

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: SUGARHOUSE HSP GAMING, LP'S LICENSE RENEWAL

\* \* \* \* \*

PUBLIC HEARING

\* \* \* \* \*

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  
Christopher Craig, Representing Robert  
McCord, State Treasurer  
Robert Coyne, Representing Daniel P.  
Meuser, Secretary of Revenue  
Matthew Meals, Representing George Greig,  
Secretary of Agriculture

HEARING: Thursday, October 13, 2011, 10:00 a.m.

LOCATION: Capitol East Wing, 8-A  
Harrisburg, PA 17120

WITNESSES: Wendy Hamilton, Patricia Tuck, Joseph L.  
Martin, Leigh Whitaker

Reporter: Cynthia Piro Simpson

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OFFICE OF ENFORCEMENT COUNSEL

DALE MILLER, ESQUIRE

Deputy Chief Enforcement Counsel

JAMES ARMSTRONG, ESQUIRE

Assistant Counsel

Pennsylvania Gaming Control Board

P.O. Box 69060

Harrisburg, PA 17106-9060

Counsel for Pennsylvania Gaming Control Board

MICHAEL D. SKLAR, ESQUIRE

JOHN M. DONNELLY, ESQUIRE

Levine, Staller, Sklar, Chan, Brown and Donnelly, PA

3030 Atlantic Avenue

Atlantic City, NJ 08401-6380

Counsel for SugarHouse Casino

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CHAIRMAN:

Good morning, everyone. I'm Bill Ryan, 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 all 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 Secretary Department of Revenue, Daniel Meusser; and Matthew Meals, representing the Secretary of Agriculture, George Greig. Thank you all for coming, gentlemen.

I'll call this meeting to order. And the first order of business will be for all of us to stand for the Pledge of Allegiance.

PLEDGE OF ALLEGIANCE RECITED

CHAIRMAN:

All right. We have a few items before the Board today by way of public hearings, which will take place prior to our public meeting. At the conclusion of these hearings we will take a recess to conduct quasi judicial deliberations and Executive

1 Session before returning to conduct our regularly  
2 scheduled meeting.

3           Okay. The first hearing we have  
4 scheduled is a license hearing relating to SugarHouse  
5 HSP Gaming, LP's license renewal. Before we start  
6 that hearing, however, we have received a Petition  
7 Seeking Intervention in the Matter. It was filed by  
8 the Eastern Pennsylvania Citizens Against Gambling and  
9 by Mr. James Schneller.

10           As a matter of procedure, the Board will  
11 have to take up this petition prior to considering the  
12 underlying matter. So, is Mr. Schneller here today?  
13 Okay. Then we can go ahead and decide this on the  
14 documents. Do I have a motion ---

15           MR. FAJT:

16           Yes.

17           CHAIRMAN:

18           --- regarding Eastern PA's Petition to  
19 Intervene?

20           MR. FAJT:

21           Yes. Mr. Chairman, I move that the Board  
22 deny the Petition to Intervene filed on behalf of the  
23 Eastern Pennsylvania Citizens Against Gambling.

24           MR. GINTY:

25           Second.

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CHAIRMAN:

All in favor?

ALL SAY AYE

CHAIRMAN:

Opposed? The motion carries. Okay.

Next we will turn to the renewal of HSP Gaming's Category Two Slot Machine License. HSP Gaming operates the SugarHouse Casino in Philadelphia. Could I please have all persons participating in these proceedings come forward? You have already done that. I would ask now that all persons participating please identify ---. First of all, could I have all persons who are non-attorneys stand to be sworn?

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WITNESSES SWORN EN MASSE

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CHAIRMAN:

Before we begin, I would ask that all persons participating please identify yourselves before speaking. Also, if you could spell your name, your last name, for the benefit of the court reporter, that would be greatly appreciated. HSP Gaming, you may begin.

ATTORNEY SKLAR:

Good morning, Mr. Chairman,

1 Commissioners. Michael Sklar, S-K-L-A-R, and John  
2 Donnelly, D-O-N-N-E-L-L-Y, on behalf of SugarHouse  
3 Casino. First, let me introduce the representatives  
4 from SugarHouse Casino that are with us this morning:  
5 Wendy Hamilton, General Manager; Patricia Tuck, Vice  
6 President of Human Resources; Joseph Martin, Director  
7 of Procurement; and Leigh Whitaker, Director of  
8 Communications.

9           As the Board knows, SugarHouse conducted  
10 a public input hearing on June 16 in Philadelphia, and  
11 what we would like to do this morning is basically  
12 just provide you with updated information since that  
13 hearing and what we presented at that time. And with  
14 that, I'm going to turn it over to Wendy.

15           MS. HAMILTON:

16           Good morning, Chairman Ryan and members.  
17 Wendy Hamilton, H-A-M-I-L-T-O-N. Thank you for having  
18 us here this morning. As Michael said, we do have an  
19 abridged, slightly shortened version of what we  
20 presented in June at our public hearing in  
21 Philadelphia. We did not bring our cast of merry  
22 supporters with us today. They wouldn't fit in this  
23 room, so ---. But the four of us are happy to be  
24 here.

25           As you know, SugarHouse --- we just



1 celebrated our one-year anniversary, and we operate  
2 today with 1,602 slots, 53 table games, two  
3 restaurants plus a feature bar and our players'  
4 lounge. Today those of us who are here are going to  
5 speak to you a little bit about our economic impact in  
6 the City of Philadelphia and the State of  
7 Pennsylvania, some of what we've done with and four  
8 our team members at SugarHouse, of which there are  
9 just over 1,000, and some of the work that we've done  
10 in our local and regional community.

11           Just as a reminder, when we were under  
12 construction during the summer of 2010, there were 500  
13 construction jobs at one time or another during the  
14 building of our facility. As I said, right now we  
15 employ about ---. It's just over 1,000 people,  
16 hovers just over 1,000 in our operation.

17           And with our anniversary a few weeks ago,  
18 we did present our second check of \$500,000 to the  
19 Penn Treaty Special Services District, which brings us  
20 to a total of just over \$1 million to that group,  
21 which then funds various projects within the local  
22 community. We are proud to have generated just over  
23 \$100 million in taxes for this Commonwealth and the  
24 City. And with that, I'm going to turn it over to  
25 Patricia Tuck, our Vice President of Human Resources.

1                   MS. TUCK:

2                   Good morning. My name us Patricia Tuck,  
3 T-U-C-K, and I'm the Vice President of Human Resources  
4 for SugarHouse Casino. I am so proud to share with  
5 you the remarkable culture and employment experience  
6 that we have created for our team members.

7                   From the beginning, SugarHouse set out to  
8 be different from not only other casinos, but from  
9 other employers. In most companies, employees work  
10 for leaders, and at SugarHouse, we work for our team  
11 members and we are committed to it each and every day.  
12 It's all about the woo-hoo and what we can do for  
13 them.

14                   During the interview process, the  
15 SugarHouse leadership team did not focus on what  
16 previous gaming experience the candidates had but  
17 rather the woo-hoo spirit that you bring to us. Bring  
18 us your outstanding personality and we will train you  
19 for skills. Working for SugarHouse is like a big hug.  
20 We are family and we take care of each other.

21                   Taking care of our team members extends  
22 beyond the job. We also support our team members  
23 outside of work. While we're required by federal law  
24 to offer FMLA after 12 months of employment,  
25 SugarHouse provides a similar leave to its team

1 members immediately upon hire. Assisting a team  
2 member with family funeral expenses as a result of a  
3 tragedy or paying a \$3,000 electric bill in the dead  
4 of winter to prevent their power from being turned off  
5 are just some of the examples of assistance that we  
6 provide to our team members through our Sweet Relief  
7 Program.

8                   We currently have over 1,000 team  
9 members. While more than 60 percent of our team  
10 members are Pennsylvania residents and more than 50  
11 percent of them are Philadelphia residents, these  
12 numbers are impacted by the experience requirements in  
13 table games, which is our largest workforce with over  
14 400 team members. Ninety-two (92) percent of our team  
15 members are full time, which is an unheard of number  
16 in traditional gaming businesses.

17                   It's also important to note that 35  
18 percent of our team members were unemployed  
19 immediately prior to joining our team and that in the  
20 12 months since we have been operational, 143 team  
21 members have been promoted into new roles. With each  
22 phase of future expansion, we anticipate that our team  
23 will continue to expand, as well.

24                   We are SugarHouse. We are different.  
25 Our commitment to inclusion and diversity contributes

1 to our success in recruiting our amazing team members.  
2 We value the relationships that we have established  
3 with our community partners and work with groups such  
4 as Community Integrated Services and the Pennsylvania  
5 CareerLink to maintain a comprehensive recruiting  
6 strategy.

7                   In May of 2011, Networks for Training and  
8 Development, Inc. recognized SugarHouse at their sixth  
9 annual employment awards banquet with an Exemplary  
10 Employer Award for our exemplary diversity efforts for  
11 supporting team members with disabilities on the job.  
12 We post our job openings internally first for the  
13 benefit of supporting existing team members in their  
14 career aspirations.

15                   In addition, training for a new skill is  
16 an ongoing activity at SugarHouse. An example of this  
17 is the two dealer schools that we have facilitated to  
18 date, which have produced 182 dealer school graduates.

19                   Since opening, 28 of our current team  
20 members have been promoted into dealer positions, and  
21 we have trained 78 current dealers in additional table  
22 games. While this training is available throughout  
23 outside companies at a fee of over \$1,000 per game, we  
24 provide this training to our internal, as well as our  
25 external candidates completely free.

1           In addition to competitive wages,  
2 SugarHouse team members enjoy a very competitive  
3 benefit package. Seventy (70) percent of our eligible  
4 team members participate in one of our healthcare  
5 plans that we offer while SugarHouse funds the  
6 majority of the premium for these plans.

7           Helping team members plan for their  
8 future is as important to us as ensuring their medical  
9 needs today. With their future in mind, SugarHouse  
10 offers an industry leading 401(k) plan for our team  
11 members. Our company sponsored 401(k) plan offers a  
12 team member immediate 100 percent vesting and company  
13 sponsored matching contributions. As a result of such  
14 a generous benefit, 86 percent of our eligible team  
15 members are currently participating in our 401(k).

16           Taking care of our team members also  
17 includes sharing our successes with them. In January  
18 of 2011 we implemented a quarterly service bonus to  
19 reward our team members for providing woo-hoo service  
20 to our guests. This past April we paid out our first  
21 quarterly bonuses to over 600 team members.

22           While SugarHouse is busy taking care of  
23 our team members, our team members are also busy at  
24 work in our community, making a difference. To date  
25 our SugarHouse team members have participated in a

1 variety of community events to include donating more  
2 than 250 turkeys to local charities during  
3 Thanksgiving; adopting local families over the holiday  
4 season; partnering with the American Red Cross to  
5 establish a reoccurring blood drive program with such  
6 strong participation that it now requires two blood-  
7 mobiles for a 12-hour event; being recognized as a  
8 Pink Heart Award recipient from Susan G. Komen as a  
9 result of our inaugural participation in the annual  
10 Race for the Cure with over 60 team members  
11 participating.

12                   And finally, most recently, our dragon  
13 boat racing team, the Sugar Dragons, participated and  
14 placed in the Corporate Division of the Southeast  
15 Asian Dragon Boat Festival while supporting the  
16 Southeast Asian Community. Together, all these  
17 components make us the team that we are today, the  
18 team that has recently been recognized by the  
19 Philadelphia Business Journal as one of the best  
20 places to work in Philadelphia as voted by our team  
21 members. We are SugarHouse, and I thank you for  
22 letting me share the story of our team.

23                   MR. MARTIN:

24                   Good morning, Chairman Ryan and  
25 Commissioners. Getting ready to do a woo-hoo. Thank

1 you, Trish. My name is Joseph L. Martin. That is  
2 M-A-R-T-I-N. During the first half of 2011 our non-  
3 construction spend --- of our non-construction spend,  
4 we did 7.3 percent of that with minority and women-  
5 owned businesses. With our local businesses it was  
6 46.7, and in Pennsylvania itself, 56.5 percent. So,  
7 these are our statistics, and I want to give you some  
8 of the guts, if you will, behind that.

9           When we first started out, we decided  
10 that we needed to make sure that there was inclusion  
11 of minority- and women-owned businesses, as well as  
12 local outreach. So, we started to meet with the  
13 leaders of different organizations, from the African-  
14 American and Asian-American Chambers of Commerce to  
15 the Hispanic Chamber of Commerce and the Minority  
16 Supplier Development Council, et cetera.

17           We met with them, received permission to  
18 do How to Do Business With SugarHouse Casino  
19 presentations before their membership. And as a  
20 result, we did do a number of those presentations. I  
21 believe there was five of them.

22           And as we proceed, moving forward, we  
23 started this year to do some combined bid opportunity  
24 meetings. So, we ask one of these organizations to  
25 host a meeting, and then we provide them with what

1 specific bids that we're going to be coming up. And  
2 they could invite the membership that were vendors in  
3 that particular commodity. We've also posted our bids  
4 on our website under vendor opportunities off of the  
5 home page, so vendors can see that at any particular  
6 time.

7                   So this process that we went through led  
8 to increased bid opportunities and competitiveness.  
9 Now, to us this is really an important section,  
10 because it begins to show some of the results from the  
11 many meetings and the long hours that we put into  
12 developing our supplier diversity business plan.

13                   During the first half of this year,  
14 minority- and women-owned business have participated  
15 in 39 percent of our bids in the general procurement  
16 area. As a result of those opportunities, which is  
17 what we call a seat --- having a seat at the table,  
18 minority- and women-owned businesses have won 11  
19 percent of the orders for the general commodities, and  
20 some of those wins were the promotional products area,  
21 including high volume orders from 5,000 to 6,000  
22 quantities, as well as VIP gifts, including 3,200  
23 jackets, which shows that they're able to participate  
24 in high volume, as well as expensive products, also.

25                   Impact Dimensions, one of our certified



1 minority business enterprises, has been paid over  
2 \$100,000 in the last year and is a newly registered  
3 vendor with the PGCB. And all of that is based upon  
4 the business that we've done with them. And they're  
5 one of the vendors that we found from our previous  
6 meetings that we were working on.

7                   From our last current bid, brochures,  
8 rack cards, postcards, that type of item, five of the  
9 six winners were minority or women-owned businesses.  
10 Of the six, four of them were new vendors that we  
11 found during our outreach process.

12                   And one more in the janitorial commodity,  
13 WB had won the soap bid and recommended some  
14 substitute products for paper goods. And samples were  
15 tested and approved by the operating departments, and  
16 subsequently, they won the bid for our paper towels  
17 and toilet paper, as well as soap, all the high volume  
18 products that move through the property.

19                   We also use local food and beverage  
20 vendors for items such as pastries, different types of  
21 deli meats, steak, cheesecakes, et cetera. So we're  
22 focusing on local vendors at the same time. We also  
23 use local hotels and restaurants to provide additional  
24 services for our guests until we're fortunate enough  
25 to expand, hopefully sometime in this near future.

1           And as part of our continued outreach  
2 efforts, we started to meet with the group leaders  
3 again and requesting their top five vendor  
4 recommendations for our commodities. So, we started  
5 off with the Greater Hispanic Chamber of Commerce.

6           We're actually doing a test bid with one  
7 of the vendors right now, whereby they receive a bid  
8 that we did previously, they fill it out, they submit  
9 it, and we let them know where they would've come in,  
10 first, third, fifth, et cetera. So, that way they're  
11 better prepared for when the new bid comes out.

12           We've also started requesting second and  
13 third tier minority, women business spend from our top  
14 majority vendors such as U.S. Food Service and Coca-  
15 Cola. Once we've identified them, then we'll look at  
16 utilizing those products more often in our property.  
17 Thank you for your time. At this point I'll turn it  
18 over to our Director of Communications, Leigh  
19 Whitaker.

20                   MS. WHITAKER:

21           Good morning, Chairman Ryan and members  
22 of the Board. My name is Leigh Whitaker,  
23 W-H-I-T-A-K-E-R, and I am the Communications Director  
24 for SugarHouse Casino. Communications in this sense  
25 means, also, government relations, community

1 relations, community outreach, charitable relations.  
2 I do all with all of those things for SugarHouse.

3           Even though we opened just a year ago,  
4 we've worked very hard since we were awarded our  
5 license in 2006 to get to know our neighbors and get  
6 to know the city at large and, also, to support causes  
7 and organizations that are both important to the  
8 immediate neighborhood, as well as Philadelphia.  
9 Getting to know our neighbors and supporting those  
10 causes is something that we're very, very proud of.

11           As you guys may remember, in November  
12 2008 we signed a community benefits agreement with  
13 Penn Treaty Special Services District and give them  
14 \$500,000 annually, and it goes up to \$1 million in  
15 future phases of our development. As Wendy just  
16 mentioned, we last week made our annual payment to the  
17 Service --- Special Services District, and we have now  
18 brought the total to \$1,180,000 in contribution to  
19 date.

20           It's important for us that the SSD has  
21 sole discretion on how they spend those funds. We  
22 always said publicly and to our neighbors that they  
23 know what's best for their community, and they know  
24 best where those funds can be utilized.

25           In addition to an annual monetary

1 contribution, the CBA also calls for the creation of  
2 college internship and job training programs for  
3 residents of the neighboring community. We launched  
4 this program back in May of 2000. We recently  
5 re-advertised in the last --- I want to say a couple  
6 weeks now. And so we're looking forward to bringing  
7 in our next crop of intern candidates.

8           The difference between the two programs  
9 is college internship, you got to be in school, you  
10 know, in a program. It could be any program. It  
11 doesn't necessarily have to be hospitality and  
12 tourism, but it could be finance or operations or  
13 transportation, any of those things. And for the  
14 interns, there's no requirement that you be enrolled  
15 in a current school, but just looking to be in a  
16 training program.

17           And we design them in such a way that you  
18 could --- that we work with the individual candidate  
19 to design a program that makes the most sense for  
20 them. And so if they're interested in one department  
21 as opposed to another, we can, you know, craft a  
22 program that fits for them.

23           This next slide just shows a couple of  
24 pictures from the project that the SSD has funded. On  
25 your top, left-hand side is a new fence at Orianna

1 Hill Dog Park. Next to it is ---. They replaced the  
2 irrigation system at Hetzell Field.

3           On the bottom, left-hand corner is a  
4 picture from Northern Liberty Arts, which is a  
5 program, Northern Liberties, and the SSD provides  
6 scholarships for students to go there. And I think  
7 they pay for a teacher for one of the programs.

8           And then the bottom, right-hand corner is  
9 a picture from the Fishtown Library. The SSD funded  
10 the library receiving some new books. So, they've  
11 done some really great work in the community and in  
12 terms of some really good organizations out there.

13           While we strive to have a great  
14 relationship with our immediate community, showing  
15 support for organizations across Philadelphia is also  
16 very important to us. Since we received our license,  
17 notwithstanding the contribution to the SSD, we've  
18 also made more than \$500,000 in contributions to a  
19 number of local non-profit organizations across the  
20 city.

21           And since we've opened, we've also had  
22 several events at the casino, you know, to show our  
23 support for the people and the places that make  
24 Philadelphia what it is. Last December we had the New  
25 Year's Eve fireworks and hosted hundreds of

1 Philadelphians on our waterfront walkway. In January  
2 of this year we held our first ever Mummers  
3 Appreciation Party to show our support for the men and  
4 women who keep Philadelphia's Mummer tradition alive.

5 In April we invited all of our partners  
6 in Philadelphia's hospitality industry to a special  
7 industry night at SugarHouse where we had a nice  
8 buffet for them and showed them the walkway and just  
9 had a little bit of a party to thank them for all that  
10 they do. In May we honored officers in the  
11 Philadelphia Police Department with an appreciation  
12 dinner, and we also donated some police equipped bikes  
13 to our local police precinct.

14 In June we held a Radiothon in support of  
15 Philadelphia veterans, and we also had a free barbeque  
16 on our site for all of Philly's taxi drivers. That  
17 was a big, big, big fund.

18 In August we had the Susan G. Komen  
19 Volunteer Party, and that party was to honor all the  
20 volunteers from this May's past Race for the Cure. We  
21 had more than 800 people in attendance, and if you all  
22 have ever been to SugarHouse and been in the refinery,  
23 you know that 800 people in the refinery was quite a  
24 feat for us.

25 And this past Saturday, a few members,

1 including Trish, of our leadership team, we went over  
2 to Shissler Rec Center to wash cars for a benefit to  
3 help raise money for Fishtown Athletic Club. We do  
4 all these things to support and honor our partners in  
5 the community. It's been great getting to know the  
6 city. It's been great getting to know our neighbors,  
7 and we look forward to doing more of these kind of  
8 events in the future. Thank you.

9 ATTORNEY SKLAR:

10 That concludes our presentation this  
11 morning. With that, we would ask the Board to renew  
12 SugarHouse's casino license, and we're available to  
13 answer any questions the Board may have.

14 CHAIRMAN:

15 Thank you, ladies and gentlemen. Does  
16 the Office of Enforcement Counsel (OEC) have any  
17 questions of any of the witnesses?

18 ATTORNEY MILLER:

19 We just have a few questions, Mr.  
20 Chairman. I'm Dale Miller, M-I-L-L-E-R, the Deputy  
21 Chief Enforcement Counsel for the Eastern Region.  
22 With me is James Armstrong, A-R-M-S-T-R-O-N-G,  
23 Assistant Enforcement Counsel for the Eastern Region.

24 SugarHouse opened ---. And I'll ask  
25 these questions generically, and SugarHouse can ---

1 the attorneys can best determine who can answer them.  
2 SugarHouse opened with 43 table games, I believe; is  
3 that correct?

4 MS. HAMILTON:

5 Yes.

6 ATTORNEY MILLER:

7 And now I saw the slide that you're up to  
8 53. I believe you said 52. Is it 53 or ---?

9 MS. HAMILTON:

10 1,602 slots and 53 table games.

11 ATTORNEY MILLER:

12 Fifty-three (53) table games. Now, the  
13 increase in table games, was that part of Operational  
14 Plan Three?

15 MS. HAMILTON:

16 Yeah. So, now that we have those 53  
17 games on the floor, that is exactly what that is, OP  
18 Three.

19 ATTORNEY MILLER:

20 And has OP Three been completed?

21 MS. HAMILTON:

22 OP Three is completed. It was completed  
23 just before the anniversary.

24 ATTORNEY MILLER:

25 Okay. Now, as I understand it, the OP



1 Three makes room for those table games by removing  
2 some square footage from the restaurant; is that  
3 right?

4 MS. HAMILTON:

5 That's right. And I only remember it,  
6 because it was 777 square feet.

7 ATTORNEY MILLER:

8 Okay. And has there been any issues or  
9 complaints because of the reduction in the size of the  
10 restaurant?

11 MS. HAMILTON:

12 No, there hasn't. As you know, we also  
13 touch every slot machine on the floor and reconfigured  
14 the entire floor. And in fact, we have had lots of  
15 comments about how much more open this layout is. The  
16 sight lines in the building are much better.

17 Typically, our employees can be our  
18 biggest critic with things like that, because it's  
19 disruptive to them and to our guests. And they've all  
20 been saying, great move. It was a tough summer, but,  
21 you know, it looks terrific, it feels good and the  
22 table players are obviously very happy to have the ten  
23 additional tables.

24 ATTORNEY MILLER:

25 So in your view the additional ten tables

1 have been successful?

2 MS. HAMILTON:

3 Yes.

4 ATTORNEY MILLER:

5 Now, at the public hearing there was a  
6 mention of a lawsuit among the partners filed in the  
7 Chancery Court of Delaware, and I believe that is RPRS  
8 Gaming, LP versus HP Gaming Partners, LP and High Penn  
9 Gaming. Can you give us an update on the status of  
10 that lawsuit?

11 ATTORNEY SKLAR:

12 John, do you want to ---?

13 ATTORNEY DONNELLY:

14 Yes. There's been an order issued which  
15 was --- been supplied to you, which was agreed to  
16 among the parties. And currently, there is a  
17 litigation in the Delaware Chancery Court that is ---  
18 has venued before it some issues between the parties.

19 ATTORNEY MILLER:

20 Is there any ---? Do you have any idea  
21 when the lawsuit in Chancery Court of Delaware will be  
22 concluded or resolved in some fashion?

23 ATTORNEY DONNELLY:

24 I really can't speculate. It's in the  
25 hands of the court and, yeah, I really don't know,

1 Dale.

2 ATTORNEY MILLER:

3 Now, I have a copy of Judge Herron's  
4 Order, which I'd like to have marked as OEC Exhibit  
5 next in order and entered into the record. And that  
6 Order, as I read it, discusses the possible expansion  
7 of SugarHouse Casino. Could you please explain what  
8 effect this Order has on any of SugarHouse's expansion  
9 plans and does this Order in fact prevent you from  
10 discussing those plans in any way. Please explain  
11 that.

12 ATTORNEY DONNELLY:

13 Well, it does prevent us from discussing  
14 the plans with the Gaming Board and members of the  
15 Board here. Does not restrain us or limit us from  
16 discussing the --- whatever plans we may have with  
17 staff or with other entities, such as a number of  
18 other staff to be involved. That would be,  
19 principally, the City of Philadelphia and Interim  
20 Corps of Engineers.

21 We can continue that dialogue. We are  
22 not permitted to discuss the matter in --- with this  
23 Board and in the open forum, which is, you know, the  
24 only place we would discuss anything with this Board,  
25 so that's essentially what the thrust of that Order

1 is.

2 ATTORNEY MILLER:

3 I take it that Order prevents you from  
4 discussing those plans today?

5 ATTORNEY DONNELLY:

6 It does.

7 ATTORNEY MILLER:

8 Now, the Order, as I understand it, is  
9 from Judge John Herron of the Court of Common Pleas of  
10 Philadelphia County, who was appointed the Special  
11 Master over matters involving SugarHouse by the  
12 Pennsylvania Supreme Court; is that correct?

13 ATTORNEY DONNELLY:

14 That is.

15 ATTORNEY MILLER:

16 Okay. Is there any plans to go back in  
17 front of Judge Herron or has that matter been  
18 concluded before him?

19 ATTORNEY DONNELLY:

20 I believe that matter's concluded before  
21 him at this time.

22 ATTORNEY MILLER:

23 Does the Order by Judge Herron and the  
24 litigation involving the Delaware --- State of  
25 Delaware's Chancery Court --- do those things prevent

1 SugarHouse from planning expansion of the casino?

2 ATTORNEY DONNELLY:

3 Not the way I read it.

4 ATTORNEY MILLER:

5 And will you continue to plan those  
6 expansion --- to plan the expansion of the casino to,  
7 I assume, add more table games to slot machines and  
8 that sort of thing?

9 ATTORNEY DONNELLY:

10 It's the intention to continue the  
11 process that we've been engaged in, in discussing with  
12 staff and others on any form of expansion.

13 ATTORNEY MILLER:

14 Thank you very much. That's all the  
15 questions I have, Mr. Chairman.

16 CHAIRMAN:

17 Anyone else on ---? Does the OEC have  
18 any presentation it would like to make?

19 ATTORNEY MILLER:

20 We do not, Mr. Chairman. We have a  
21 statement to make after the Board has concluded its  
22 questioning of SugarHouse, if they have any questions.

23 CHAIRMAN:

24 Okay. All right. Why don't you make  
25 your statement?

1                   ATTORNEY MILLER:

2                   Mr. Chairman, the OEC, representing the  
3 Bureau of Investigations and Enforcement (BIE), has  
4 investigated the SugarHouse renewal application. We  
5 have completed our investigation. It was a thorough  
6 investigation. The reports of investigation are with  
7 the Board as part of the suitability report, and I can  
8 say on behalf of the Bureau of Investigation and  
9 Enforcement, we have found nothing to preclude the  
10 suitability of HSP Gaming, LP and SugarHouse Casino  
11 for licensure.

12                   CHAIRMAN:

13                   Any members of the Board have any  
14 questions?

15                   MR. TRUJILLO:

16                   Yes. Thank you, Mr. Chairman. I'm not  
17 sure who best --- Ms. Hamilton, whether it's to you or  
18 Mr. Martin. I am frankly stunned at the minority  
19 spend in the City of Philadelphia where there is more  
20 than 50 percent minority. I raised this issue during  
21 the hearing back in the summer, and it is frankly, I  
22 think, inexcusable to have the numbers that you've  
23 got.

24                   When people who work for me come before  
25 me with their goals they're supposed to meet, I make a

1 point of discussing the difference between motion and  
2 progress. And what I'm hearing an awful lot right now  
3 is a lot of motion, but the results are absolutely  
4 unacceptable, as far as I'm concerned. And that  
5 suggests to me that either it's not an important issue  
6 to you or there's nothing you can do. And there's  
7 probably other explanations, as well. I don't know  
8 what they are.

9                   But Philadelphia, your clientele, is  
10 overwhelmingly minority, be it African-American,  
11 Hispanic, Asian or otherwise, and when you come in and  
12 you have these kinds of numbers, how do you explain  
13 that to your customer base? How do you explain that  
14 to us, that you can't ---? I mean that in --- you  
15 know?

16                   You paid over \$100 million in taxes to  
17 the State, but your biggest spend on minority company  
18 over the last year was \$100,000? That to me is ---.  
19 That's rounding numbers when you talk about the gross  
20 income that your operations have.

21                   And I just ---. I'd like to hear what  
22 your explanation is and what your plans are to change  
23 that, particularly as you're looking at potential  
24 expansion, because as far as I'm concerned, this is  
25 quite contrary to what you've been telling the Board

1 from the very beginning through --- and when I say the  
2 beginning, the time you applied for your license and  
3 the things that you said that you would do to assure  
4 minority participation and contracting. You're not  
5 doing it.

6                   And as far as I'm concerned, you are ---.  
7 Unless there's a very good explanation, you are not  
8 meeting your commitments that you made to this Board.  
9 So, I'm not sure who wants to handle that, but I'd  
10 like to hear from somebody.

11                   MS. HAMILTON:

12                   Good morning, Commissioner Trujillo.  
13 Listen, I appreciate this continuing conversation and  
14 I promise you, this is as important to us as it is to  
15 you. We've not found that silver bullet yet. We have  
16 not found the activity we can engage in that helps us  
17 to significantly move the numbers.

18                   With that said, we have done something  
19 different every quarter we've been in planning our  
20 operation to continue to attempt to move these  
21 numbers. We are talking and working with, interacting  
22 with every agency we can find, every chamber we can  
23 find. We've built partnerships with the folks to  
24 really understand what we need to do to move some more  
25 of these vendors into the pipeline.



1           And you know, Joe, if you'd like to, you  
2 can speak more to the detail of what some of the  
3 difficulties are. What I commit to you is we will not  
4 stop trying. This is extremely important to us. You  
5 see what we do in other areas of our business. We  
6 like to shine. We like to get an A, and we want to  
7 get an A here, too. But in all honesty, we have not  
8 found that silver bullet yet. We are working on this.  
9 We will continue to work on it.

10           I, like you, prefer to hear results, not  
11 effort, and I look forward to the hearing where we sit  
12 here and give you results, not effort. In the  
13 meantime, effort's what we've got and we will continue  
14 that. Joe, do you want to talk to some of the detail?

15           MR. MARTIN:

16           Yes. Like Wendy, I do appreciate the  
17 conversation, because as a former certified minority  
18 business myself, I understand what it takes to be able  
19 to be successful with that, as well as what some of  
20 the roadblocks are. So, as part of that process, the  
21 most important thing that we can do as a private  
22 enterprise is to do outreach, because if they don't  
23 participate, their chances of winning are zero.

24           So we've hit the ground running since  
25 beginning of January of 2010 to get out and meet with

1 organizations as often as we possibly can. Last week  
2 we were at Midweek and did a presentation or possibly  
3 a --- actually, a round table related to gaming and  
4 how the vendors get involved. And out of that there  
5 was another vendor that was --- or another casino that  
6 was there, Parx, that ---. Allen Strauss was there  
7 and we both talked, and we talked about some of the  
8 vendors that we utilize, so we can share that  
9 information.

10 But the biggest thing that we have to do  
11 is the outreach part, because if they don't know who  
12 we are and where our bids are, then they can't  
13 participate. And so that's what we're doing on a  
14 nonstop basis.

15 So this next support, this next step that  
16 we're doing of going back and meeting with the group  
17 leaders and letting them identify who they think their  
18 strongest vendors are to work with our commodities.  
19 We're asking them. They in turn are going to present  
20 us those individuals.

21 Let's use 503 Corporation as a for  
22 instance with the Spanish Chamber of Commerce. They  
23 recommended one particular vendor. We brought them  
24 over to the property, walked them around, showed them  
25 the property itself, whether the products would be

1 used, et cetera, showed them the bid evaluation  
2 sheets, the bid documents, et cetera, as to how do we  
3 go about our process so they can participate. So, at  
4 this particular point that bid is going to be coming  
5 up within a couple of months.

6 But not stopping there, we provided them  
7 with this test bid, basically, pulling a former bid of  
8 all items. They're filling it out, and we will  
9 compare them to the other vendors that have previously  
10 answered the bid so that they get feedback so they  
11 know how they would have to be more competitive during  
12 the actual bid process itself.

13 MR. TRUJILLO:

14 Mr. Martin, where are ---? What are your  
15 biggest spends? What are your largest spends?

16 MR. MARTIN:

17 Our biggest spend would be in the food  
18 area. That's probably about 35 to 40 percent of our  
19 spend.

20 MR. TRUJILLO:

21 What are you doing in the food area to  
22 reach out to minority suppliers?

23 MR. MARTIN:

24 Well, what we've done is we put the  
25 information out to the vendors, so we've asked for

1 people to appear at these different organization  
2 meetings, et cetera. That's our process.

3           But when it comes to our major contract  
4 with ---. U.S. Food Service happens to be our food  
5 purveyor, so we've reached out to them to find out  
6 which vendors that they are supplying products to us  
7 that we're already buying that are owned by ---  
8 companies that are owned by women- and minority-owned  
9 businesses. So, as such, we're able to gather that  
10 information and utilize that towards our spend, as  
11 well.

12           So at this particular point, doing our  
13 outreach through our regular meetings, through  
14 organizations, as well as through our top 50 vendors  
15 that were doing that are not minority- and women-  
16 owned businesses. So, we're reaching out to them, as  
17 well.

18           We are trying to exhaust every  
19 possibility to get vendors to participate in our  
20 process so that they can learn about what we do, as  
21 well as be competitive going forward. We don't have  
22 set-asides, because we are a private enterprise, and  
23 we need to utilize the bidding process to be able to  
24 select our vendors going forward.

25           MR. TRUJILLO:

1           As a private enterprise you can't --- you  
2 have no ability to make the spend that you want? What  
3 restrictions do you have on doing that? What  
4 restrictions do you have on picking up the phone and  
5 saying, I want to hire you, whether it's professional  
6 services, food services or otherwise? I wouldn't  
7 think you're prohibited from that.

8           MR. MARTIN:

9           Well ---.

10          MS. HAMILTON:

11          It's not the restriction.

12          MR. MARTIN:

13          Yeah, exactly. It's not a restriction.  
14 It's actually the bid process that we put into place.

15          MR. TRUJILLO:

16          And that's my point. And that's my point  
17 --- is your process --- is exactly what we're talking  
18 about. And so if you put in a bid process that is  
19 yielding these results, I think you have to look at  
20 the process, because it's clearly not working.

21          Well, I'm not going to extend the debate  
22 on this, but all I have ---. As far as I'm concerned,  
23 I think you guys are doing a great job in terms of  
24 your business, in terms of running your business, but  
25 you want to get an A, this is not an A. This is an F.

1           And as far as I'm concerned, I really  
2 expect, and I hope my colleagues feel the same way,  
3 but this is not just something you need to talk about  
4 and make motion about. As far as I'm concerned, if  
5 these numbers and if your progress doesn't become  
6 results, I think it's a potentially very, very serious  
7 issue for you. That's all I have, Mr. Chairman.

8           CHAIRMAN:

9           Any other member of the Board?

10          MR. FAJT:

11           Thank you, Mr. Chairman. Two quick  
12 questions from --- probably for Ms. Hamilton. The  
13 competitive wages that you listed on slide number 11,  
14 I know I've asked you this before, but I do like to  
15 put it in the public record. What is your average  
16 salary for your employees, including yourself, down  
17 to, you know, somebody who sweeps the sidewalk,  
18 excluding benefits?

19          MS. HAMILTON:

20           I would have to get back to you with the  
21 average hourly wage and the average salary wage.

22          MR. FAJT:

23           Okay.

24          MS. HAMILTON:

25           I can do that.

1                   MR. FAJT:

2                   Just I'd like one number, so if you can  
3 convert the hourly wage to a salary ---

4                   MS. HAMILTON:

5                   Okay.

6                   MR. FAJT:

7                   --- you know, just rough justice, if I  
8 want to know whether it's, you know, \$30,000 excluding  
9 benefits or it's \$40,000; okay?

10                  MS. HAMILTON:

11                  Yes.

12                  MR. FAJT:

13                  My sense is it's somewhere in between  
14 that. And my last question is, on the Penn Treaty  
15 \$500,000 commitment a year, how long does that  
16 commitment run?

17                  MS. WHITAKER:

18                  So it goes up when we complete Phase One,  
19 and then it's 15 years after that, so we're  
20 technically ---.

21                  MR. FAJT:

22                  So it's \$500,000 until you complete ---

23                  MS. WHITAKER:

24                  The next ---.

25                  MR. FAJT:

1 --- the next phase?

2 MS. WHITAKER:

3 Correct. And then it's 15 years of \$1  
4 million payments.

5 MR. FAJT:

6 Thank you very much.

7 ATTORNEY SKLAR:

8 And just one last thing, the agreement  
9 provides that after the expiration of 15 years, that  
10 the two parties will get together and come up with  
11 some number on a going forward basis.

12 MR. FAJT:

13 Thank you.

14 CHAIRMAN:

15 Anyone else from the Board? Mr. Coyne?

16 MR. COYNE:

17 No.

18 CHAIRMAN:

19 Mr. Meals?

20 MR. MEALS:

21 No.

22 CHAIRMAN:

23 Mr. Craig?

24 MR. CRAIG:

25 Yes. Thanks. I've got a couple of



1 charts I want to talk to you about. And by way of  
2 introduction, my name is Christopher Craig. I  
3 represent the State Treasurer, Robert McCord. As the  
4 treasurer, he is custodian of all the gaming fund  
5 deposits. And accordingly, he has an interest in the  
6 future growth and its revenues and their viability.

7 I want to ask you a couple questions,  
8 first about win per unit performance. And I want to  
9 make sure my numbers are right. You mentioned a  
10 couple times that the current number units on the  
11 floor were about 1,600. The Board has listed on their  
12 website for the past three months trailing about  
13 1,500. Is that right?

14 MS. HAMILTON:

15 So from --- I think it was late May  
16 through mid September, we did do a significant  
17 reconfiguration of our slot floor, which meant that  
18 each week there were anywhere from 200 to 300 slot  
19 machines in transit, and therefore, out of service, a  
20 different block each week. They were always in  
21 service for the weekend, but from Sunday night through  
22 Thursday evening, there were up to 300 slot machines  
23 each week out of service.

24 MR. CRAIG:

25 Okay.

1                   MS. HAMILTON:

2                   So that's why that average shows as lower  
3 for the past couple of months.

4                   MR. CRAIG:

5                   The only reason I asked that question is  
6 that it appears that the big jump in win per unit  
7 coincides with the temporary reduction in the number  
8 of slot machines.

9                   MS. HAMILTON:

10                  You know, through the month of September,  
11 SugarHouse maintained the number one position in slot  
12 wins per unit in the state. The business has been  
13 strong. I think that those win per units now, barring  
14 some event that we do not foresee, should remain  
15 fairly stable.

16                  MR. CRAIG:

17                  Can I ---? May I have the next slide,  
18 please? Kind of picking up on that point, you know,  
19 as you correctly pointed out, the win per unit is very  
20 strong for SugarHouse. In fact in that particular  
21 market it's the highest, but significantly, the number  
22 of units is significantly lower than in any of the  
23 other facilities.

24                  My concern that I would have is that win  
25 per unit is not necessarily a ---. You have to take

1 into consideration the number of units in play. As  
2 that chart illustrates, SugarHouse has about half of  
3 Philadelphia Park.

4           Without ---. And I didn't realize that  
5 --- the court problem about talking about the  
6 expansion plans. But generically, if there would be  
7 an expansion of additional slots, do you or do you  
8 have any kind of analysis that tells you that the  
9 market can absorb whatever additions that you provide  
10 without a dramatic reduction in win per unit?

11           ATTORNEY DONNELLY:

12           Okay. Mr. Craig, I think we're treading  
13 a little too close to an Order, and I'd prefer not  
14 addressing anything on that. My reading the Order is  
15 we're not ---.

16           MR. CRAIG:

17           Sure. I don't want to create any  
18 problems.

19           ATTORNEY DONNELLY:

20           With all due respect.

21           MR. CRAIG:

22           Do you think the market is strong,  
23 though, in southeastern Pennsylvania, to ---? I see  
24 emerging competitive threats, potentially, another  
25 license in the City of Philadelphia whenever the State

1 of New Jersey is ramping up, et cetera. Do you think  
2 demand for slot machines is strong in southeastern  
3 Pennsylvania so that your win per unit can remain  
4 either growing or at the same level?

5 MS. HAMILTON:

6 Here's what I will tell you. We are in a  
7 hyper competitive casino region. We're talking about  
8 expansion.

9 MR. CRAIG:

10 Okay. Then let me ask you ---. Moody's  
11 recently put out a report that talks about the pro  
12 forma leverage of the company being 5.5 to 6 times,  
13 and they state, quote, that it's particularly high,  
14 given the startup nature of the project. Do you  
15 anticipate paying down that debt prior to assuming any  
16 other new debt?

17 ATTORNEY SKLAR:

18 I think it's probably premature to --- at  
19 this point to discuss that --- the existing financing  
20 that SugarHouse has in place. There is the ability to  
21 put on first lien debt.

22 MR. CRAIG:

23 I think it indicates, like, \$90 million  
24 in addition to that?

25 ATTORNEY SKLAR:

1           \$90 million plus another \$5 million for  
2 FFE financing, so I think that there's the ability to  
3 secure additional financing, you know, obviously,  
4 depending on what's going on in the marketplace, the  
5 financial markets. But at this point it's probably  
6 premature to discuss. We haven't gone to market in  
7 any kind of additional financing.

8           MR. CRAIG:

9           If this litigation is currently pending  
10 between the limited partners, can you obtain  
11 additional financing prior to this being resolved?

12          ATTORNEY SKLAR:

13          Again ---.

14          ATTORNEY DONNELLY:

15          Again, I'm not sure that we should  
16 respond to that, either, Mr. Craig. I frankly don't  
17 know you can get a best, I guess. We couldn't answer  
18 it, anyway. I don't think we should be talking about  
19 or worried about discussion about potential expansion  
20 or not. It can't be talked about, and we wouldn't  
21 know the answer anyway.

22          ATTORNEY SKLAR:

23          Yeah. I mean the Order is pretty clear  
24 in terms of the SugarHouse can clearly move forward  
25 with talking to Gaming Board staff, moving forward

1 with seeking approvals from City, State, whatever  
2 needs to take place. Until that process, you know,  
3 gets further along, it really is --- like John said, I  
4 think it's premature to speculate.

5 MR. CRAIG:

6 Understood. And I just want to be clear.  
7 I mean we have absolutely no opposition; think the  
8 license should be renewed, et cetera. Simply using  
9 this opportunity to really illustrate the fact that  
10 there are emerging competitive challenges on the  
11 horizon.

12 We recently conducted a study in which it  
13 is pretty clear that the market, particularly in  
14 southeastern Pennsylvania, is maturing, that is  
15 beginning to --- that the growth curve is  
16 significantly flat-lining and that future growth will  
17 not so much be in double digits, but probably in  
18 single digits, and that in the marketplace, you know,  
19 as we see, the one concern is that just simple  
20 addition of slot machines is not necessarily going to  
21 increase win per unit and in fact it could drive it  
22 down, unless there's something else. And so my  
23 question's really --- and maybe you can talk around  
24 expansion --- but what other things other than impact  
25 expansion, marketing efforts, et cetera, does the

1 company anticipate in trying to meet these new  
2 competitive pressures?

3 MS. HAMILTON:

4 I can answer that. So, you know,  
5 Atlantic City grew for a very long time. I would  
6 venture to say, without having numbers in front of me,  
7 20 years at 3-some percent every year. And we were  
8 very happy with that for a long time. You know, the  
9 growth that we've seen in the early stages in  
10 Pennsylvania is typical of a new jurisdiction and I  
11 don't think anybody thought that double digit growth  
12 would continue long term into the future.

13 With that said, it's incumbent upon us as  
14 operators in a hypercompetitive casino market to keep  
15 ---. You know, it's great for customers and it's  
16 great for employees, because we keep trying to get  
17 better than the other one. And so, you know, I can't  
18 sit here and tell you what Pennsylvania's growth is  
19 going to be, obviously, going forward. I wish I  
20 could. I'd be a wealthy woman.

21 But I think that the operators in this  
22 region feel, you know, feel good about operating here  
23 and we still all have lots of marketing ideas that  
24 we'll continue to hone and to put out there. So, you  
25 know, who knows what's going to happen in New Jersey?

1                   We obviously ---. We all watch each  
2 other. We're all always trying to be better than each  
3 other, but you know, if we can achieve even strong  
4 single digit growth into the future, I mean that's  
5 what we're reaching for.

6                   MR. CRAIG:

7                   Just two final questions. How many  
8 parking places do you currently have?

9                   MS. HAMILTON:

10                  Total right now is ---. It's 1,800 and  
11 something. Most of them own. A few of them lease.

12                  MR. CRAIG:

13                  Do you have any idea what percentage of  
14 your customer base arrives at the casino through  
15 public transit?

16                  MS. HAMILTON:

17                  I don't have a count. My gut ---. You  
18 know, anecdotally, I would tell you it's about ---.  
19 It's probably 15 percent of our customer base and  
20 probably slightly more than that of our employee base.

21                  MR. CRAIG:

22                  Thank you very much. I don't have any  
23 further questions.

24                  CHAIRMAN:

25                  Okay. Thank you. Thank you, ladies and



1 gentlemen. This matter is now closed. We will  
2 consider it during our Executive Session later this  
3 morning. At this point this renewal is scheduled for  
4 Board action under the Bureau of Licensing's portion  
5 of the meeting agenda.

6 ATTORNEY SKLAR:

7 Mr. Chairman, may I just ask that we move  
8 our PowerPoint presentation into evidence?

9 CHAIRMAN:

10 Certainly.

11 ATTORNEY SKLAR:

12 And we have no objection to Mr. Miller's  
13 exhibit.

14 ATTORNEY MILLER:

15 And I would ask that the OEC exhibit,  
16 which is the Order from Judge Herron, also be moved  
17 into evidence, and obviously, we have no objection to  
18 the PowerPoint presentation.

19 CHAIRMAN:

20 So moved.

21 ATTORNEY SKLAR:

22 Thank you.

23 \* \* \* \* \*

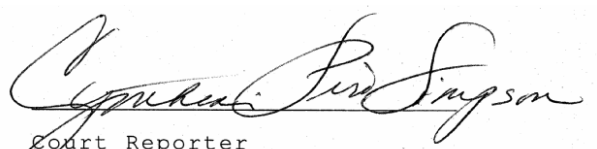
24 HEARING CONCLUDED AT 10:50 P.M.

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CERTIFICATE

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I hereby certify that the foregoing proceedings, hearing held before Chairman Ryan, was reported by me on 10/13/2011 and that I Cynthia Piro Simpson read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.



Court Reporter