

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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PUBLIC HEARING

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BEFORE: GREGORY C. FAJT, CHAIRMAN  
James B. Ginty; Raymond S. Angeli; Jeffrey  
W. Coy; Kenneth T. McCabe; Gary A. Sojka;  
Kenneth I. Trujillo  
David Barasch, Deputy Secretary of the  
Department of Revenue, Representative;  
Michael Dillon, representing Russell  
Redding, Secretary of Agriculture

HEARING: Wednesday, April 7, 2010  
11:17 a.m.

LOCATION: Temple University, Harrisburg Campus  
Room 246/248 Lecture Hall  
Harrisburg, PA 17101

WITNESSES: Robert DeSalvio, Fred Kraus, Michael  
Perrucci, Richard Fischbein, Adrian R.  
King, Esquire

Reporter: Alicia R. Brant

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CHAIRMAN:

We'll now call the matters of Sands Bethworks Gaming, L.L.C., Petition Seeking License Renewal and Authorization to Conduct Table Games. For the sake of expediency and because we suspect there to be a fair amount of duplication we'll be hearing those matters together. Although the renewal and table games and the petition will be considered by the Board and voted on separately. So we're going to hear the two matters at the same time, but we will vote on them separately. Please come to order and try to find a seat. Thank you.

Again, could I have all of the witnesses and potential witnesses for Sands Bethworks please stand to be sworn in?

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WITNESSES SWORN EN MASSE

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CHAIRMAN:

Thank you. Again, before we start the presentation if I could just ask before you speak to state and spell your name. For the matter of the record the Sands Table Games Public Input Hearing was

1 held on March 11th, 2010, at the Bethlehem Town Hall.  
2 And with that, Sands, you may begin.

3 ATTORNEY EICHER:

4 Good morning, Chairman Fajt. Good  
5 morning, members of the Board. My name is Holly  
6 Eicher, E-I-C-H-E-R. I am vice-president and general  
7 counsel for the Sands Casino Resort, Bethlehem. We're  
8 here today to present two matters in one if that's  
9 appropriate for the Board to consolidate the hearings  
10 between our slot license renewal and our table games  
11 certificate. We've already had public hearings on  
12 both of our slot license renewal hearing and our table  
13 games hearing, and our presentation today is  
14 predominantly focused on our table games application.  
15 I have with me today to present our information, the  
16 president of the Sands, Robert DeSalvio and Fred  
17 Kraus, corporate counsel for our parent company. And  
18 in addition, we have Scott Cramer, outside counsel.  
19 And I turn it over now to Bob.

20 -----

21 ROBERT DESALVIO, HAVING BEEN PREVIOUSLY SWORN,  
22 TESTIFIED AS FOLLOWS:

23 -----

24 A. Thank you. Good morning, Chairman and  
25 Commissioners. My name is Bob DeSalvio. That's

1 D-E, capital S, A-L-V-I-O, president of Sands Casino  
2 Resort Bethlehem. Thank you for the opportunity to  
3 present this morning and I'll get right into this  
4 today.

5       The first slide talks about the history of the  
6 Sands in Pennsylvania. We were awarded our gaming  
7 license in December, December 20th, 2006. We broke  
8 ground in May of '07. About two years later we opened  
9 the property May 22nd with our first phase that  
10 included 3,000 slots and electronic table games, four  
11 restaurants including Emeril's first restaurant in the  
12 northeast, two bars, and an entertainment lounge. We  
13 had an additional six months after our opening,  
14 November 22nd, where we added two additional  
15 restaurants including Emeril's first gourmet hamburger  
16 restaurant and a legendary Carnegie deli, another  
17 lounge, an ultra lounge, and 250 additional slot  
18 machines.

19       This is an overview slide of our table games  
20 expansion. And as you'll notice you can see where the  
21 pits are lined up directly off the main aisle of the  
22 casino floor that runs from the two bar locations. We  
23 like the pits to be perpendicular to the main aisle to  
24 allow for easy access. We also wanted those pits to  
25 be near the centralized ---.

1                   MR. COY:

2                   Use the pointer.

3 A.     Sure. Thank you. Hold on one second.

4                   MR COY:

5                   Push the red button.

6 A.     I'll do a quick overview this way.

7                   CHAIRMAN:

8                   Thank you.

9 A.     Main aisle --- those high-priced lawyers come in  
10 handy.

11                   MR. COY:

12                   Yes, they do.

13 A.     This is the Coil Lounge, that main center bar on  
14 the casino floor. This is the new Infusion Lounge.  
15 And we thought that we would actually just run right  
16 down that center aisle of the floor, and you can see  
17 these games primarily in six-game pit layouts that run  
18 perpendicular to the main aisle. We wanted to make  
19 sure that the games were again centrally located on  
20 the floor. The slots surrounding that to provide a  
21 lot of energy and activity. But we also wanted to be  
22 near the main cage operation which is right here right  
23 off of this side of the casino floor.

24                   This area that has an enclosure is an area for our  
25 12 Poker games. And this area that's got an enclosure

1 is for our high-limit and Asian games on the main  
2 floor. We were able to accommodate these games within  
3 our existing footprint. As most of you know and  
4 you've been on our casino floor we have quite a large  
5 footprint that was able to accommodate these games  
6 without having to do any substantial construction on  
7 the casino floor.

8 This is the breakdown of the number of games that  
9 we're going to have. You can see there's 77 banking  
10 games including all the main games that you would  
11 expect on the floor. And we are starting out with 12  
12 Poker games.

13 Table games-related jobs are going to create about  
14 393 full-time equivalent team-member positions. The  
15 reason I use the FTE number is because we're not sure  
16 yet of the mix between full time and part time. There  
17 may be some part-time opportunities and if that was  
18 the case it would actually increase this number. And  
19 you can see they're broken out all through various  
20 departments on the floor with the main number going  
21 into the table games area and the dealers and the  
22 supervisors, assistant shift managers and shift  
23 managers, and then many of the support areas, casino  
24 credit, casino administration, security. There will  
25 be additional surveillance positions, casino



1 accounting, back of the house administration,  
2 marketing, and EBS.

3 Now, some of those positions will be coming from  
4 existing team members that have expressed some  
5 interest in moving over into the table games area, and  
6 some will be coming from the outside as well.

7 Our table game staffing plan includes about 275  
8 dealers, 48 supervisors, shift managers, and assistant  
9 shift managers. Our plan, our table games supervisory  
10 plan is that we have one supervisor for every six  
11 games. And the way that we arrived at this model was  
12 by using what's really a classic table games  
13 utilization model. You look at a typical week every  
14 day of the week. Obviously the highest occupancies  
15 are going to be Friday evening, Saturday day and  
16 evening, and Sunday dayshift. And then the rest of  
17 the week it's busy during the day and it tails off on  
18 the evening. So we're able to basically outline our  
19 supervisory and staffing needs based on the  
20 utilization model that we've used successfully in our  
21 operations all around the world.

22 Average dealer salaries including salaries and  
23 tips estimated to be about \$38,000 to \$40,000. And as  
24 I mentioned earlier, we'll be increasing staffing and  
25 security, surveillance and the count room to make sure

1 that we protect the integrity of the games as well as  
2 watch for underage and any other problem gaming  
3 issues.

4 Our hiring and training plan, we were very lucky  
5 to be able to bring in a gentleman from Las Vegas who  
6 spent the last ten years at the Venetian as our  
7 director of table games. That's a gentleman by the  
8 name of Jack Kennedy. He's going through his  
9 licensure process now. He has his Temporary Key.  
10 Before the Venetian he spent many years in the gaming  
11 industry in Nevada at other properties. And he's able  
12 to draw in a lot of the resources that we currently  
13 have in Las Vegas as well so he's been a wonderful  
14 addition to our team.

15 We've already begun hiring our shift managers and  
16 assistant shift managers, and they're currently  
17 working over at the dealer's school. We partnered  
18 with Northampton Community College on the dealer  
19 training program and they set up that program in  
20 cooperation with Atlantic Cape Community Casino Career  
21 Institute which is just outside of Atlantic City.

22 The Sands and MCC and providing experienced table  
23 game trainers who will make sure that the additional  
24 training is done on a very professional basis. Our  
25 training plan has been submitted to and was approved

1 by the Board. The table games training school was  
2 inspected and approved by the Board. And we began  
3 operations on March 22nd with 177 students. And as of  
4 yesterday we were up to 199 students. So it continues  
5 to grow.

6 All dealers must be trained in a minimum of two  
7 games, and they must have at least Blackjack and all  
8 must be trained in CPR. We anticipate the vast  
9 majority of the dealers to be Pennsylvania residents.  
10 We're an equal opportunity employer. We expect our  
11 table game team members will reflect the diversity of  
12 the surrounding communities as well as that of our  
13 current workforce.

14 On our economic impact slide the licensing fee is  
15 \$16 and a half million. We did a range on the table  
16 games tax, because of course, this depends on the  
17 revenue numbers. So we put in an estimate of \$5 to  
18 \$10 million for the first year. Annual wages  
19 approximately \$8 million. Additional purchasing as it  
20 relates to supplies and other things we would need on  
21 the floor, about \$4 million. And the construction  
22 spend in addition to the \$16 and a half million  
23 licensing fee is another \$10 million. And this is  
24 going to create approximately 100 construction jobs.  
25 We surveyed our contractors and asked them about how

1 many people they'll be putting on during this job. So  
2 it came in at around 100.

3 I know you've asked this question previously so we  
4 went back and researched these numbers. This is the  
5 economic impact as it relates to supplier and  
6 construction spend only for the Commonwealth of  
7 Pennsylvania and for the last approximate 12-month  
8 period. Our combined supplier and construction spend  
9 is about \$144 million. And \$121 million of that is in  
10 the Lehigh Valley and contiguous counties. So that  
11 means by going south we're talking about Berks or  
12 Bucks and then over to Berks, Monroe and so the areas  
13 right around the Lehigh Valley we've got --- you can  
14 see a vast number of the spend is in that local area.

15 MR. MCCABE:

16 If I can interrupt you, this is why I  
17 keep asking that question. You see those numbers up  
18 there. You in a 12-month period have spent \$144  
19 million to Pennsylvania companies. That message has  
20 to get out there. That's a good story. So I  
21 appreciate you doing this.

22 A. Right, sure. And of that \$3.1 million was to  
23 minority and women-owned business companies.

24 I'll talk a little bit about our business  
25 experience and ability. Las Vegas Sands Corp. is the

1 leading international developer of multi-use  
2 integrated resorts. The Las Vegas, Nevada company  
3 owns and operates as you well know the Venetian,  
4 Palazzo and the Sands Expo Center and Convention  
5 Center in Las Vegas. And in the People's Republic of  
6 China the Macau special administrative region, we  
7 operate the Venetian, the Sands, and the Four Seasons.  
8 We are currently getting ready to open shortly the  
9 marina-based Sands facility in Singapore, and  
10 obviously operate the Sands Casino Resort in  
11 Bethlehem.

12 This slide shows you our properties. They're very  
13 prominent structures all over the world. On the  
14 left-hand side you see the Venetian in Las Vegas.  
15 You've got the Sands Macau, the Palazzo in Las Vegas,  
16 Venetian Macau which is similar in look to the Vegas  
17 property, Four Seasons in Macau, a very iconic  
18 structure, the marina-based Sands facility which will  
19 again be opening shortly in Singapore.

20 Our business experience and ability combined LVS  
21 operations worldwide. We have over a million square  
22 feet of gaming space, in excess of 10,000 hotel suites  
23 with five diamond ratings for Venetian and Palazzo,  
24 thousands of team members at all locations, more than  
25 two million square feet of convention and meeting

1 space in Vegas alone, affiliations with some of the  
2 world's greatest celebrity chefs, Emeril, Wolfgang  
3 Puck, Mario Batali, and our properties feature world  
4 class entertainment. In Vegas alone we have Blue Man  
5 Group, Jersey Boys and the Phantom.

6 As far as financial suitability, we provided the  
7 Gaming Control Board with the funding details for our  
8 project. It included a commitment of funds letter  
9 from LVS, sources a new statement, our most recent  
10 audited financials, report of our independent  
11 auditors, and funding details for the payment of the  
12 licensing fee which I believe is due prior to June  
13 1st.

14 Additional requirements, the slot machine license  
15 is in good standing currently with the Board. All  
16 required waiver forms have been executed and submitted  
17 to the Board. We have agreed not to permanently  
18 reduce our slot machines below the level and operation  
19 as of October 1st of '09, and that number was 2,973.  
20 We had a public hearing on our Table Games Petition.  
21 That was on March 11th, 2010.

22 The Sands is an equal employment opportunity  
23 company. We are very committed to this. Our  
24 diversity plan was reviewed and approved by the  
25 director, and she has reported that we've demonstrated

1 good faith effort toward achieving the diversity goals  
2 of the Board. Minorities represent over 23 percent of  
3 our workforce comparing very favorably to the 2008  
4 Northampton County census. Pennsylvania residents  
5 make up 96 percent of the workforce, and women make up  
6 over 45 percent of our workforce.

7       As of December 31st, we had 912 total team  
8 members. You can see the 23 percent minority, that  
9 representing 212. The largest group, the Hispanic  
10 group, a large Hispanic community in the south side of  
11 Bethlehem, and we've been very happy that they've  
12 joined our workforce as a number of our team members.  
13 Again, females representing 45 percent. And I know  
14 this question came up at a previous meeting as well  
15 which is the breakdown, and I didn't have the answer  
16 then so we researched this. The breakdown on the  
17 management side is 42 percent female and 11 percent  
18 minorities. And Pennsylvania residents make up again  
19 877 or 96 percent of the workforce as of the end of  
20 last year.

21       As far as our equal business opportunities,  
22 minority and women-owned business registration. We've  
23 partnered with the Community Action Committee, the  
24 Lehigh Valley, to assist minority and women-owned  
25 businesses with their state certification process. We

1 participate in the regional minority and women-owned  
2 business job fairs. Sands purchasing department is  
3 actively involved in these job fairs and there's been  
4 --- they've been both in Harrisburg and in  
5 Philadelphia. And I think you've heard at one of the  
6 public hearings one of our suppliers was there and  
7 they were introduced to us at one of those fairs and  
8 they've done a substantial amount of business with our  
9 company.

10 We're sponsors of the Bethlehem branch of the  
11 NAACP, the Hispanic American Organization which is  
12 based in Allentown, and the Council of  
13 Spanish-speaking organizations of the Lehigh Valley.  
14 And we're a member of the Hispanic Chamber of Commerce  
15 of the Lehigh Valley.

16 We take the issue of responsible gaming very  
17 serious as a company. I think these two awards are  
18 very significant, and we put a lot of time and effort  
19 in this. The Sands was awarded the Corporate Social  
20 Responsibility Award by the National Council on  
21 Compulsive Gambling for our demonstrated outstanding  
22 commitment to social responsibility. And the  
23 Pennsylvania Council on Compulsive Gambling presented  
24 the Sands Casino Resort Bethlehem with the first ever  
25 Gaming Award in recognition of our outstanding



1 commitment to responsible gaming outreach and  
2 education.

3       Our problem gambling treatment training workshops  
4 have been talked about throughout the state. We offer  
5 and sponsor problem gaming training programs for the  
6 community that are conducted by trainers through the  
7 Pennsylvania Council. All of the costs associated  
8 with the series are underwritten by the Sands.  
9 Approximately 900 people have attended and received  
10 continuing education credits from '06 to '08. And in  
11 2009 an advanced problem gambling treatment series, a  
12 faith-based series and a Spanish-speaking bilingual  
13 counselor series were held with approximately 500  
14 attendees in total. And our 2010 training sessions  
15 are currently in session.

16       All new team members receive mandatory compulsive  
17 and problem gambling training during orientation.  
18 There's an annual retraining of all team members and  
19 we've just recently started that process as we  
20 approach our one-year anniversary so everyone's going  
21 to go back through the program. We hosted a media  
22 open house in conjunction with problem gambling  
23 awareness week. And we had Nan Horner from the Board  
24 came to visit. We met with members of the media and  
25 explained to them our programs.

1           One of the things we try to do is get the word out  
2 about these programs because it helps when people want  
3 to self-identify themselves if they're having a  
4 problem so any publicity surrounding this actually is  
5 a help, I believe, to both us as operators and to you  
6 as the Board.

7           We're a member of the National Council on Problem  
8 Gambling. And recently I met with Doctor Lynch, and  
9 she is the executive director of the Lehigh Valley  
10 Association of Independent Colleges. We are going to  
11 reinforce this issue about underage and problem  
12 gambling with the student population in the Lehigh  
13 Valley prior to our introduction of table games.  
14 They're going to have their own meeting in another  
15 couple days with all the universities, and then we're  
16 going to provide one of our training programs for the  
17 group and we're going to see if we can get the word  
18 out to all of the incoming students this year when  
19 they get back to school in September about how I'm  
20 sure as most of you know with Act One underage  
21 gambling is now a summary offense. They will get  
22 fines. There are increasing penalties should you get  
23 more than one offense. And we want to make sure we  
24 get the word out to all of the students, do not come  
25 in and try to gamble at the Sands. So we're taking

1 that very seriously and trying to get ahead of it  
2 before the introduction of table games.

3 All team members are trained to check for proper  
4 identification of individuals who appear to be under  
5 the age of 30. Security personnel are posted at each  
6 of our entrances and provide --- they're provided with  
7 electronic handheld scanners to check for valid IDs.  
8 And if a person appears to be under 30 but is over 21,  
9 they're given a wristband and we change that color  
10 every day to try to prevent ways to beat the system.

11 Since opening on May 22nd, we have challenged  
12 327,000 people at our door. Now, that is a big  
13 number. And of that 8,177 were denied entry because  
14 they were either minors or they had invalid ID. And  
15 we issued 240,000 wristbands. During the first two  
16 months of operation 4.4 percent of our patrons were  
17 turned away. In 2010 that number's fallen to 1.3  
18 percent indicating that fewer attempts by minors are  
19 being made to gain entry. So what happens is through  
20 social networking the word gets out that it's pretty  
21 tough to get in at the Sands. And I think this helps  
22 support our case.

23 Now, I will tell you that we are not successful  
24 100 percent of the time. I know that we're dealing  
25 with some issues now that will --- you know, there are

1 minors that find ways to get in there. But we are  
2 very, very diligent to make sure that we protect that  
3 casino floor as much as humanly possible.

4 Our relationship with local law enforcement is  
5 really good. The Pennsylvania State Police stay  
6 onsite, compliance personnel, the City of Bethlehem  
7 Police Department, Fire and EMS, and the Northampton  
8 County District Attorney's office.

9 Our involvement with local community, we're very  
10 active with fundraisers, food drives, charitable  
11 donations, adopting families at the holidays,  
12 volunteer services and other community events.

13 We've established satellite human resource  
14 operations at locations around the valley to try to  
15 get people to get through our online employment  
16 process. We're working with again the Community  
17 Action Committee, the Southside branch of the public  
18 library, the Hispanic American Organization, Project  
19 Easton and the Council of Spanish-speaking  
20 Organizations.

21 Our community job orientation workshops were  
22 sponsored again by the Community Action Committee and  
23 the Sands. We're trying to get as many folks as we  
24 can from the community in for the new jobs that are  
25 created. Our team members serve on the following

1 boards, LVIP, NCC, Arts Quest, PBS 39, the local  
2 convention and visitors' bureau, and the Economic  
3 Development Corporation.

4 We work very closely with Northampton Community  
5 College. They've expanded their hospitality program,  
6 customer service programs and created the table games  
7 training program.

8 Charitable donations, 112 different entities. You  
9 can see the list here. I won't read them all, but  
10 they're a wide variety of nonprofits throughout the  
11 Lehigh Valley that we have supported. And since 2007,  
12 we've spent about \$459,000 on those efforts. And  
13 that's not including the amount of money that we put  
14 into the annual music fest which is a major event in  
15 Bethlehem every summer. It attracts a little over a  
16 million people. That sponsorship is really separate  
17 and apart from that. So, the company has been very  
18 generous.

19 Our community partner projects, you know, the Arts  
20 Quest, the Steel Stacks Campus is under construction  
21 already and shortly there will be a closing and the  
22 groundbreaking for the PBS portion of the site. And  
23 you can see that we are taking, you know, a large  
24 portion of the old Bethlehem Steel site and we've  
25 turned over --- already over four acres to nonprofits

1 with more to come. And we'll be helping to see  
2 revitalization on the western end of the site.

3 This is a little rendering of the steel stacks  
4 projects. Again, we donated over four acres in the  
5 fall of '09 so they can begin their building process.  
6 Their center is going to have a performing arts center  
7 with 450-seat cabaret, a 4,000 square foot function  
8 room, and a two-screen arts cinema, music pavilion  
9 which they're anticipating having over 50 free  
10 concerts a year, and a festival center in Phase II.  
11 This is a rendering of the PBS 39 Steel Stacks  
12 Project, should be underway sometime this summer. And  
13 they're looking for an opening I believe in May of  
14 2011. That will feature two new television studios  
15 adjacent to the performing arts center, and a 29,000  
16 square foot public broadcasting center anchoring the  
17 Lehigh Valley's 21st century town square. It's a  
18 really exciting project for the local community.

19 And also the National Museum of Industrial  
20 History, they just completed their exterior renovation  
21 and restoration project, about two and a half million  
22 dollars, and they're moving in the next phase of their  
23 fundraising so they can do their fit out and exhibit  
24 installation. And they're hoping to also get open  
25 sometime in mid-2011, and that of course is contingent

1 on their fundraising. It's about a \$26 million  
2 project.

3 As one of our original statement of conditions we  
4 had agreed to work with the Steel Workers Archives  
5 Group. They are now up and operating inside of our  
6 building. The goal of the archives group is to create  
7 a permanent community center in South Bethlehem for  
8 the preservation of the history of the steelworkers, a  
9 wonderful facility. And I would encourage if any of  
10 the Board members are in the Bethlehem area we'd love  
11 to show you that facility. It's right up near our  
12 offices and they're a great group to work with.

13 Other future development projects on the site, the  
14 City of Bethlehem is getting ready to launch their  
15 project for a new visitors' center, the 21st century  
16 town square, as I mentioned, the Steel Stacks Plaza,  
17 which is the land out in front of the blast furnaces,  
18 and the festival plaza located between the festival  
19 center and the visitors' center towards the western  
20 end of the site. And that is the last of the slides.

21 But I wanted to also bring up one other issue  
22 that, you know, the Table Games Legislation really  
23 helped our company move forward towards its next phase  
24 of development on the site and with the approval of  
25 Table Games the company is very happy to announce

1 today that we've developed a timeline for the  
2 completion of the hotel. We are in the final phases  
3 of our design, our architectural planning and our  
4 preconstruction phase and bidding, and we expect  
5 construction to begin in May on the site with some of  
6 the preliminary work and with the heavy-duty  
7 construction going on all summer getting the building  
8 enclosed before the winter and up and open. We expect  
9 the hotel to be up and open by May of 2011. And that  
10 concludes our portion of the presentation.

11 CHAIRMAN:

12 Thank you very much. Questions from  
13 Enforcement Counsel?

14 ATTORNEY DAVENPORT:

15 Tom Diehl, Assistant Enforcement Counsel,  
16 will handle questions with respect to the table game  
17 application. I have a presentation to do with respect  
18 to their license renewal as well as get a stipulation  
19 into the record. And then we also have to address  
20 Bethworks' Petition to Intervene.

21 CHAIRMAN:

22 Tom, please spell your name for the  
23 stenographer.

24 ATTORNEY DIEHL:

25 Tom Diehl, D-I-E-H-L, on behalf of the



1 Office of Enforcement Counsel (OEC). Mr. DeSalvio,  
2 during your presentation you indicated that the  
3 expansion of table games would bring on approximately  
4 393 new full-time equivalent positions. Could you  
5 please explain for the Board what that term means  
6 exactly and how it differs from jobs?

7 MR. DESALVIO:

8 FTE is one full-time 40-hour work week.  
9 And so each one is counted that way. But you can have  
10 part-time employees as well as full-time employees.  
11 So, sometimes the numbers actually go higher when you  
12 add in part time. So, we like for the purposes of  
13 budgeting we use an FT equivalent as our way to  
14 budget.

15 MR. DIEHL:

16 Thank you for that. In light of the fact  
17 that the Licensees keep getting better and better at  
18 anticipating our questions and doing an excellent job  
19 of addressing those, I have no further questions for  
20 this part of the presentation. Thank you.

21 CHAIRMAN:

22 Thank you.

23 MR. SOJKA:

24 Mr. DeSalvio, I think you're aware that a  
25 letter was sent to my office from individuals from

1 Bethworks now LLC regarding to the waiver that was  
2 executed. And I notice that the waiver --- that you  
3 executed the waiver pursuant to an agreement, Power of  
4 Attorney agreement. My only question for you is that  
5 do you feel that you're on solid legal footing with  
6 regard to that agreement and that you have the  
7 authority to execute that agreement on their behalf?

8 MR. DESALVIO:

9 Yes, but I'd like to turn this over to  
10 Fred Kraus to maybe expand upon that further.

11 MR. KRAUS:

12 Well, I'll say yes.

13 MR. SOJKA:

14 There you go.

15 CHAIRMAN:

16 And should there be any type of legal  
17 action I expect that you would join in and protect  
18 your rights as well as --- and protect the Board from  
19 any undue legal action that may arise out of this?

20 MR. DESALVIO:

21 Yes. And let me elaborate very briefly  
22 on the prior answer. In the negotiation of the  
23 contribution agreement which was the basic original  
24 deal between Venetian Casino Resorts and Bethworks  
25 now, the contribution agreement so-called closed,

1 Bethworks kept ownership of the land until the License  
2 was awarded. And then there was an obligation to  
3 close under the contribution agreement, contribute the  
4 land to the entity that was awarded the License, and  
5 then to enter into two limited liability company  
6 agreements. It would be pretty traditional that if  
7 one member is nominated as the managing member of a  
8 limited liability company as Sands Pennsylvania, Inc.  
9 was under the Gaming --- Bethworks Sands/Bethworks  
10 Gaming, LLC, that within the scope of its management  
11 responsibilities one of which was to pursue a table  
12 game opportunity, and that's spelled out in the LLC  
13 agreement, that you'd have a general requirement of  
14 cooperation in the agreement for the minority member  
15 to fill out whatever, you know, papers, documents,  
16 that the managing member thought were necessary.

17 And so the power of attorney is granted in the  
18 default of the minority member filling out the papers.  
19 And so we acted pursuant to a very clearly expressed  
20 Power of Attorney provision in the agreement.

21 MR. SOJKA:

22 I'm fine with that answer. And my only  
23 other comment was that I'm happy to see that the  
24 hotel construction is beginning. That keeps me from  
25 having to do anything further with regard to that, and

1 I appreciate you making that announcement to the Board  
2 today.

3 MR. DESALVIO:

4 Thank you.

5 CHAIRMAN:

6 Nan, we'll now hear your presentation on  
7 the renewal of the License.

8 ATTORNEY DAVENPORT:

9 I'm having technical difficulties. Thank  
10 you. Pursuant to Section 1304 of the Gaming Act, the  
11 Board may issue a Category II slot machine license to  
12 an Applicant, its affiliate, intermediary, subsidiary,  
13 or holding company that is not otherwise eligible for  
14 a Cat I license. And the person seeking to locate a  
15 licensed facility, the city of a first class, a city  
16 of the second class, or revenue or tourism enhanced  
17 location.

18 On December 20th, 2006, the Board  
19 approved Sands Bethworks Gaming, LLC for its Category  
20 II Slot Machine License and on August 8th, 2007, the  
21 Board issued the License. Sands opened to the public  
22 on May 22nd, 2009. Under Sands' original plan which  
23 was approved by the Board they were to construct not  
24 only a gaming facility but also a 300-room hotel and a  
25 200,000 square foot retail facility. On January 15th,

1 2009, Sands petitioned the Board to temporarily  
2 suspend the construction of the hotel and retail  
3 facility. This petition was approved at the Board's  
4 February 3rd, 2009 meeting.

5           On March 16th, 2010, the Board approved  
6 Sands Op Nine Petition. At the completion of Op Nine  
7 Sands will have 3,032 slot machines available for  
8 play. This is more than the number of slot machines  
9 in operation at the licensed facility on October 1st,  
10 2009. The approved gaming floor is currently  
11 comprised of 132,315 square feet. Prior to passage of  
12 the recent amendments to the Gaming Act, Section 1326  
13 provided that slot machine license was valid for one  
14 year from the date of Board approval of the license.  
15 The 2010 amendments have extended the license renewal  
16 period to three years.

17           Sands, its affiliates, and Principals  
18 have timely submitted the renewal applications. And  
19 the Board's Bureau of Investigations and Enforcement  
20 has conducted Sands Bethworks Category II renewal  
21 background investigation. The Bureau's regional  
22 director for the central region, Mike Rosenberry,  
23 testified at the February 3rd, 2010 public hearing  
24 that Sands has fully cooperated with BIE during the  
25 license renewal investigation process, and that BIE's

1 renewal investigation had not uncovered any issues  
2 relating to Sands, its affiliates, Principals or  
3 employees that would preclude it from being licensed  
4 by the Board. Director Rosenberry is present today  
5 --- this morning, to answer any Board questions.

6           The parties have entered into a  
7 stipulation to admit three additional OEC exhibits  
8 into the record. At this time OEC would like to move  
9 all exhibits into the record. The Bureau of  
10 Investigations and Enforcement has not identified any  
11 issues that would preclude the Board from renewing  
12 Sands Bethworks Gaming, LLC's Category II slot machine  
13 operation license.

14           And at this time if the Board would like  
15 me to address the Petition to Intervene and the  
16 concerns OEC has with respect to that petition?

17           CHAIRMAN:

18           Can we hold on that for one second?

19           ATTORNEY DAVENPORT:

20           Sure.

21           CHAIRMAN:

22           Does Sands have any questions of OEC on  
23 the Petition to Renew?

24           MR. DESALVIO:

25           No.

1                   MR. KRAUS:

2                   No, Mr. Chairman.

3                   CHAIRMAN:

4                   Okay. Thank you. Any Board questions on  
5 the renewal certificate or the table game certificate?  
6 Let's address those first before we move on to the  
7 Petition to Intervene. Commissioner McCabe?

8                   MR. MCCABE:

9                   Yeah, I do have a couple. Maybe more for  
10 BIE. You're in the background and you guys can answer  
11 too, but was there any involvement with the Ho family  
12 over in Macau or Singapore, SL MGM, and --- okay.  
13 When we suspended in February 2009 the requirement for  
14 the hotel and the shopping mall, how long did we  
15 suspend that for? Did we put any contingencies,  
16 stipulations, or ---?

17                  ATTORNEY DAVENPORT:

18                  There were some conditions that were  
19 placed in the Board's Order. Unfortunately I don't  
20 have it in front of me this morning. Going from  
21 memory one of the conditions were that Sands was  
22 supposed to meet monthly with FIU. At some point in  
23 time when FIU believes that the conditions, economic  
24 conditions and the financing is such that we believe  
25 that they should go forward with the hotel, the retail

1 space, and the convention center, we would recommend  
2 that they petition the Board and start to move forward  
3 with those projects.

4 MR. MCCABE:

5 Okay. So now I turn my attention to the  
6 Sands then. Based on what I'm hearing and with the  
7 table games coming, you're starting the construction  
8 on the hotel, plan on having that hopefully completed  
9 and in operation by 2011?

10 MR. DESALVIO:

11 Right.

12 MR. MCCABE:

13 What's your plans for the mall and is the  
14 mall --- have you rented out or have commitments,  
15 letters of commitments, from any retailers for that  
16 mall, the mall space?

17 MR. DESALVIO:

18 With regard to the mall, as most --- I'm  
19 sure all of you know that the retail world was really  
20 turned upside down in this latest economic crisis.  
21 We're not yet seeing enough activity from the  
22 retailers to warrant completion of the mall. As a  
23 matter of fact there's very few mall spaces being  
24 constructed throughout the whole country, and they're  
25 estimating that approximately 150,000 stores closed



1 nationwide this year. So I don't think the mall ---  
2 and we don't believe as a company that the mall is yet  
3 ready for prime time for development. We are starting  
4 to see maybe some signs of life. We've had some  
5 inquiries, but we have no letters of commitment. And  
6 so right now I would say that the mall is on hold.

7 I will tell you that they're on the event  
8 center space there was a recent article that you  
9 probably saw in the Morning Call that talked about a  
10 potential partnership. Although I cannot go into any  
11 real details on it, I will tell you that we've had  
12 some discussions with a group that may be interested  
13 in partnering with us on the event center space. And  
14 if that were to come to fruition we would report back  
15 to the Board. So there's some activity on the event  
16 space. Not a firm commitment but just some activity  
17 that we are currently running down. And I think it's  
18 a little premature on the mall side.

19 MR. MCCABE:

20 I had heard or read someplace, I'm under  
21 the impression that there's like 150,000 square feet  
22 of retail space has already been rented out to some  
23 anchor companies and some --- I'm not going to mention  
24 names, but have, in fact, said that they will come to  
25 your mall once it's opened?

1                   MR. DESALVIO:

2                   Well, we had originally before we stopped  
3 development of the mall we were in the process of  
4 pre-opening leasing. And at the time we suspended it  
5 we had started working on approximately 15 store  
6 leases. But as soon as the economy turned they  
7 basically all backed out which then necessitated us  
8 stopping. There was no sense at all for the company  
9 to finish the physical space and then not have tenants  
10 obviously be inside the mall.

11                   First of all, it's not effective use of  
12 company capital. And second of all, it would just  
13 look very odd to guests coming in to see this large  
14 mall walkway with no stores. So they basically backed  
15 out. And at that time we asked for your permission on  
16 the suspension. So it's really not ready yet. I  
17 can't tell you the activity is strong enough yet that  
18 it would necessitate the completion of the mall, but  
19 we hope to get there. Whether it's us or even  
20 possibly bringing in a mall partner which we're  
21 certainly willing to do.

22                   MR. MCCABE:

23                   Okay. And then maybe for Fred or  
24 somebody, we're still hearing murmurs, discussions,  
25 rumors that Sands is looking to sell Bethlehem and

1 that once they get the table license they're going to  
2 sell it. There was an article in the paper about that  
3 two, three meetings ago and I think you issued a press  
4 release that at that time said it was not true. But  
5 that's still out there. Can you address that again?

6 MR. DESALVIO:

7 That was addressed, I believe it was on  
8 March 1st, that we put out a press release. And our  
9 Chairman stated that basically the rumors were untrue.  
10 And we've heard nothing about it ever since and we've  
11 just continued to move forward with our current plans.  
12 So, as far as we're concerned we put that to bed on  
13 March 1st.

14 MR. MCCABE:

15 Okay. I think that's all the questions I  
16 have.

17 CHAIRMAN:

18 Commissioner Sojka?

19 MR. SOJKA:

20 I've got a few. In your presentation  
21 dealing with dealer salaries, you indicated a range of  
22 \$38,000 to \$40,000 including salary and tips. Can I  
23 ask what calculation you might have used for salary  
24 and tips and what those base salaries actually are?

25 MR. DESALVIO:

1           Sure. The base salaries in the table  
2 games area, it's usually in the range of about \$5 an  
3 hour because they really gather most of their income  
4 via a collected pool of tips. Customers are obviously  
5 generous in many cases at the tables. Those tips are  
6 then pooled together and distributed out to the  
7 dealers. So the vast majority of their income at  
8 casinos all over the country are from --- more from  
9 the tip portion. And again, they range --- I'm just  
10 going to give an approximation of, you know, it could  
11 be a \$5 an hour type salary. But primarily it's a tip  
12 position.

13           MR. SOJKA:

14           These are jobs that do carry benefits?

15           MR. DESALVIO:

16           Yes, they do.

17           MR. SOJKA:

18           Are the benefits then calculated on the  
19 base salary, or are they calculated on the base salary  
20 plus the percentage from the tip pool?

21           MR. DESALVIO:

22           We don't actually pro rate the benefits  
23 based on the income of the individual. So that if you  
24 are a full-time employee at the Sands at any salary  
25 level you receive the same benefits package. So we

1 don't --- it doesn't matter whether you're, you know,  
2 \$5 an hour plus a high tip or in a restaurant position  
3 or you're an executive with the company. It's all the  
4 same across the board.

5 MR. SOJKA:

6 Okay. That's fine. I was pleased that  
7 you're interacting in a proactive way with the  
8 universities that surround you. I wouldn't go so far  
9 as to say the finest university in the Commonwealth is  
10 there, but some of the finest are cheek by jowl with  
11 your facility. And that could be a potential problem  
12 I think you're heading off. But there may also be a  
13 potential benefit to both you and the university  
14 because you provide or potentially could provide  
15 opportunities for studies of economic impact,  
16 development, sociological studies, and so on. Is  
17 there any plan to have ongoing interaction with those  
18 universities in those areas?

19 MR. DESALVIO:

20 We have ongoing interaction with the  
21 universities in a number of ways. We're not currently  
22 working on any either research or economic impact  
23 studies. Doesn't mean that we couldn't in the future.  
24 But we do --- we have a very good rapport with all of  
25 the local colleges and we get around to see them. We

1 see them at many of the community events. And again,  
2 we're trying to be very proactive on this issue of  
3 underage gambling.

4 MR. SOJKA:

5 Okay. It is a potential opportunity.  
6 You talked about the development around your facility,  
7 the PBS situation, the museum, the concert hall, and  
8 so on. It seems to me that the beginning, one of the  
9 lead groups you were talking to were the Moravians,  
10 the Moravian community. What happened to them?

11 MR. DESALVIO:

12 The Moravian community is obviously a  
13 very strong component of Bethlehem's history. We do  
14 maintain a relationship. Doug Caldwell, who is the  
15 former head of the Central Moravian Church and I have  
16 met on a number of occasions to --- again, we don't  
17 expect the Moravian community to embrace everything  
18 there is about gambling, but we want to make sure that  
19 we are known as a good community partner. Chris  
20 Tomford who is president of Moravian College and I  
21 meet fairly regular as well so that we can understand  
22 what the issues are. His concerns are students in his  
23 particular location. He's located right in the heart  
24 of Bethlehem so there are crossed paths in the issue  
25 of problem and underage gambling. But again, we try

1 to maintain those relationships through the college  
2 and the Central Moravian Church.

3 MR. SOJKA:

4 But the early suggestions that possibly  
5 there might even be tours of the Moravian emanating  
6 from your facility, those things are gone?

7 MR. DESALVIO:

8 No. It's actually interesting you bring  
9 that up, because this particular holiday season we  
10 worked with the historic Bethlehem partnership on  
11 providing joint motor coach bus tours. So we had  
12 groups that came to the Sands, spent a half day at the  
13 Sands, and then they would intersect with the  
14 historical Bethlehem partnership group and they would  
15 provide a tour of the historic parts of Bethlehem  
16 including the Moravian community. That actually was  
17 quite successful this holiday season and we plan on  
18 expanding it next year.

19 MR. SOJKA:

20 Excellent. That was what I think I was  
21 really trying to dredge up from my memory.

22 MR. DESALVIO:

23 Thank you.

24 MR. SOJKA:

25 When you first opened before there were

1 these additional entities in this old brownfield which  
2 is now slowly being converted to something quite  
3 different there were some immediate traffic issues  
4 because of where you're located and the roads that  
5 lead in there. Now, obviously the overall traffic  
6 pattern is increasing and you're talking about putting  
7 a hotel in. What's the interaction with the  
8 municipality and the dealing with potential traffic  
9 issues?

10 MR. DESALVIO:

11 We are right now in the process of the  
12 final completion of our \$20 million road improvement  
13 project out in front of the Sands. We widened Route  
14 412 to four lanes. We are in the process right now of  
15 widening the end of the Mincy Trail Bridge which  
16 connects north and south Bethlehem. That work will be  
17 completed this fall. We are going through a repaving  
18 initiative where we're doing a Milan overlay of the  
19 remainder of Third Street in Columbia. We actually  
20 made improvements in the nearby community of  
21 Freemansburg at Washington and Cambria intersection  
22 which is a major intersection point for those that  
23 want to come to the casino. We are putting in a new  
24 permanent traffic signal and doing some other paving  
25 work. All of the road improvements, I would say, were



1 about 85 to 90 percent complete. And by this fall we  
2 expect that all of our commitments that were made to  
3 both PennDOT and the City of Bethlehem will be  
4 completed. And again, it was about \$20 million worth  
5 of roadwork.

6 MR. SOJKA:

7 That's the Sands' \$20 million?

8 MR. DESALVIO:

9 That's correct.

10 MR. SOJKA:

11 That's not joint?

12 MR. DESALVIO:

13 That's correct.

14 MR. SOJKA:

15 The contractors to do that work? A  
16 number?

17 MR. DESALVIO:

18 Yes. The primary contractor was Haines  
19 and Kibbelhouse. And they are located just south of  
20 us I believe in --- I think they're in Bucks County.

21 MR. SOJKA:

22 Okay.

23 UNIDENTIFIED SPEAKER:

24 And on the traffic issue?

25 MR. DESALVIO:

1 Yes.

2 UNIDENTIFIED SPEAKER:

3 Original traffic study included of course  
4 the hotel, because that was part of the planned  
5 development. And so did the numbers that were in the  
6 traffic study were taken directly from our marketing  
7 projections unlike --- so I wanted them to be  
8 consistent. You know, sometimes you might see a  
9 presentation where the projected visitation of the  
10 marketing study differs from the projected visitation  
11 of the traffic study. Ours were exactly the same. We  
12 wish we had the amount of traffic that we projected in  
13 our original traffic study.

14 MR. SOJKA:

15 Thank you for that. Last question and  
16 you may not be able to answer this. But even if you  
17 care to share an anecdotal impression. I have some  
18 familiarity with that area that you have helped  
19 renovate and it had in it a significant number of  
20 small, you might even call them mom-and-pop kind of  
21 pizza parlors, sub shops, local places that were sort  
22 of typical of supporting a manufacturing facility that  
23 was no longer there and then sort of picked up college  
24 activity and neighborhood activity. Now, you have  
25 Emeril Lagasse and you have high-end hamburger places

1 and you have bars. Do you have any sense of the  
2 impact you may have had either positive or negative on  
3 those other outlets for food?

4 MR. DESALVIO:

5 Actually I'd say it's been positive  
6 because of the amount of traffic that's been generated  
7 at the facility. And I see this every day as we go up  
8 and down both Third and Fourth Street. A number of  
9 new restaurants have opened. The area on Fourth  
10 Street I like to compare it to if you've ever been  
11 around the Brown campus in Providence there's an area  
12 called Thayer Street that has a lot of ---.

13 MR. SOJKA:

14 I know it well.

15 MR. DESALVIO:

16 There's some really very cool, very hip  
17 new shops, stores, cafes, jazz clubs. And all of this  
18 is starting to pop up in and around the Third and  
19 Fourth Street area in South Bethlehem. So while  
20 there's still a lot of vacancies and some open  
21 storefronts we are seeing some activity. And I think  
22 had we not had this massive economic meltdown I think  
23 we'd actually even see more. But I'm starting to see  
24 new life again. There was two or three new  
25 restaurants that just opened in the last 30 days so

1 there's definitely some signs of life in South  
2 Bethlehem.

3 MR. SOJKA:

4 Thank you.

5 CHAIRMAN:

6 Other questions? Commissioner Trujillo?

7 MR. TRUJILLO:

8 Just a couple. And happily like  
9 enforcement counsel I appreciate your pre-guessing  
10 some of our questions. I think we've seen enough of  
11 each other over the last few months that it makes it a  
12 little easier. A couple of things more in the way of  
13 observation than request. In your spend on  
14 contractors the total spend, you know, the \$120-plus  
15 million, and then the concern I have on that issue is  
16 that only about \$3 million of it was with minority and  
17 women-owned businesses. And one based upon your  
18 record with --- in terms of responding to our requests  
19 over the last couple of hearings, I don't doubt that  
20 that is for lack of interest or desire to have a  
21 greater spend with minority and women-owned  
22 businesses, but I would just encourage you to do  
23 better because you're certainly doing well on the  
24 hiring generally.

25 And then the same comment as you drill

1 down into the management-level employees. Again, you  
2 seem to do well on the hiring generally, but I do  
3 think that there are substantial steps that you could  
4 take both to improve the hiring of management-level  
5 employees, minority and women-owned --- minority and  
6 women management employees, and the same with respect  
7 to ramping that \$3 million number because it strikes  
8 me as well as you're doing with the minority hiring  
9 generally to have --- to be at less than three percent  
10 on your spend doesn't compare as favorably. So it's  
11 not a question because I know that you're working at  
12 it. But I would really encourage you to work harder  
13 at it.

14 MR. DESALVIO:

15 And we will.

16 MR. TRUJILLO:

17 Thank you.

18 CHAIRMAN:

19 Other questions? Commissioner Ginty?

20 MR. GINTY:

21 I have one. On your staffing plan, you  
22 have allocated one supervisor per six tables. With  
23 that all sorts of figures thrown at us. You're basing  
24 it on a table games utilization model. Is that an  
25 industry model, or is it proprietary to Sands?

1                   MR. DESALVIO:

2                   It's somewhat proprietary to our  
3 operations, but I would not be surprised if the other  
4 operators don't use something completely similar to  
5 it. It really looks at as a table games supervisor  
6 watches games, typically the most important judge of  
7 how much staffing you need is based on occupancy and  
8 how many people you're looking after. What has  
9 changed recently is the technology associated with  
10 table games operations.

11                   We are installing a unit, a table game  
12 unit through the Bally system at every single table  
13 game. And what's happened over the years is those  
14 systems now do everything that used to be done  
15 manually. You now use a player rating card. You  
16 swipe it. You can very easily see who's on the game  
17 and enter it so that the days of having to do a lot of  
18 manual rating and the work that used to be done in the  
19 pit has really gone away. And therefore it has  
20 actually lessened the requirement for the amount of  
21 supervision that's currently needed at the pit. So  
22 right now we feel very comfortable that we can protect  
23 the integrity of the game with an operation based on  
24 one supervisory personnel for every six games.

25                   Now, we may increase that in the

1 higher-limit games. So then again I think what's  
2 going to wind up happening from what we've been told,  
3 we'll be submitting a staffing model similar to what  
4 we did for security with table games. And that we'll  
5 be submitting that model to the Board to review.

6 MR. GINTY:

7 And finally, does Nevada or any other  
8 gaming jurisdiction specify what the ratios should be?  
9 We're in the process of putting our ranks together as  
10 you know.

11 MR. KRAUS:

12 Nevada does. For the record, Fred Kraus,  
13 K-R-A-U-S. I apologize, I neglected to spell my name  
14 before. New Jersey does. It's changed many times  
15 over the years. You can have alternate plans of  
16 supervision in New Jersey where the number of  
17 supervisors goes down for certain periods of time.  
18 Nevada does. New Jersey doesn't. Singapore does not.

19 MR. GINTY:

20 Would you share your model with our staff  
21 just for their background?

22 MR. DESALVIO:

23 We'd be happy to.

24 MR. GINTY:

25 Question again on your expectations of

1 the effect of table games on slot revenues?

2 MR. DESALVIO:

3 We've taken a look at that and we  
4 actually support the conclusion that the innovation  
5 study showed and that was it was a roughly we thought  
6 about a three percent or maybe three and a half  
7 percent increase. I know Mr. Finamore talked about  
8 that earlier. You get people that are in groups where  
9 you get table and slot players together. We think  
10 we're missing some of that market. So we will expect  
11 to see those groups now that are going to Atlantic  
12 City or Connecticut or other places visit our place.  
13 So we're hoping to get about a three, three and a half  
14 percent increase in slots.

15 MR. GINTY:

16 And do you do any modeling on that, or is  
17 it just ---?

18 MR. DESALVIO:

19 The modeling work actually that the  
20 innovations group did I thought was excellent. I  
21 looked at their report, and you know, I know that  
22 there's other people that have looked at Iowa.  
23 Somebody brought that up earlier. Ten percent  
24 increase when they added table games. I think that's  
25 a little aggressive. We try to be more conservative



1 in our estimates so we'd be comfortable in the three,  
2 three and a half percent range.

3 MR. GINTY:

4 Thank you.

5 CHAIRMAN:

6 I have one quick question. Or go ahead,  
7 Ken.

8 MR. MCCABE:

9 One of the reasons I voted for your  
10 project was I was very impressed with your plan for  
11 this whole brownfield area, what you were going to do,  
12 understanding that it was a long-term plan and was  
13 going to be done in phases. Are you still committed  
14 to that plan? Are you still going to build the mall?

15 MR. DESALVIO:

16 Yes.

17 MR. MCCABE:

18 Are you still going to ---?

19 MR. DESALVIO:

20 Absolutely. We are committed --- we are  
21 committed to the original plan that we provided to the  
22 Board which was completion of all of the assets. I  
23 did mention earlier though, we are more than willing  
24 to introduce the concept of partnering. And if that  
25 helps us get it done quicker, that would be wonderful.

1                   MR. MCCABE:

2                   Thank you.

3                   CHAIRMAN:

4                   One quick question on the hotel. Nan had  
5 mentioned I think in her comments it was a 300-room  
6 hotel. Is that what you're talking about also?

7                   MR. DESALVIO:

8                   That's correct.

9                   CHAIRMAN:

10                  Okay. Thank you. Any other questions?  
11 Thank you very much for your presentation.

12                  MR. DESALVIO:

13                  Thank you very much to all the Board  
14 members.

15                  CHAIRMAN:

16                  Lastly in way of this hearing area I'd  
17 like to have the representatives from Bethworks now,  
18 please come forward. I know that the Board has some  
19 questions and also the OEC. And that's again on the  
20 Petition to Intervene.

21                  ATTORNEY QUAGLIA:

22                  Good afternoon, Mr. Chairman, again,  
23 members of the Board. Ray Quaglia, Q-U-A-G-L-I-A,  
24 from the Ballard Spahr Firm here for the Petitioner on  
25 Intervention, Bethworks Now. With me is my partner

1 well known to the Board, Adrian King, K-I-N-G, and one  
2 of the members of Bethworks Now, Michael Perrucci,  
3 P-E-R-R-U-C-C-I. Mr. Chairman, if we could have an  
4 opportunity I would say less than five minutes to be  
5 heard before the Board?

6 CHAIRMAN:

7 Yeah. I see four people. I heard three  
8 names.

9 ATTORNEY QUAGLIA:

10 I'm sorry. I misspoke. Mr. Fischbein  
11 snuck up on me.

12 CHAIRMAN:

13 Spell his name.

14 ATTORNEY QUAGLIA:

15 F-I-S-C-H-B-E-I-N.

16 CHAIRMAN:

17 And Mr. Fischbein is ---?

18 ATTORNEY QUAGLIA:

19 Another one of the members of Bethworks.

20 CHAIRMAN:

21 Okay. Please keep it brief, but we'll  
22 certainly give you five minutes and then we'll turn it  
23 over to Nan for her questions and then any questions  
24 from the Board.

25 ATTORNEY QUAGLIA:

1                   Thank you, Mr. Chairman. And members of  
2 the Board, I beg your indulgence. I know it's been a  
3 long morning. It is not uncommon in the commercial  
4 context for disputes to arise between majority and  
5 minority interests. More often than not those are  
6 resolved by the parties without the need to involve  
7 the courts or any other third-party adjudicators.  
8 Frankly that is what we had hoped and expected would  
9 occur with the current dispute between Bethworks and  
10 the Sands. Unfortunately the Sands has forced our  
11 hand. And the reason we are here today airing our  
12 dirty laundry and complicating the Board's life is  
13 because the Sands has failed to obtain from Bethworks  
14 the acknowledgement required by the statute in the Act  
15 that it is Bethworks' sole prerogative to provide.

16                   And I'm speaking specifically of the  
17 acknowledgement and waiver of rights that is mandated  
18 by Section 13 A(b)(11), which states that the Petition  
19 for Table Games include a waiver of certain rights,  
20 quote, on a form prescribed by the Board which is  
21 signed by the Petitioner and acknowledged by each of  
22 the Petitioner's Principals. Section 1315(a)(8) in  
23 turn requires as a condition of authorization that the  
24 Petitioner demonstrate compliance by clear and  
25 convincing evidence with the waiver requirements of

1 Section 1312A(b)(11), including of course the  
2 acknowledgement of a waiver of certain rights by each  
3 of its Principals.

4           Bethworks is a Principal of Sands. We  
5 own a ten percent interest in the entity. An  
6 acknowledgement as a matter of Pennsylvania law is a  
7 distinct legal thing. It is not a ministerial act.  
8 It is a judicial act. And it is expressly required by  
9 statute to be executed by the person or entity who  
10 purports to be acknowledging whatever it is that must  
11 be acknowledged. In this case, the waiver of rights.

12           The Sands initially appeared to  
13 understand and recognize that. Ms. Eicher sent to  
14 Bethworks a form of acknowledgement and waiver of  
15 rights from the Board with the request that Bethworks  
16 execute it saying the Sands needed Bethworks'  
17 acknowledgement to move forward with table games. And  
18 quite bluntly in her e-mail that in effect we can't go  
19 forward unless and until you sign this  
20 acknowledgement. That never happened. Bethworks has  
21 not to this day executed and does not sitting here  
22 today agree to waive its rights under the statute for  
23 refund that's relevant to Section 1312A(b)(11).

24           What the Sands did instead was purport to  
25 exercise its punitive Power of Attorney and sign a

1 waiver or acknowledgement on behalf of Bethworks.  
2 Now, I will tell you, we were not told of that. That  
3 sitting here today to this day we have never seen a  
4 copy of the acknowledgement that was supposedly  
5 submitted on Bethworks' behalf. A copy wasn't even  
6 shared with us.

7           The real problem with that is that by  
8 invoking this contractual Power of Attorney, the Sands  
9 has implicated in this the LLC agreement which is the  
10 source of an ongoing and protracted dispute between  
11 the parties with accusations on both sides. We submit  
12 that it is not the place of the Board nor should the  
13 Board be inclined to exercise jurisdiction over that  
14 dispute. And we strongly encourage the Board to avoid  
15 wading into that realm.

16           Unfortunately because the Sands has  
17 explicitly invoked the contract as the basis for their  
18 purported authority to execute the waiver, it is  
19 necessarily the case as Commissioner Coy made  
20 reference earlier to a first-year law student with  
21 respect to the pointer, well, a first-year law student  
22 could tell you that a party that is in violation of  
23 terms of a contract is not entitled to avail itself of  
24 those contractual provisions. And that's what we have  
25 here.

1                   It is Bethworks' position, and the  
2 members can give the Board chapter and verse if  
3 they're inclined, that the Sands is in violation of  
4 various provisions of the agreement. Even if you  
5 assume that Pennsylvania law were to permit someone  
6 the Sands to execute an acknowledgement on behalf of  
7 Bethworks, they're certainly not entitled to do that  
8 under the contract unless and until they're, in fact,  
9 in compliance with the contract and the contract  
10 authorizes them to do so. The waiver, the Power of  
11 Attorney provision here provides for decisions in the  
12 ordinary course of business, business decisions. It's  
13 understandable for the reasons that Counsel for the  
14 Sands explained that they wouldn't necessarily want to  
15 have to go out and have all the members approve every  
16 time they hire or fire somebody.

17                   This is something very different. This  
18 is a waiver of fundamental rights that could be valued  
19 at tens of millions of dollars. We submit the Power  
20 of Attorney provision by its terms does not apply to  
21 such a waiver. And while I appreciate that Mr. Kraus  
22 has assured the Board that he is comfortable in his  
23 position I can assure you that Bethworks and its  
24 Counsel are equally comfortable in theirs. And that  
25 is something it now appears is going to have to be

1 worked out in an appropriate forum, be it arbitration,  
2 be it the Courts. I submit it is not this Board.

3           One final point is the question that Mr.  
4 Petri raised and in particular his request about  
5 indemnifying the Board. I want to emphasize that the  
6 very last thing that Bethworks wants here is to  
7 somehow wind up pitted in a dispute with the Board.  
8 We have no quarrel with anything that the Board or its  
9 staff have done. The staff reasonably relied on the  
10 waiver that was provided by Bethworks on the  
11 assumption that that was a valid waiver. As we've  
12 made clear today it is not.

13           Now, we're offering two suggestions for  
14 the Board that I think will expedite the resolution of  
15 this matter with a minimum of inconvenience to  
16 everybody. The first is that the Board proceed to  
17 vote on the Sands Bethworks application for  
18 authorization to conduct table games, but condition  
19 any approval on the submission of a valid  
20 acknowledgement executed by Bethworks.

21           The second alternative, a little more  
22 dramatic but I submit procedurally feasible, would be  
23 for the Board to decide that they're to hold today,  
24 that the application of Bethworks for --- of Sands for  
25 authorization is not complete insofar as it lacks one



1 of the waivers or acknowledgements that's required by  
2 Section 13 A(b)(11) and in effect keep open or reset  
3 the 60-day statutory clock for a decision unless and  
4 until a valid acknowledgement and therefore complete  
5 petition is submitted. And that's all we have.

6 CHAIRMAN:

7 Thank you. Office of Enforcement  
8 Counsel, questions?

9 ATTORNEY DAVENPORT:

10 I'll have some questions later, but I'd  
11 like to just point out several things. I believe  
12 there's several issues here. There's an issue of  
13 timing. There's an issue of subject matter  
14 jurisdiction, and there's also an issue of whether the  
15 waiver is valid and that Sands has waived its rights,  
16 and whether they're standing in this matter for  
17 Bethworks Now.

18 According to Section 493 A(12)(a) of the  
19 Board's regulations the decision to grant a Petition  
20 to Intervene in a proceeding is within the sole  
21 discretion of the Board. The Board may grant the  
22 Petition to Intervene if it determines that the person  
23 has an interest in the proceeding which is  
24 substantial, direct and immediate. And if the  
25 interest is not adequately represented by the party to

1 the proceeding in this case, Sands, and that the  
2 person may be bound by the action of the Board in the  
3 proceeding.

4           With respect to the timing, according to  
5 the regs, Petitions to Intervene may be filed at any  
6 time following the filing, in this case, a petition  
7 seeking Board action, but no later than 30 days prior  
8 to the date set for the hearing unless in  
9 extraordinary circumstances for good cause shown the  
10 Board recognizes or authorizes later filing.  
11 Bethworks has not shown that good cause for giving the  
12 Board little more than a day's notice. The actual  
13 Petition to Intervene was filed with the Hearings and  
14 Appeals at 4:50 p.m. on Monday night. We received it  
15 yesterday morning when we arrived for work. We have  
16 not had time to fully investigate this matter much  
17 less file an answer or allow Sands to respond to this  
18 adequately.

19           The gaming ap was amended on January 7th.  
20 At that time Bethworks knew or should have known that  
21 Sands would be filing a Petition Seeking a Table Game  
22 Operations Certificate and that the Petition would be  
23 required to include a waiver form as required under  
24 Sections 1312A(b)(11), and 1315(a)(8) of the amended  
25 Act. And that the waiver form must be signed by Sands

1 and acknowledged by each of Sands' Principals.

2                   Furthermore as attached Exhibits D and E  
3 to Bethworks' Petition to Intervene are e-mails that  
4 they purported from Holly Eicher, General Counsel for  
5 Sands Principal or for --- I'm sorry, for Sands  
6 Bethworks, the e-mails were purportedly sent to the  
7 Principals asking them to sign the waiver no later  
8 than January 27th, and has attached the waiver form.  
9 Those e-mails were sent on January 25th. So at that  
10 point they should have had direct knowledge of the  
11 waiver requirements.

12                   On February 19th, Sands filed the  
13 petition which included the waiver forms and Appendix  
14 11. At the very least by this date because the  
15 petition and at least the Appendix 11 which included  
16 the waiver was public, Bethworks knew or should have  
17 known that Bob DeSalvio signed the waiver on their  
18 behalf.

19                   The public input hearing was held in  
20 Bethlehem on March 11th. And I believe at the public  
21 input hearing the waiver issue was also addressed. So  
22 even though this waiver form was purportedly sent to  
23 Bethworks almost two and a half months ago, Bethworks  
24 waited until just a day and a half before today's  
25 hearing to intervene.

1           Bethworks points to the Board's decision  
2 back in I believe it was August 2007, of Greenwood  
3 Gamings trying to intervene in the October 2007 public  
4 input hearings for Cat III applicants. However, that  
5 can be distinguished because in that case Greenwood  
6 filed their Petition to Intervene about 46 days before  
7 the public hearing. The Board originally denied  
8 Greenwood's Petition on the basis that the hearings  
9 were merely to determine eligibility for the Cat III  
10 applicants, and that there was a special procedure  
11 already in place for Greenwood to have input at the  
12 October 16 and 17 hearings.

13           In this case Bethworks filed the Petition  
14 to Intervene Monday afternoon, late Monday afternoon,  
15 less than two days before today's hearing. Bethworks  
16 has not shown a good cause for the delay on this  
17 petition.

18           With respect to subject matter  
19 jurisdiction, Section 212 of the Gaming Act, the Board  
20 has a general and sole regulatory authority over the  
21 conduct of gaming or related activities, and shall  
22 ensure that the integrity of the acquisition and  
23 operation of slot machines and associated equipment  
24 shall have the regulatory authority over every aspect  
25 of the authorization operation of slot machines.

1 According to Section 401(a)(4) of the Board's regs,  
2 the Board will have exclusive jurisdiction over all  
3 matters within the scope of its powers under the  
4 Gaming Act.

5           The Petition to Intervene involves an LLC  
6 agreement between Sands and Bethworks and is outside  
7 the jurisdiction of the Board. As required by the  
8 Act, the Licensee, Sands Bethworks, has signed the  
9 waiver acknowledging that Sands as well as its  
10 principals, owners, affiliates, officers and directors  
11 waive the right to receive any portion of slot machine  
12 license fee paid by Sands Bethworks for its slot  
13 machine license, and that the right if any to sue for  
14 the return of any portion of slot machine license paid  
15 by Sands.

16           So therefore OEC respectfully recommends  
17 the Board deny this Petition to Intervene.

18           CHAIRMAN:

19           Thank you. Questions from the Board.  
20 Commissioner Trujillo?

21           ATTORNEY QUAGLIA:

22           Mr. Chairman, may I have an opportunity  
23 to respond?

24           CHAIRMAN:

25           No. Commissioner Trujillo.

1                   MR. TRUJILLO:

2                   Thank you, Mr. Chairman. And Mr.  
3 Quaglia, maybe you should have brought a movie on this  
4 because this is getting a little tough to ask. What I  
5 would like to first understand, just as a preliminary  
6 matter, is what interest in this proceeding Bethworks  
7 Now is claiming in this proceeding?

8                   ATTORNEY QUAGLIA:

9                   Excellent question, Commissioner. Thank  
10 you for the opportunity. The interest in this  
11 proceeding is that Bethworks as an investor, a  
12 ten-percent owner of Sands, to whom has been allocated  
13 a significant portion, over 40 percent of the \$50  
14 million initial license fee, may or may not want to  
15 exercise its rights under the statute to try to get  
16 back some of that money. Now, if a binding waiver  
17 exists and is held by the Board to exist, short of  
18 appealing the Board's decision, which again was our  
19 worst case scenario, we would essentially be deprived  
20 of our right without ever having had the opportunity  
21 to weigh in on that.

22                   And just again to bring it back and to  
23 tie into Counsel's point, we are not the ones who are  
24 invoking this contract that we agree is beyond the  
25 Board's jurisdiction. We're saying under the statute

1 we were required and had the right to execute a waiver  
2 on our own behalf. That hasn't happened.

3 MR. TRUJILLO:

4 What I'm trying to understand is for this  
5 proceeding ---

6 ATTORNEY QUAGLIA:

7 Correct.

8 MR. TRUJILLO:

9 --- and in this proceeding, as you know,  
10 there are eight elements that the Licensee has to meet  
11 in order for us to determine up or down, whether to  
12 grant or not grant the petition; right?

13 ATTORNEY QUAGLIA:

14 Correct.

15 MR. TRUJILLO:

16 You're with me? So if, in fact, what we  
17 have in this proceeding this Board needs to make a  
18 determination whether or not to grant the petition.  
19 In that decision what interest does Bethworks Now  
20 have?

21 ATTORNEY QUAGLIA:

22 Bethworks' interests, Commissioner  
23 Trujillo, relate specifically to Section 1315(a)(8),  
24 the eighth item of the eight enumerated items you  
25 mentioned which is that Petitioner has executed the

1 waiver required under Section 1312A(b)(11).

2 MR. TRUJILLO:

3 All right. And if we find that the  
4 Petitioner has not executed the waiver as required,  
5 then we're bound to deny the Table Games Petition; is  
6 that right?

7 ATTORNEY QUAGLIA:

8 No, that is not right. As I said before  
9 I think there are two alternatives that will serve  
10 Bethworks' concerns and be of hopefully limited  
11 complication to anyone else. The first one is the  
12 petition may be approved subject to a condition that  
13 an acknowledgement be submitted that was signed by  
14 Bethworks. Option number two is the petition could be  
15 deemed incomplete and reset or hold in abeyance the  
16 60-day statutory clock pending the Board's receipt of  
17 a complete petition that would include a waiver  
18 executed by Bethworks as required by the statute.

19 MR. TRUJILLO:

20 If I heard you correctly earlier, you  
21 said, and I think I'm quoting you, that the staff  
22 reasonably relied on the waiver provided by Sands. I  
23 think I heard you right; did I not?

24 ATTORNEY QUAGLIA:

25 Yes, correct.



1                   MR. TRUJILLO:

2                   Okay. So the world as we know it today  
3 is that the Staff receives the waiver, it reasonably  
4 relied on Sands in accepting that waiver, and the  
5 Board as far as 1315(a)(8) is concerned has received  
6 an executed waiver by Sands. Do you agree with that?

7                   ATTORNEY KING:

8                   Can I answer that question? I think the  
9 issue is at the time of the --- it's Adrian King,  
10 K-I-N-G. At the time that the Board received the  
11 waiver and deemed it complete, it was not aware that  
12 the Power of Attorney was purportedly exercised. And  
13 I'll point out, the LLC agreement which the Sands is  
14 relying upon, requires notice be given to Bethworks  
15 that the Power of Attorney is being utilized. That  
16 notice has never been given.

17                   So getting back to your point about the  
18 Staff reasonably relying, the Staff at that point had  
19 no reason to understand that the Power of Attorney was  
20 improperly used.

21                   MR. TRUJILLO:

22                   But Mr. King, do you think that the Board  
23 needs to inquire into every dispute or any dispute at  
24 all between the parties of a Licensee because  
25 otherwise every Licensee has multiple parties. There

1 are multiple agreements that regulate their conduct  
2 amongst themselves. And what I'm saying is a request  
3 here to do exactly what Mr. Quaglia said we shouldn't  
4 be doing which is regulating the conduct between you  
5 and Sands.

6 ATTORNEY KING:

7 The answer to that is this. No, the  
8 Board should not be getting into that field. However,  
9 you have a particular portion of the statute that the  
10 legislature passed, the governor signed. It is  
11 unique. It has to do with a Waiver of Rights and it  
12 specifically gets into the issue of all principals.  
13 So ordinarily I would agree with you. You're not  
14 supposed to get in to regulate these issues.  
15 Unfortunately we have a very unique portion of Act One  
16 that says all principals must execute this waiver and  
17 acknowledgement form. And in this case that hasn't  
18 occurred and the Board has an obligation to uphold the  
19 statute and what the statutory requirement is.

20 ATTORNEY QUAGLIA:

21 And again, Commissioner, again, just to  
22 make the point again, we're not the ones who are  
23 sitting here raising the statute. The statute was  
24 implicated by the Sands when they purported to sign on  
25 Bethworks' behalf in contravention of the statute.

1 There's no other basis upon which the Sands could even  
2 claim authority to sign that acknowledgement on behalf  
3 of Bethworks other than the contract. So it is the  
4 Sands that has put the contract at issue.

5           And again, just to echo Mr. King's  
6 comment, if I could analogize this, and it is maybe  
7 not a fair analogy, but conceptually it simplifies it  
8 to a forgery. If a forgery of some sort is submitted  
9 as part of an application I don't suggest it is  
10 incumbent on the Board to go back to its Staff and say  
11 are you sure this isn't a forgery? I don't submit in  
12 a particular situation it's incumbent on the Staff to  
13 determine it's a forgery.

14           But if it is brought to the Board's  
15 attention before a vote as it is in this case, I  
16 submit that it is incumbent on the Board to recognize  
17 the actual state of affairs, not withstanding however  
18 reasonable its Staff's reliance may have been.

19           MR. TRUJILLO:

20           Well, I suspect --- I won't prejudge it  
21 but I suspect that if we were faced with a petitioner  
22 having submitted a fraudulently obtained document that  
23 at least as for me I'd be quite inclined to deny the  
24 Table Games Petition. And so in that case isn't that  
25 what you're asking us ultimately to do?

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ATTORNEY QUAGLIA:

No, sir. And in fact, I thought I conditioned my hypothetical by saying it was not entirely fair because I understand there's a difference here between a forgery and what transpired. I was just trying to make it conceptually more simple.

MR. TRUJILLO:

Well, I'm not real interested frankly in getting into the LLC agreement.

ATTORNEY QUAGLIA:

I agree.

MR. TRUJILLO:

I reviewed your petition and so --- but I don't think because I'm still stuck on what interest Bethworks Now has in this proceeding. And I still don't understand what interest of Bethworks Now is being compromised by any decision that the Board would make in granting or denying the petition. Does Bethworks Now not have the continuing right to go to Court for a breach of the LLC agreement? Sands is the single member as best I see it. They have fiduciary obligations. Your clients have the right to go to Court and sue for money damages if, in fact, they are harmed by any act of Sands.

ATTORNEY QUAGLIA:

1 I think the problem here, Commissioner,  
2 your points are all well taken and we acknowledge this  
3 is a complex issue. But I think the issue is that  
4 currently Bethworks would have arguably, and I  
5 appreciate its got its own thorns. But Bethworks  
6 would have a claim as it were for some refund of the  
7 portion of the \$50 million fee, at least a portion of  
8 it was allocated we said disproportionately to  
9 Bethworks.

10 If the Board grants the petition,  
11 approves the petition without condition, we have  
12 essentially --- we essentially have a preclusive  
13 decision that that waiver has occurred such that  
14 Bethworks which could go into court today, we might  
15 win, we might lose, and ask for a refund, would not be  
16 able to go into court tomorrow and ask for a refund of  
17 that amount. And if we were to go to court on some  
18 other matter or go to court to bring some kind of  
19 claim for money damages, that court would in effect  
20 have to decide what the Board has already decided,  
21 would implicitly be deciding by approving the petition  
22 without condition which is that the waiver was valid.

23 I don't know what happens, it makes my  
24 head hurt, procedurally to think about what happens if  
25 we were to get a decision from the Supreme Court of

1 Pennsylvania that the waiver was invalid three years  
2 down the road after the table games are up and  
3 operating. I don't know what happens then.

4 MR. FISCHBEIN:

5 Can I answer your question because I  
6 think I can answer his question.

7 CHAIRMAN:

8 Hold on.

9 MR. FISCHBEIN:

10 Sorry.

11 CHAIRMAN:

12 Will you two please stand up and be sworn  
13 in, first of all? State your names for the  
14 stenographer.

15 MR. PERRUCCI:

16 Sure. Michael Perrucci, P-E-R-R-U-C-C-I.

17 -----

18 MICHAEL PERRUCCI, HAVING FIRST BEEN DULY SWORN,

19 TESTIFIED AS FOLLOWS:

20 -----

21 ATTORNEY QUAGLIA:

22 Mr. Fischbein, why don't you go ahead  
23 also?

24 MR. FISCHBEIN:

25 Richard Fischbein.

1 -----  
2 RICHARD FISCHBEIN, HAVING FIRST BEEN DULY SWORN,  
3 TESTIFIED AS FOLLOWS:  
4 -----

5 CHAIRMAN:

6 All right. And just hold on. Let me say  
7 this. This thing has gone far afield of where I want  
8 it to go. We're going to conclude it soon. I want  
9 you to be brief. We have a couple more Commissioners  
10 that have questions and then we're going to be done.  
11 Are we clear?

12 MR. PERRUCCI:

13 Yes, sir.

14 CHAIRMAN:

15 Thank you. Go ahead, Mr. Fischbein.

16 MR. FISCHBEIN:

17 Well, let me just answer because this  
18 question keeps coming back. And I understand what  
19 you're getting at. You just have to indulge me for  
20 two minutes. We have --- Bethworks, has ten percent.  
21 We're ten-percent partner. We have been allocated 42  
22 percent of the license fee, the \$50 million license  
23 fee. Our contract specifically says that they, the  
24 90-percent holder, cannot compromise any debt  
25 disproportionately to us. So in other words, as they

1 signed this agreement and they say we're waiving the  
2 \$50 million, they're waiving 42 percent of that is  
3 ours while we're only a ten-percent partner. They  
4 cannot do that under the contract. They can never do  
5 that. They can't do it with a waiver. They're  
6 specifically precluded from it.

7                   So, therefore when they came and signed  
8 this, and it's going to be purported that --- and  
9 you're going to hold that there's a waiver of the \$50  
10 million, 42 percent of that is ours, they can't do  
11 that. That's the interest that they cannot do and  
12 they cannot do it by this waiver or that waiver or  
13 this waiver or that waiver. And so when you ask the  
14 question, I guess you're asking a monetary question,  
15 what interest do we have. That's the interest that we  
16 have.

17                   MR. TRUJILLO:

18                   Well, let me just be clear. I'm not  
19 asking a monetary question. I'm asking a legal  
20 question of what your legal interest in this  
21 proceeding is. And I've heard you, and just to be  
22 clear, I understand you're saying that they're  
23 breaching their agreement with you under their LLC  
24 agreement as I understand you. Is that accurate, Mr.  
25 Fischbein?



1                   MR. FISCHBEIN:

2                   They're certainly doing that, but they're  
3 doing it by using this waiver. They cannot do that.  
4 And you cannot facilitate that and let them do that.  
5 And because the statute requires that we sign, they  
6 have to give you a reason --- fine, the statute  
7 requires our signature. They have to give you a  
8 reason that it's not there. They gave you a reason.  
9 They said the contract says it. And we're saying the  
10 contract never says it if they're waiving  
11 disproportionately our issues. So they have set this  
12 before you. You're going to have to make a decision  
13 of whether they have the right to do it or they don't  
14 have the right to do it. They do not have the right  
15 to do it, and as our Counsel would be happy to give  
16 you a short brief to ---.

17                   CHAIRMAN:

18                   Thank you. Any questions from the Board?  
19 Hold on, one second, Commissioner Ginty.

20                   MR. GINTY:

21                   Where is this allocation made?

22                   MR. PERRUCCI:

23                   May I answer that? And I'll try to be  
24 very brief, Chairman. I appreciate the time of the  
25 Commissioners. As you may recall, you saw my face. I

1 was the face of this project for many months. So what  
2 happened is when we got our first financial statements  
3 that we were supposed to get on September 30th of '09,  
4 we got it December 14th, right before Christmas, and  
5 we were shocked to learn that on the hotel that is  
6 only a steel girder, that we were being charged almost  
7 \$300 million of debt for that steel. And in that  
8 allocation they broke down the \$50 million to have  
9 \$21,607,000 allocated to the hotel debt which we are  
10 responsible to pay for. And these numbers are growing  
11 at \$3 million a month.

12 MR. GINTY:

13 But that is not before us. And it's not  
14 in the Petition for Table Games.

15 MR. PERRUCCI:

16 Well, we suspect the same thing will  
17 happen with the \$16 and a half million that ---.

18 MR. GINTY:

19 Well, sue them. I mean, ---.

20 MR. PERRUCCI:

21 You know, that's true, Commissioner, but  
22 we were led to believe in the statute that we had  
23 certain non-alienable rights that the legislature gave  
24 to us. We're very reasonable people. We're the ones  
25 that brought all the non-profit --- we've done a lot

1 on this project. After we got the waivers and showed  
2 them to our counsel, we were never put on notice that  
3 they signed. We would love to resolve this. But we  
4 think we have a non-alienable right pursuant to the  
5 statute and the governor in addition to your  
6 regulations. And the reason that it's late and we  
7 appear here late was after we got these December  
8 numbers we flew out to Las Vegas on January 20th. And  
9 we were led to believe that this would be wrapped up  
10 in a week or two, and then it had to go to the top  
11 executive. And then it had to go to the board. And  
12 it constantly to the point where this was April 7th  
13 was upon us. I don't want to be here. This is the  
14 most unfortunate presentation for us to ever have to  
15 be before your Board.

16 All we're asking, sir, is that you look  
17 at the statute even though the petition was filed  
18 late, that we do have some non-alienable right. And  
19 we just simply wanted to be treated as a partner. We  
20 own ten percent of this casino. And we were never  
21 given the opportunity to sit down and have an  
22 effective conversation about these waivers. And our  
23 lawyers were never given that opportunity. So,  
24 unfortunately we find ourselves before you.

25 CHAIRMAN:

1 Thank you. Commissioner Angeli.

2 MR. ANGELI:

3 Just a simple question. If you never  
4 intended for the Sands to act on your behalf why would  
5 you have given them a Power of Attorney to do so in  
6 the beginning?

7 MR. PERRUCCI:

8 We assumed that the Power of Attorney in  
9 the contract meant routine --- that they were running  
10 the day-to-day casino. You know, they had to sign  
11 invoices, contracts. We didn't think it meant ---  
12 like for example, this Power of Attorney was before  
13 this slot license. We never thought that they could  
14 sign our slot license application.

15 MR. KRAUS:

16 But there's a specific part which says  
17 they cannot ever, ever compromise an amount of money  
18 that we have disproportionate to them. They can't do  
19 it. We specifically reserved that right. And what  
20 they did was they said that's interesting, and then  
21 they signed this never telling us. So when you ask  
22 the question it's not us. It's them. How could they  
23 disregard the one thing that they couldn't do? It's  
24 the one thing they couldn't do.

25 MR. ANGELI:

1 I mean, I'm not a lawyer, but was that  
2 stipulated in the Power of Attorney?

3 MR. KRAUS:

4 It's stipulated in the contract.

5 MR. ANGELI:

6 But that's a separate document.

7 MR. KRAUS:

8 No, no, no, no, no. The Power of  
9 Attorney is in the contract.

10 ATTORNEY QUAGLIA:

11 Part of the agreement.

12 MR. KRAUS:

13 It's part of the agreement. It says we  
14 can sign a Power of Attorney for this and this and  
15 this and this. And then a separate section it says,  
16 however, we can never and will never compromise a debt  
17 to our benefit that hurts you disproportionately. And  
18 so that's the one thing they can't do.

19 MR. ANGELI:

20 Thank you.

21 CHAIRMAN:

22 Commissioner McCabe?

23 MR. MCCABE:

24 And I don't want to get into the contract  
25 discussions or problems. The first thing I want to

1 know is why is the filing so late? Why did you file  
2 Monday evening?

3 ATTORNEY QUAGLIA:

4 Yes, Commissioner. That is a good  
5 question. Late is not the word I would have used,  
6 sir. We first and foremost have been in discussions  
7 with Sands generally. The parties have been in  
8 discussions generally about their disputes as Mr.  
9 Perrucci just testified there was a summit held back  
10 in January. All of this was going on with respect to  
11 table game application. And Counsel seems to have  
12 assumed we were part of this process. We were not.

13 We have never seen the Table Game  
14 Petition that was filed. We have never seen the  
15 waiver that was executed on our behalf. We were cut  
16 out of this process. All we knew is we were having a  
17 business dispute with the Sands. We were in  
18 discussions with them to resolve it. And the next  
19 thing we know there's a table game hearing that's been  
20 --- or a hearing on a petition that's been scheduled  
21 for April 7th. We notified the Staff on March 29th.  
22 We sent a letter to the Staff setting forth our  
23 position. We attempted to work it out with the Sands  
24 because as I've said and others have said this is not  
25 our preference to be here today. When it became clear

1 that we were not going to be able to do that, we very  
2 reluctantly filed this petition. Nothing in there is  
3 new to the Sands remotely. The Staff had notice from  
4 at least the prior week. We were not part of this  
5 process to be able to protect our rights more  
6 promptly.

7 MR. MCCABE:

8 Now, for OEC, if the statute is --- to  
9 help me, if the statute calls for all principals to  
10 sign this waiver, can the Power of Attorney --- can  
11 the principals let the Power of Attorney --- does that  
12 supersede the statute? You know, can they get by  
13 signing that Power of Attorney? Do they give away  
14 that right, what the statute calls for?

15 MR. PETRI:

16 Certainly Sands seems to think so. Sands  
17 has executed this document. As far as I'm concerned  
18 we don't have a dog in this fight. Basically it comes  
19 down to this. If these individuals get into a dispute  
20 --- the only thing I'm concerned with is that the  
21 Board and the Commonwealth is protected. It's going  
22 to fall on Sands if anything is wrong with any of  
23 these documents.

24 MR. MCCABE:

25 Okay. And my last question for OEC. I

1 understand that certain conditions to intervene have  
2 to be met, standing, timing, waiver, valid. If one of  
3 those conditions is not met and the other two have,  
4 you can still say no, that you haven't met --- do they  
5 have to meet all of them?

6 MR. PETRI:

7 They have to meet all the conditions.  
8 Now, the Board can conditionally approve --- what?  
9 The Board can conditionally approve as Mr. Quaglia  
10 pointed to. But personally I don't think it's  
11 necessary in this instance. I mean, the Board, I  
12 would assume, as Commissioner Trujillo said, thumbs up  
13 or thumbs down on this. I mean, as far as I'm  
14 concerned the main thing is that the Board is  
15 protected. Sands has filed these documents. They've  
16 executed these documents. The matter's before the  
17 Board. The parties' dispute, those are between the  
18 parties. I don't think that we should be involved in  
19 a dispute between these parties.

20 MR. MCCABE:

21 And then last question for you. Aren't  
22 you going to make more money in the long run once  
23 table games come in?

24 MR. KRAUS:

25 Mr. Kraus.



1                   MR. MCCABE:

2                   Yes or no, please.

3                   MR. KRAUS:

4                   No.

5                   MR. MCCABE:

6                   The FBI in me is coming out. Yes or no,  
7 just the facts, ma'am.

8                   MR. KRAUS:

9                   No, sir.

10                  ATTORNEY QUAGLIA:

11                  No, the answer's no.

12                  CHAIRMAN:

13                  Any other questions from the Board?

14                  MR. MCCABE:

15                  Just one that I --- again, I just don't  
16 understand, Mr. Quaglia, whether it would be  
17 conditional or not conditional, how does that  
18 subsequently affect your ability to take legal action  
19 if you're harmed?

20                  ATTORNEY QUAGLIA:

21                  It's really a matter, Mr. Commissioner,  
22 and I'm sorry that I have clearly failed to make this  
23 point clear. A decision from this Board which has  
24 binding effect will prejudice the rights of Bethworks  
25 to go to court and say that Sands violated the

1 contract because necessarily by endorsing what the  
2 Sands has done, which is to invoke the contract as the  
3 basis for exercising the Power of Attorney, is the  
4 imprimatur of this Board that Sands acted  
5 appropriately. And I am very sorry to be implicating  
6 the Board and its Staff in this, but with due respect  
7 to Mr. Petri, the Board does have a dog in this fight  
8 and the Board has a dog in this fight because Sands  
9 has put that dog in this fight by relying on a  
10 contract instead of what the statute requires which is  
11 that the principals --- the principals themselves  
12 acknowledge the waiver.

13 MR. PETRI:

14 Well, Mr. Chairman, maybe we need 30 or  
15 60 days to cool off.

16 ATTORNEY QUAGLIA:

17 We would be amenable to that.

18 CHAIRMAN:

19 I'm willing to do that.

20 MR. MCCABE:

21 Mr. Chairman, I'm sorry, I have one more  
22 clarification. I just want to make it --- and Mr.  
23 King, is your point that although Bethworks Now signed  
24 the Power of Attorney willingly early in this whole  
25 process as part of the LLC agreement and agreed to

1 allow Sands to proceed forward, that the statute ---  
2 that the language of the statute supersedes any Power  
3 of Attorney that Bethworks Now might have previously  
4 signed by having this specific acknowledgement  
5 requirement at I guess 1313 --- 1312(11)?

6 ATTORNEY KING:

7 Yeah. We would agree with that. And  
8 again, I would come back to you just like they  
9 couldn't sign our application for us, the applications  
10 of these principals and the individuals. They can't  
11 sign the waiver and acknowledgement on their behalf as  
12 well.

13 MR. MCCABE:

14 Okay. I understand. I just want to make  
15 sure I understood the argument.

16 ATTORNEY KING:

17 Yes.

18 MR. MCCABE:

19 Mr. Chairman, you know, we've been here  
20 this long and I'll stay a little longer. Mr. Petri,  
21 what is the deadline for us processing the  
22 application?

23 MR. PETRI:

24 It's a 60-day deadline. April 23rd is  
25 the final date.

1                   MR. MCCABE:

2                   Does that give us any leeway though to be  
3 able to consider it and because of this be able to  
4 start another 30 days?

5                   MR. PETRI:

6                   No, you have to make a decision one way  
7 or the other by April 23rd.

8                   MR. MCCABE:

9                   By April 23rd?

10                  MR. PETRI:

11                  Or they have to basically refile.

12                  ATTORNEY KING:

13                  Unless the application is not complete in  
14 which case the 60-day clock would wait to start until  
15 it's complete.

16                  MR. PETRI:

17                  We've already deemed the application  
18 complete so the filing has occurred.

19                  CHAIRMAN:

20                  Mr. King, did you or anybody represented  
21 here at this table lobby for that provision be put in  
22 Act One?

23                  ATTORNEY KING:

24                  Absolutely not.

25                  CHAIRMAN:

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Thank you. Any other questions from the Board? We will reconvene. We're going to recess for executive session. We'll reconvene at approximately 1:30.

\* \* \* \* \*

HEARING CONCLUDED AT 12:54 P.M.

\* \* \* \* \*

CERTIFICATE

I hereby certify that the foregoing proceedings, hearing held before the Pennsylvania Gaming Control Board, was reported by me on 04/07/2010 and that I Alicia R. Brant read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.

Alicia Brant  
Court Reporter