,
16 in fact, often disadvantaged, and I would urge you to
17 continue to look at your diversity in a number of
18 complex ways.

19 MR. BARNABEI:

20 Certainly.

21 CHAIRMAN:

22 Commissioner Ginty?

23 MR. GINTY:

24 I just have a couple things. One is just
25 for Commissioner Sojka, that you are prohibited from

1 employment at a casino for two years after ---.

2 MR. SOJKA:

3 Oh, yes.

4 MR. GINTY:

5 I recollect that during the public
6 meeting in Pittsburgh you did, in fact, provide salary
7 and benefit information. And it's not necessary to be
8 the action today but I think that's a very important
9 component of what we're trying to do in Pennsylvania.
10 So you can just submit that for the record.

11 ATTORNEY SKLAR:

12 Yes. On a quarterly basis we provide
13 that information, and we break it down on a
14 classification management --- not management, it's
15 down to hourly.

16 MR. GINTY:

17 Is that information available to the
18 public? Can anybody answer that question?

19 ATTORNEY SKLAR:

20 Just what I --- I don't believe that it's
21 provided publicly on a detailed breakdown basis.

22 MR. GINTY:

23 That's all I have, Mr. Chairman.

24 CHAIRMAN:

25 Mr. Fajt?

1 MR. FAJT:

2 Thank you, Mr. Chairman. A couple of
3 questions probably to Andre. The commitment to the
4 North Side Community Group and Hillside District
5 Community Group, the million dollars a year for three
6 years, what year are you in of that commitment?

7 MR. BARNABEI:

8 I believe it was last month we just made
9 our second payment towards that commitment.

10 MR. FAJT:

11 So one more year?

12 MR. BARNABEI:

13 One year remaining.

14 MR. FAJT:

15 I see that the recruitment outreach
16 efforts --- I was looking over the list here and I was
17 pleased to see you reach out to the Goodwill of
18 Pittsburgh, the Blind and Visual Services, Easter
19 Seals, The Department of Labor and Industry,
20 Vocational Rehabilitation. My question is, and I
21 don't expect you to have this today, but I'd like to
22 know the number of disabled employees that you have
23 out of the 1,700-plus that you have already. And
24 also, --- and we may have this already. And Mr.
25 Sklar, if you've provided this, just let me know. But

1 the average salary, Mr. Barnabei, you had said, you
2 know, starts around mid 30s and on up. I'd like to
3 know what that number is average salary, again, for
4 your 1,700 employees and whether or not --- if it's
5 \$40,000, whether that includes the increase for
6 benefits. That's usually, you know, a 25 to 30
7 percent load factor. And I'd like to know if it's
8 \$40,000 plus benefits or whether the benefits are in
9 that average salary number.

10 And then just lastly, I congratulate you
11 on your local spend. I know one of the things that
12 the gaming industry heard early on is that they were
13 going to take business away from other existing
14 Pennsylvania businesses. So, when I see that 75
15 percent of your spend at The Rivers Casino is with
16 other Pennsylvania businesses, that helps diffuse that
17 argument. So, congratulations on that.

18 CHAIRMAN:

19 Mr. Trujillo?

20 MR. TRUJILLO:

21 I have my AARP e-mail here asking me to
22 join, Gary. I'm joining your cohort. A couple
23 questions. On the MBE/WBE spend, can you break that
24 out, because right now it's both MBE and WBE? So, can
25 you tell us what the MBE versus WBE is?

1 ATTORNEY SKLAR:

2 We can --- we don't have that right here,
3 but we can certainly provide that.

4 MR. TRUJILLO:

5 And generally, when you report on that,
6 I'd appreciate that breakdown.

7 Secondly, I'm interested in --- I guess
8 I've been on the Board a little less than two years
9 and there's been pretty significant --- you had some
10 very significant challenges when I first came onto the
11 Board. We had a lot of changes between table games
12 and then you've got some pretty significant
13 competition now on the west side, beyond Pennsylvania
14 casinos. So less from a numbers standpoint and more
15 from a management discussion and analysis perspective,
16 if you can tell me what the picture looks like right
17 now and what you're seeing in terms of both
18 competition from Ohio, Maryland, and then where you
19 see your continued potential for growth.

20 MR. CLARK:

21 I'll address that question. If you look
22 at Ohio, I think that has the largest impact on our
23 operations. We've had nice, steady growth. If you
24 look at the last few months, we've been doing very
25 well from a growth percentage year to year. Ohio is

1 8.7 percent of our business. A lot of that is driven
2 through the bus market coming from Cleveland. So, we
3 have an emerging Ohio strategy that we have reviewed
4 and that we're putting in place to be proactive. I
5 think the market itself being a young market has the
6 opportunity to continue to grow well over the next
7 number of years. So, things like Ohio will slow our
8 growth for a period of time, but I think the
9 differentiation of the facility itself, the difference
10 that our team members make in experiences and memories
11 and people coming to the facility are really what
12 differentiates ourselves.

13 Our core business is still at 30 to 60
14 mile or less customer. And it really comes down to
15 how do we service them, how do we make it functional
16 for them to visit the facility with the neighbors that
17 we have on the North Shore, you know, large events at
18 Heinz Stadium. So, there are challenges, but they're
19 things that, if you're proactive, we can defend our
20 market to service levels, and that's really in our
21 strategy of putting offers out there, making sure that
22 we brand ourselves as the place of choice.

23 The other competition that might emerge,
24 I don't see Maryland impacting us that much.
25 Obviously, there's a facility under discussion north

1 of us, and then that one going up against Ohio I think
2 is a challenge for the two of them. Once again, I
3 think our product is unique. Our experiences are
4 unique. So I see a very, very bright future for us
5 going forward.

6 MR. TRUJILLO:

7 Thank you. And one other question.
8 Following up on Commissioner Fajt's questions
9 regarding the Hill District commitment, I'm conscious
10 that I think you all have probably contractually the
11 greatest contractual contribution of any casino in
12 Pennsylvania, and it's a big number any way you look
13 at it. But I'd like to know, to the extent that you
14 know today, what your plans are once the three-year
15 commitment to the Hill District is --- what your
16 future plans are with respect to involvement in that
17 community.

18 MR. CLARK:

19 I believe at the current time my
20 discussions with the corporate offices is there is no
21 plan of where we're going in the future. I think
22 that's something that we can discuss with our
23 neighbors. We would have meetings and understand each
24 other and see where the opportunities are.

25 MR. TRUJILLO:

1 No further questions.

2 CHAIRMAN:

3 Anyone else on the Board? Ex-officio
4 members of the Board?

5 MR. CRAIG:

6 Thank you. Once again, my name is
7 Christopher Craig. I represent the Treasury
8 Department. And the Treasurer is sort of in a unique
9 position in which he is the statutory custodian of all
10 the gaming funds and deposits. And as a consequence,
11 he has a great deal of interest in the future
12 viability of these funds and their growth for the
13 policy purposes for which it's been set aside. And
14 I'd like to take the opportunity to just follow up on
15 a couple of questions that were discussed about future
16 market development and challenges and how you perceive
17 the western Pennsylvania market.

18 You indicated that you think about 8.7
19 percent of your customer base is Ohio originating.
20 What is the drive time between Cleveland and downtown
21 Pittsburgh?

22 MR. CLARK:

23 Oh, it's going to be several hours.

24 MR. CRAIG:

25 And is the Cleveland facility the one

1 that you perceive now that raises the potential threat
2 or are there other ones that are of equal concern?

3 MR. CLARK:

4 If you look at our current market, the
5 contribution from Cleveland, that is the largest
6 impact of the Ohio markets that come to our facility
7 currently. So, that represents about 40 percent of
8 the Ohio business for us.

9 MR. CRAIG:

10 If Ohio would be permitting --- one of
11 the scenarios that seems to be popping up is the
12 potential move of the Toledo license to the
13 Youngstown, Ohio area. Would that constitute some
14 more of your potential Ohio customer base?

15 MR. CLARK:

16 Yeah. I mean, anything that moves it
17 closer to us is going to make an impact. That is a
18 very good market for us from an Ohio standpoint, so
19 --- the Youngstown market. So, it does create a
20 challenge. It really comes down to, once again, how
21 you differentiate yourself as a facility. We'll
22 probably see a few less visits from that, but I hope
23 that we continue to see visitation because of the
24 product that we present to our customers.

25 MR. CRAIG:

1 Do you have any idea what the timetable
2 is that would give your marketing department the
3 opportunity to brand the facility in Ohio before the
4 competition actually opens up the doors?

5 MR. CLARK:

6 That's something that if you look at the
7 articles in the newspaper it does fluctuate as to
8 time. Obviously, we have months right now, but the
9 time period continues to creep up on us. So once
10 again, it's having the strategy in place, making sure
11 you brand yourself and position your products as the
12 products of choice for your customers.

13 MR. CRAIG:

14 I want to talk about just the western
15 Pennsylvania market for a moment. Do you have any ---
16 I'm kind of interested in your view of the western
17 Pennsylvania market, in particular, in terms of slot
18 machine supply and wins per unit. Do you believe that
19 demand has been able to absorb existing supplies or do
20 you think the supply of slot machines in western
21 Pennsylvania is in excess of demand? And I don't mean
22 just The Rivers facility. I'm talking about Presque
23 Isle --- your view of Presque Isle's supply, as well
24 as The Meadows, including your facility.

25 MR. CLARK:

1 I believe there's enough supply there for
2 the market to continue to grow with the number of
3 units that are currently available. I think
4 introducing new facilities to that market, I would not
5 do that. But once again, it's not my choice. From a
6 business perspective, you know, I view that there's a
7 lot of growth in that market, but there's also plenty
8 of supply for quite a number of months and years ahead
9 of us.

10 MR. CRAIG:

11 Just to make sure that I'm clear, your
12 view of it is that, at the current level of supply,
13 there's still potential for growth, but that you
14 wouldn't be concerned about any kind of increase in
15 the existing supply or availability of slot machines
16 in the western Pennsylvania market?

17 MR. CLARK:

18 If I had my choice, I would like to see
19 it maintained --- when I look at utilization levels,
20 I'm comparing it to other markets and our facilities.
21 I know that you didn't want me to compare it to the
22 whole western Pennsylvania, but if I look at our
23 facility at home, we have opportunity to continue to
24 grow in utilizations without constraint right now.
25 You know, we have enough supply of machines so as more

1 customers come there, we can give them a good
2 experience with the amount that we have today.

3 MR. CRAIG:

4 My last question is really related to the
5 --- there's going to be a new facility, a Category 3,
6 which is a much different type of facility, opening up
7 in a little bit of a distance from --- in Fayette
8 County, from the downtown location. Do you view that
9 as having any kind of impact on your gross revenue
10 performance?

11 MR. CLARK:

12 It could have some impact on some of
13 those markets that are a similar distance between that
14 facility and where we're located. There's some very
15 nice markets right in between which are fairly high
16 income. So once again, what choice --- do they choose
17 to come to our facility because of the service,
18 because of the amenities that we have around gaming or
19 do they choose to go to a racetrack setting? You
20 know, they'll have to make that choice. But I prefer
21 that that facility didn't open. But if it did,
22 obviously ---.

23 MR. CRAIG:

24 If it did, would you view them as a
25 competitor or would you view them as really they're

1 working for a different client base or customer base?

2 I don't know. I'm just curious.

3 MR. CLARK:

4 Are you referring to north or south of
5 us?

6 MR. CRAIG:

7 No, Fayette County. The Nemaocolin ---.

8 MR. CLARK:

9 Oh, Nemaocolin? No, Nemaocolin doesn't
10 concern me. I'm sorry. I misunderstood your
11 directions.

12 MR. CRAIG:

13 You're not the first to misunderstand me.

14 MR. CLARK:

15 Well, that's ---.

16 MR. CRAIG:

17 No. The emergence of Fayette County.

18 MR. CLARK:

19 That really doesn't concern me.

20 MR. CRAIG:

21 Okay. Thank you very much. Thank you,
22 Mr. Chairman.

23 CHAIRMAN:

24 Mr. Coyne? Thank you very much, ladies
25 and gentlemen. This matter is now closed. We will

1 consider it during our executive session later this
2 morning.

3 ATTORNEY PITRE:

4 Excuse me, Chairman.

5 ATTORNEY CREANY:

6 We have something from the OEC.

7 CHAIRMAN:

8 Oh, I'm sorry. I apologize.

9 ATTORNEY CREANY:

10 Barry Creany from the OEC. When we did
11 the public input hearing on May 5th the Bureau of
12 Investigations and Enforcement (BIE) had not yet
13 completed its investigation. But that has now been
14 completed and we prepared background investigation
15 reports on Holdings Acquisition Company and all of its
16 principal entities, employees and principals. And at
17 this time we have no further witnesses to offer, but
18 we did want to offer into the record some evidentiary
19 material in the form of the documents attached to a
20 stipulation that we've worked out with counsel for
21 Holdings and that being a supplement basically to the
22 enforcement activities that's occurred since May 5th.
23 And in part, there's two Consent Petitions that were
24 approved by this Board on July 20th that are
25 attachments and there's an additional eight

1 attachments to this document that we'd like to move
2 into the record.

3 CHAIRMAN:

4 Fine.

5 (Office of Enforcement Counsel Exhibit
6 One marked for identification.)

7 ATTORNEY SKLAR:

8 And Mr. Chairman, if we could move our
9 PowerPoint from this morning into evidence.

10 CHAIRMAN:

11 That will be granted, yes.

12 (Holdings Acquisition Company, LP Exhibit
13 One marked for identification.)

14 ATTORNEY CREANY:

15 We have nothing further, Mr. Chairman.
16 Thank you very much.

17 CHAIRMAN:

18 So if we can say now the matter is
19 closed?

20 ATTORNEY CREANY:

21 Yes.

22 CHAIRMAN:

23 We will consider it during our executive
24 session later this morning. At this point, this
25 renewal is scheduled for Board action under the Bureau

1 of Licensing's portion of the meeting agenda. Thank
2 you all.

3 * * * * *


4 HEARING CONCLUDED

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CERTIFICATE

I hereby certify that the foregoing proceedings, hearing held before Chairman Ryan, was reported by me on 09/14/2011 and that I Kenneth Dominic O'Hearn read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.



Court Reporter