

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: SANDS BETHWORKS GAMING, LLC, PETITION FOR
RELIEF FROM THE PGCB'S ORDER DATED FEBRUARY 4, 2009,
REQUIRING MONTHLY FINANCIAL SUITABILITY TASK FORCE
MEETINGS

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PUBLIC HEARING

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BEFORE: WILLIAM H. RYAN, JR., Chairman
Gregory C. Fajt, James B. Ginty, Annmarie
Kaiser, Keith R. McCall, Anthony C.
Moscato, Gary A. Sojka; Members
Christopher Craig, Representing Robert M.
McCord, State Treasurer
Robert Coyne, Representing Daniel P.
Meuser, Secretary of Revenue
HEARING: Wednesday, October 10, 2012
10:07 a.m.

Reporter: Kayla Bolze

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LOCATION: Strawberry Square Complex

Second Floor

Harrisburg, PA 17101

WITNESSES: None

A P P E A R A N C E S

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I N D E X

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OPENING REMARKS

By Chairman Ryan

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PRESENTATION

By Attorney Eicher

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By Attorney Roland

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QUESTIONS BY BOARD

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CHAIRMAN:

We have one public hearing, ladies and gentlemen, that we will conduct prior to our regularly scheduled meeting. The hearing pertains to Sands Bethworks Gaming, LLC's Petition for Relief from the Board's Order dated February 4th, 2009, requiring Sands to have monthly meetings with BIE's Financial Investigations Unit. I understand that we have Holly Eicher, in-house Counsel for Sands Bethworks here to make Sands' presentation; is that correct?

ATTORNEY EICHER:

That is correct.

CHAIRMAN:

Holly, before you begin, we would ask that if you could state and spell your name for the benefit of the court reporter.

ATTORNEY EICHER:

Sure. Good morning. Holly Eicher, H-O-L-L-Y, E-I-C-H-E-R. I am vice president and General Counsel for Sands Bethworks Gaming, LLC.

CHAIRMAN:

And representing the Office of Enforcement Counsel (OEC)?

1 ATTORNEY ROLAND:

2 Good morning, Mr. Chairman. Michael
3 Roland, R-O-L-A-N-D, with the OEC.

4 CHAIRMAN:

5 Okay. Ms. Eicher, you may begin.

6 ATTORNEY EICHER:

7 Good morning, Chairman Ryan. Good
8 morning, members of the Board and congratulations,
9 Commissioner Kaiser. This morning we're before you
10 --- not to be redundant, for the Petition I'm sure
11 you've already read, but just as a brief summary for
12 those Board members that were not seated in 2008.

13 The Sands commenced construction of our
14 project as far back as 2007, and we had gotten through
15 the majority of the project in --- as of the fall of
16 2008 when the economy started to falter. Our
17 corporate parent, Las Vegas Sands Corporation --- our
18 stock, as was well noted in the public, took a bit of
19 a beating. Company profits were down, and the economy
20 was down.

21 At that time we petitioned this Board for
22 relief from our Statement of Conditions License Number
23 52, which required us to build certain elements of the
24 project, which I'll go through in a moment. The Board
25 filed an answer, we had a hearing in February of that

1 year and the Board granted the relief subject to us
2 having monthly Financial Suitability Task Force
3 meetings with the Gaming Control Board, which we have
4 done every month since that Order was issued.
5 Specifically at issue was License Condition # 52,
6 which required us to invest approximately \$600
7 million, consistent with the design and development
8 plan submitted to the Board, which complement and
9 honor the historic structure's remaining on the site,
10 including the High House, Machine Shop Number Two, and
11 the ore crane thereby preserving the legacy of
12 Bethlehem Steel.

13 The facility must include room for 5,000
14 slot machines; at least 60,000 square feet for dining,
15 food and beverages; approximately 46,000 square feet
16 of entertainment, meeting and exhibition space; a
17 300-room hotel; parking garage; gross retail space of
18 approximately 200,000 square feet including retail,
19 food and beverage in addition to any limited retail
20 space in the casino area. Amenities within the
21 complex must include a food court, at least two
22 restaurants and two bars, as well as a coffee shop.
23 Any substantial changes from the design and
24 development submitted to the Board must be approved by
25 the Board.

1 So, again, that Petition was granted;
2 we've had the meetings with Financial Suitability Task
3 Force ever since then, and we are now today seeking
4 relief from those meetings and from that Board Order,
5 because we have completed the project and then some.
6 And I do have a presentation for you today if you'd
7 like to see some photographs and some descriptions of
8 what we actually have built.

9 As you can see, this is an exterior
10 photograph of the facility where we have incorporated
11 the elements of the last remaining ore crane from
12 Bethlehem Steel into our branded logo.

13 This is an aerial shot of the entire
14 complex. On the far right is the parking structure.
15 In the center is the casino gaming area, and to the
16 left of what is known as the Minsi Trail Bridge, which
17 actually goes over top of the building, you will see
18 the retail space, the hotel, the event center as well
19 as roadway improvements.

20 This is just sort of an overview of our
21 casino floor as well as all of our other amenities,
22 including the hotel, the event center, and mall. The
23 casino floor currently consists of 143,244 square feet
24 of gaming space. It opened in May of '09, and we
25 currently have 3,024 slot machines. We also have a

1 total of 152 table games that include 30 poker tables.
2 We have a high-limit slot machine area and the Paiza
3 Club, which is our high-limit table game salon.

4 We have licensing agreements with Chef
5 Emeril Lagasse, and he has three restaurants with us,
6 the first of which was opened was Emeril's Chop House,
7 which is a high-end steakhouse. It was actually the
8 Emeril branded restaurant in the northeastern region
9 of the United States, and that opened on May 22nd of
10 2009, and accommodates 230 guests.

11 We have an authentic Irish pub known as
12 St. James' Gate; it also opened in May of '09. It
13 accommodates 150 guests and serves traditional pub
14 fare and Irish fare with live entertainment. The
15 Cobalt Café is our required coffee shop. It has a
16 selection of both American and European cuisine. It
17 seats approximately 200 guests, has a buffet and
18 casual dining menu, and is currently operated by Villa
19 Enterprises. We have a food court. It's known as The
20 Market Gourmet Express. This is also operated by
21 Villa Enterprises. It opened in May of 2009; it
22 accommodates seating for 330 guests. And the
23 individual food stations include gourmet coffee and
24 pastries, smoothies, ice cream, pizza, Italian, hot
25 dogs, hamburgers, sushi, Asian and salad wraps; a

1 variety of typical food court fare.

2 The second restaurant we have with Chef
3 Emeril is called Burgers and More, otherwise known as
4 BAM. This is his first gourmet hamburger restaurant.
5 He had never done that before, and it is exclusively
6 located in the Lehigh Valley. It opened in November
7 of 2009, when we did our first casino expansion to
8 start increasing the gaming floor. It accommodates 90
9 guests, and it's casual dining featuring prime
10 hamburgers and
11 build-your-own.

12 We also have a licensing agreement with
13 the Carnegie Deli out of New York. It's the actual
14 Carnegie Deli from New York with their menu, their
15 food offerings. This was opened in November of 2009
16 as well. It seats 150 guests, and it features their
17 famous eight-inch high corned beef sandwiches. And
18 the Sands location is one of only three Carnegie Deli
19 locations in the United States.

20 And our third restaurant with Chef Emeril
21 is Emeril's Italian Table. This was opened in June of
22 2011. It accommodates 190 guests, and it features
23 your traditional Italian fare.

24 And we are currently under construction
25 for an Asian restaurant that will be called Chopstick.

1 It hopefully here will be opening, it looks like now
2 in the fourth quarter of 2012, and it will offer a
3 variety of traditional Asian menu items.

4 As for our lounges and bars, the first
5 one that was opened was the Molten Lounge; this is a
6 live entertainment lounge and bar. It opened in May
7 of 2009. It accommodates 133 guests and features
8 specialty cocktails as well as live entertainment.
9 The Coil Lounge is a casino bar and lounge featuring
10 video poker. It opened in May of 2009; it
11 accommodates 123 seats or guests and also features
12 specialty cocktails. And the Infusion Lounge; it's an
13 ultra lounge featuring specialty-infused cocktails and
14 martinis as well as draft and bottled beers. It
15 opened in November 2009 and accommodates 58 guests.

16 We have a retail logo shop, which is the
17 Sands and Company Gift Shop that is located just off
18 of our main lobby off of the main casino floor.

19 We've also built a hotel. The hotel
20 opened in May of 2011; it has 302 rooms, including 16
21 executive suites and six presidential suites, each of
22 which have the latest in modern amenities, such as
23 wireless internet, media hubs and high definition
24 flat-screen televisions. The hotel also includes a
25 swimming pool and a fitness center.

1 We've built banquet and meeting space; we
2 have approximately 12,000 square feet of modern
3 meeting space along with over 3,000 square feet of
4 pre-function and exhibition space, a professional
5 event planner on site and a catering service on site.

6 And our meeting space opened in June of 2011.

7 Just this year, we opened our event
8 center; it's the Sands Bethlehem Event Center and the
9 Vision Bar. It's 50,000 square feet, which offers
10 A-list performances, comedians, internationally
11 recognized disc jockeys, boxing events, which are
12 actually televised nationally by NBC Sports Network.
13 The facility allow for trade shows, conferences,
14 speaking engagements, as well as private functions.
15 Again, this opened in May of 2012. The facility also
16 includes seven private luxury suites, private boxes,
17 as well as the Vision Bar and Nightclub.

18 We've opened a 200,000 square foot luxury
19 outlet store mall. We have space for 30 luxury
20 outlets. The current ones that are open include
21 Coach, DKNY, Nine West, Bass, Izod, Talbots, Tommy
22 Hilfiger, Charming Charlie and Peeps & Company, among
23 others, and that opened in November of 2011 to the
24 public.

25 The parking that we have created is

1 twofold. We have a parking garage, a covered parking
2 structure, that features 3,400 covered parking spaces,
3 as well as surface parking for --- it's actually, I
4 think that's not 2,100. I believe it is --- well, it
5 is. It's 2,111 parking spaces to be specific. And we
6 also have valet parking that is available 24 hours a
7 day.

8 The Sands invested approximately \$20
9 million into traffic and roadway improvements on site,
10 as well as on Third Street and Daly Avenue immediately
11 in front of the site and down and around to the I-78
12 interchange. They expanded State Route 412 to a
13 four-lane road. We've built internal roadways, and
14 we've also installed new traffic signals to improve
15 traffic safety and to increase traffic flow. Now,
16 that's in addition to the monies that PennDOT is
17 expending to increase the Exit 67 interchange off of
18 78.

19 We also had community partner projects.
20 This was not specifically mentioned in the Petition,
21 but in our original licensing hearing, we had
22 agreements where we had purchase options with several
23 local community groups, ArtsQuest, PBS and the City of
24 Bethlehem Redevelopment Authority, as well as the
25 National Museum of Industrial History. We have met

1 all of those commitments by selling --- not selling,
2 granting as charitable donations to each of these of
3 501c3 organizations. This slide shows you an overview
4 of the area down by the SteelStax from the original
5 Bethlehem Steel that has now been adaptively
6 redeveloped to include, again, a new modern PBS
7 television station, ArtsQuest facility and an upcoming
8 visitor center, which I'll show you now. The
9 SteelStax is part of our --- the land that we donated
10 to ArtsQuest. We donated approximately four acres in
11 the fall of 2009. This includes a performing arts
12 center now; it's a 450-seat cabaret-style music fest
13 café featuring a wide variety of music performances,
14 4,000 square-foot Blast Furnace Room, used for
15 community functions and education events, and a two-
16 screen art cinema that presents independent, foreign
17 and documentary films. They've also created the
18 Levitt Pavilion, which is a music pavilion, which
19 presents a minimum of 50 free concerts a year for the
20 local community to enjoy. And that Levitt Pavilion is
21 actually the lower photograph, which is directly in
22 front of the Blast Furnaces.

23 PBS 39; we donated land to them as well
24 in 2010 for the Steel Stacks Public Broadcast Center.
25 This is also down by the ArtsQuest and Blast Furnace

1 area. This now features two new state of the art
2 television studios and a 29,000 square-foot public
3 broadcast center that anchors the Lehigh Valley's
4 21st-century town square for broadcasting, performing
5 arts, education and the community, for local events in
6 the area.

7 Additionally we've donated land,
8 approximately two and a half acres of land in June of
9 2011, and that land contained the original industrial
10 Stock House. That building was one of the first
11 buildings built on the Bethlehem Steel site, and it
12 dates to approximately 1863. The main structure of
13 that building will remain, and the Redevelopment
14 Authority for the City of Bethlehem will be converting
15 that --- and is in the process of doing it right now
16 --- into a full-fledged visitor center. This is just
17 to the west of the Blast Furnaces on the site, and is
18 sort of in that SteelStax area. So, there's a great
19 synergy of events that are held down in this area
20 between ArtsQuest, PBS, and the Levitt Pavilion and
21 the soon to be visitor center, everything from 5K runs
22 to farmers' markets to live concerts and the like.

23 The National Museum of Industrial
24 History; land was donated to them years ago, actually
25 before we began construction. And they have completed

1 a \$2.5 million renovation and restoration of one of
2 the original steel buildings. You can see the before
3 and after exterior shots of the renovations. They are
4 continuing to move forward with their fundraising,
5 which will then include interior fit-out and exhibit
6 installation.

7 We were also required to preserve space
8 for the Steelworkers Archives. Now, this is a group
9 that has created a permanent community center in
10 Southside Bethlehem for the preservation of the
11 history of the steelworkers and their rich history and
12 their lives and their stories. We've actually
13 provided them space on the second floor of the casino
14 facility itself, where they have a bit of --- a small
15 museum and an archive that is available. They do live
16 videotapings of some of the steelworkers to be
17 preserved for future generations to tell their stories
18 of what it was like to work at the Steel.

19 And that is it. If you have any
20 questions, I'd be more than happy to answer them.

21 CHAIRMAN:

22 Any questions from the OEC?

23 ATTORNEY ROLAND:

24 Mr. Chairman, we don't have any
25 questions. It's not really a presentation either; we

1 do just have a summary of OEC's position. I don't
2 know if you'd like us to right now or ---?

3 CHAIRMAN:

4 Okay, sure.

5 ATTORNEY ROLAND:

6 I didn't have the pleasure of being
7 employed at the Board at the time all this started to
8 go down, so I'll do my best to recapture what I could
9 find.

10 But as Ms. Eicher has indicated to you,
11 this all started back in April of 2007 when Sands
12 signed their Statement of Conditions. It was shortly
13 thereafter in 2008 when the economic crisis that we're
14 all referring to occurred, and Sands was kind enough
15 to contact the Board and say, we think we're probably
16 going to have some issues here proceeding as
17 originally planned. They did give us an early
18 heads-up and then in November of 2008 it was the Las
19 Vegas Sands that released their 10Q report with the
20 SEC, and that, in fact, confirmed that they were going
21 to need some time and be granted some delay.

22 It was really three areas that OEC, I
23 think, was able to identify that were going to be a
24 concern. And that had to do with the completion of
25 the hotel, of the retail area, which I think we're

1 referring to now as the mall, and then all of the
2 smaller areas which are office areas, banquet areas
3 that are available. I believe the concert area is
4 probably included in there as well. And that's when
5 Sands came forward in January 9th of 2009 and
6 requested the modification. The issue was really with
7 Condition 51 and 52. Fifty-two (52), as Ms. Eicher
8 has pointed out, laid out the very specifics of what
9 Sands was going to need to achieve; dollar amounts,
10 buildings, square footage, slot numbers. Condition 51
11 was the requirement of Sands to come before this Board
12 and keep you updated every single time there was the
13 slightest deviation from what the original plan was to
14 be.

15 If you recall, OEC actually objected to
16 that original Petition, I think it was January 28th of
17 2009, but the only reason we objected was because
18 there was really no time frame that was set. There
19 was no timetable, and we didn't want this to go on
20 indefinitely. And I think that's when the Board came
21 out with the February 4th Order that set up the
22 Financial Task Force meeting. That was, in my best
23 guesstimate, the Board's way of keeping this thing
24 moving forward.

25 I can tell you from February 4th, our

1 very first Financial Task Force meeting was very
2 shortly after. It was February the 17th of 2009. Our
3 task force meetings occurred monthly all the way up
4 until June of this year, so we had approximately 40
5 meetings. Every one of those meetings involved
6 someone from OEC, from BIE and representatives from
7 Sands. And sometimes it was two representatives from
8 Sands, sometimes it was as many as four or five if I
9 recall. They were very, very involved. What they
10 basically did for us was they kept us up to date, and
11 they gave the status of the construction and how it
12 was progressing. They kept us up to date with the
13 projected costs. Every time that there was a change
14 in dollar amount --- and sometimes it was rather small
15 --- they still took the time to report it. And they
16 did provide not only verbally those reports to us, but
17 they gave us reports in writing. And finally, what
18 they would do is they would adjust any opening dates
19 as the progression of the construction and finances
20 became available. So, they did the best they could to
21 keep us up to speed on what was occurring.

22 It was finally on June the 15th of this
23 year that OEC went out to see the Sands facility. And
24 I'm happy to say that we can confirm we kicked the
25 tires, for lack of a better term. The hotel is there;

1 it's beautiful. The retail is there; there were
2 shops. There were people in there utilizing that
3 facility. We saw the multi-purpose area where they
4 have the concerts. Again, it's done very, very well.
5 It's all complete; I think OEC at this point is safe
6 in saying that they have --- at the bare minimum they
7 have met the expectations that were set forth in
8 Condition 52. Realistically they have exceeded those.
9 They have gone beyond I think what the original
10 requirements were.

11 It's our position that there's really no
12 longer a need for the task force, because they've
13 fulfilled all those conditions, and OEC would simply
14 just like to put on the record at the Board meeting
15 that we have no objection to Sands' request for relief
16 from the Board's February 4th, 2009 Order requiring
17 monthly Financial Suitability Task Force meetings. If
18 you have any questions, I'd be happy to ---.

19 CHAIRMAN:

20 Any questions from anyone on the Board?

21 MR. FAJT:

22 Just a quick comment, Mr. Chairman. Ms.
23 Eicher, I'd like to congratulate Sands on fulfilling
24 their commitments to this Board.

25 ATTORNEY EICHER:

1 Thank you.

2 MR. FAJT:

3 And we have Executive Sessions, and we
4 often talk about phase one, phase two, phase three of
5 different casinos. We understand that the economic
6 times right now continue to be difficult, but you
7 folks have gone above and beyond your commitments.
8 And you have a beautiful facility. It's one of the
9 nicest casinos in the Commonwealth, and we're very
10 proud of your facility. So, thank you for doing what
11 you said you were going to do.

12 ATTORNEY EICHER:

13 Thank you, Commissioner Fajt, and again,
14 we appreciate the Board's ability and graciousness to
15 work with us over the years in allowing us to do this
16 in steps and phases. That was not our original goal.
17 We were as unhappy as anyone when we had to suspend
18 construction on certain portions of the project. But
19 as you are, we are very pleased with the finished
20 product, very proud of it, and again, we appreciate
21 your assistance in bringing this to conclusion.

22 MR. SOJKA:

23 I would also add, just briefly, that
24 maybe in some respects, I know the history of this
25 project maybe longer than many people in this room,

1 not because of my service on the Board, but because I
2 represented an institution, Bucknell University, which
3 competes with Lehigh University, which can look down
4 on your facility. And I will tell you that for many,
5 many years we at Bucknell feasted on the fact that
6 there was a dirty old brownfield on the periphery of
7 Lehigh University, and it was an eyesore. And it was
8 a good point of comparison for us. This is
9 bittersweet for me, because Bucknell has lost that
10 advantage, but I think it says something about the
11 intent of this entire act, because that is a marvelous
12 example for what a casino-led urban renewal project
13 can ultimately turn out to be. And I congratulate you
14 as well as hard as it is for me to do that.

15 ATTORNEY EICHER:

16 Commissioner Sojka, thank you, and I also
17 probably need to take the opportunity to thank the
18 City of Bethlehem and Northampton and Lehigh Counties
19 as well. It truly was a public/private partnership
20 that brought this entire project, including the
21 community partner projects, to fruition. We could not
22 have done it without their support and assistance.

23 CHAIRMAN:

24 Okay. Thank you very much, Holly.

25 ATTORNEY EICHER:

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Thank you.

CHAIRMAN:

Appreciate it. That, ladies and gentlemen, concludes the public hearing. This matter will be taken up for consideration in just a few moments.

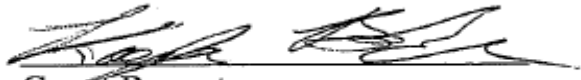
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HEARING CONCLUDED AT 10:35 A.M.

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CERTIFICATE

I hereby certify that the foregoing proceedings, hearing was held before Chairman Ryan was reported by me on 10/10/2012 and that I Kayla Bolze read this transcript and that I attest that this transcript is a true and accurate record of the proceeding.


Court Reporter