

Remarks, Chairman Mary D. Colins

July 24, 2008

10:00 a.m.

Good morning, I am Mary Colins, Chairman of the Gaming Control Board.

(Introduce Board members and staff present and identify documents for committee, read through table of contents)

On July 9, 2008, PITG Gaming and Holdings Acquisition Company filed a Joint Application with the Pennsylvania Gaming Control Board. The Joint Application, which remains pending, seeks three specific things:

1. A reorganization and refinancing of the Category 2 license awarded in Pittsburgh;
2. A change of control slot machine license fee of no more than \$250,000; and
3. Modifications to the Statement of Conditions presently associated with the PITG license.

Although the pleadings are not closed and the evidentiary record is still open, I am here to respond to this committee's request for comment on the legal concepts at issue and the procedure the Board will use to address them.

Before doing that, however, I do think it is important to recognize, at the outset, that PITG was obligated by Sections 441a.11 and 441a.17 of the

Board's regulations to immediately notify the Board of its intent to enter into a transaction which would result in new financial backers or contemplated change in ownership. Make no mistake, while the joint application and the requested relief has been the subject of much commentary, PITG has acted in strict compliance with its regulatory responsibilities in *filing* the joint application.

As for the joint application itself, any contemplated reorganization and refinancing as described therein, invokes legal analysis under Section 1328 of the Gaming Act and Section 441a.17 of the Board's regulations. Section 1328 in particular speaks not only to a change in the ownership or control of a slot machine licensee, but also to the fee to be charged should the Board approve such a change. Additionally, since the joint application contemplates certain persons proposed to take on an ownership interest in the PITG license which already possess an ownership stake in another slot machine licensee, a review under Section 1330 of the Act – which speaks directly to the issue of multiple ownership – is also at issue.

In addition to the above substantive statutory and regulatory sections at issue, all of the requested relief – including requested modifications to PITG's statement of conditions slowing the proposed casinos expansion to

5000 machines; postponing the opening of the facility's ballroom; and reducing the number of parking spaces presently required – will require review by the Board within the rubric of more broad statutory, regulatory and due process requirements. Indeed, the Board's regulations devote six chapters to process and procedure in matters coming before the Board.

Make no mistake, the joint applicants are clearly entitled to have the pending matter heard in the normal course, and that is how the Board is proceeding.

One final note on the Board's statutory and regulatory requirements - but which bears repeating – the Board's primary objective, as is outlined in Section 1102 of the Act, is to protect the public through the appropriate regulation of gaming and to do so while considering the public interests of the citizens of the Commonwealth. The Board is also charged in that statutory provision, with consideration of the General Assembly's interest in supporting property tax relief through gaming revenues; enhancing tourism in the Commonwealth; as well as other economically based goals.

Additionally, Section 1212 of the Act requires that the board promote and ensure diversity in all aspects of gaming activities; working to enhance the representation of diverse groups in the ownership, participation and

operation of licensed entities. In the Act, the General Assembly mandates that these things be considered in all of the Board's actions.

Having touched upon the pending joint application to the greatest extent that I can, I would like to now provide you with some background on the PITG project, as well as to provide my comments on the events that bring us here today.

On December 20, 2006, the Board granted a Category 2 License to the PITG Gaming Project. That decision was subject to vigorous appeal by the losing applicants, Isle of Capri and Station Square/Harrahs, and was affirmed by the Supreme Court in July 2007. As represented by the licensee, other delays and costs including appeals by the Pittsburgh Steelers and Pirates, issues with the nearby Carnegie Science Center, and the Riverlife Task Force have all contributed to delays in breaking ground or additional costs to the project. In addition, economic and credit market conditions are asserted as having had a negative effect on the project.

On April 17th of this year, PITG first filed a petition to modify its proposed facility and to address issues of refinancing. As represented at that time in

the filings and to the Board during public meetings, the delays in starting construction and the resulting downturn of the economy and credit markets had the effect of increasing costs associated with the project and had caused the need for restructuring the financing. An amended petition was later filed and eventually PITG indicated to the Board during public meetings that it was in negotiations with other lenders and parties to structure the refinancing and become partners in the project with Mr. Barden. As we now know, that deal, which was to be with Apollo/Harrah's did not come to fruition.

As you have heard, Mr. Barden and PITG Gaming along with a group of investors led by Walton Street Capital Partners and one of its principals, Neil Bluhm, together have filed the previously referenced Joint Application with the Board seeking approval of a refinancing of the project which calls for Mr. Barden taking in new partners who would have ownership interests and be engaged in the overall management of the project along with Mr. Barden. This is a privately negotiated agreement with which the Board has had no involvement. Indeed, the business deal is a matter left to the free enterprise system.

As I have stated, this is a matter currently pending before the Board and which the Board will entertain in an open public hearing, will consider the propriety of, will deliberate, vote and eventually issue a written adjudication explaining the reasons for its decision.

At this time, it would be inappropriate for the Board members to discuss the merits of the application or to otherwise pre-judge any of the issues raised in this Joint Application. The evidentiary record has started to be compiled in prior public hearings and is subject to completion during a future hearing.

Prior Hearings

Senators Orié & Ferlo expressed concern that we conduct a thorough and transparent process and not rush the review of this matter. You will note that the Board has been receiving public information through hearings since April of 2008.

Following the April filings of the original petition and then the amended petition, the Board received information from PITG concerning its petitions during a public meeting on April 24, 2008. On May 14, 2008, PITG provided an update to the Board during a public meeting as to the status of