

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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SANDS BETHWORKS GAMING, LLC

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BEFORE: WILLIAM H. RYAN, JR., CHAIRMAN
Gregory C. Fajt; Annmarie Kaiser; Keith R.
McCall; John J. McNally, III; Anthony C.
Moscato; David W. Woods; Members
Jennifer Langan, representing Robert
McCord, State Treasurer
Robert P. Coyne, representing Daniel
Meuser, Secretary of Revenue

HEARING: Wednesday, April 30, 2014
10:54 a.m.

LOCATION: Pennsylvania Gaming Control Board
Strawberry Square Complex
Second Floor
Harrisburg, PA 17106

SPEAKERS: Douglas Niethold, Joseph Busby

Reporter: Ariel Slotter

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CHAIRMAN:

Next, we will have the Renewal Hearing for Sands Bethworks Gaming, LLC. By way of background, on October 15th, 2013, a Public Input Hearing was held to gather evidence including public comment on the renewal of the Casino License of Sands Bethworks Gamings, LLC, operator Sands Casino Resort, located in Northampton County. This hearing occurred in the City of Bethlehem, as required by the Gaming Act. And for the purpose of this hearing, ladies and gentlemen, which is a formal proceeding, I would ask that all non-attorney witnesses please stand so they can be sworn. Sir, could you first just state your name and your position?

MR. NIETHOLD:

Douglas Niethold, N-I-E-T-H-O-L-D, Interim President, Sands Bethworks Gaming, LLC.

CHAIRMAN:

I would ask the court reporter to swear the witness.

DOUGLAS NIETHOLD, CALLED AND SWORN:

1 CHAIRMAN:

2 Counsel?

3 ATTORNEY KRAUS:

4 Good morning, Mr. Chairman. Fred Kraus
5 for the record, K-R-A-U-S. I would like to note for
6 the record my colleagues from Las Vegas are in the
7 audience, Carol Wetzel and Norm Richardson, non-
8 testifying witnesses.

9 CHAIRMAN:

10 Okay. Thank you, sir. You may proceed.

11 ATTORNEY KRAUS:

12 Mr. Niethold will make a presentation.

13 MR. NIETHOLD:

14 Okay, good morning. I want to thank
15 Chairman Ryan. I want to thank the members of the
16 Board for the opportunity ---.

17 CHAIRMAN:

18 Keep your voice up, sir.

19 MR. NIETHOLD:

20 I want to thank the Board for the
21 opportunity to present this morning the wonderful
22 story of Sands, Bethlehem, from our development stage
23 all the way to the current time. I'd like to open the
24 story with a very simple, iconic logo. And obviously
25 we've seen this before, in Sands, Bethlehem. And it

1 shows where we have come from. As you know, Bethlehem
2 Steel was known as the builders and the defenders of
3 America. We take that very seriously and in taking
4 the property, and acquiring the property, we've had a
5 great opportunity to develop this mixed use area.

6 Our next slide here is something that
7 Fred had introduced early on in the license process
8 and I'd certainly like to read it. And I think it
9 comes to the core of what we have done with the
10 property. And problems can be addressed
11 simultaneously by investing strategically in the
12 state's older communities. Populations in the older
13 Pennsylvania are sagging, and with them warm, vibrant
14 neighborhoods. Tax bases are stagnating. And jobs
15 continue to relocate to the green fields, leaving
16 deserted factories and abandoned commercial lots
17 behind. Pennsylvania, quite simply, is squandering
18 the enormous human and material investment it has made
19 in its older communities over three centuries. And
20 again, I think what we've done to the property ---
21 this leads exactly to this statement of what we're
22 trying to do to complete the development of the 124
23 acres that we did acquire in Bethlehem.

24 The next slide is really a development
25 of what we call the urban core. We have, obviously,

1 many locations we could have picked from. We decided
2 to stay within the north and south side of Bethlehem.
3 And if you can see, it's bordered by Route 22, a major
4 thoroughfare, on the north side, Route 78 on the
5 south. And what you don't see here is Route 78 ---
6 378, I'm sorry --- to the left and Route 33, the main
7 corridor between 78 and the Poconos on the right-hand
8 side. So, we were strategically set, we wanted to
9 bring, obviously, the Sands to the community and
10 develop it and then, we have done that. We've
11 revitalized that whole area. And the Lehigh Valley
12 industrial park areas, there's seven or eight of them
13 in the area, have certainly benefited from development
14 we have done so far.

15 This next slide is an overview of the
16 property in 2007, prior to construction. Again, at
17 that time, the property was the largest privately
18 owned brown field site in the United States. We
19 started moving dirt in May of 2007 with the goal of a
20 24 month build-out. We did find significant
21 challenges when we got into the site. I personally
22 found out what Pennsylvania blue concrete was and
23 realized that you can't move it. So, we --- again,
24 challenges were found, though we managed to open up on
25 time there.

1 Next slide is a shot of what the
2 condition of our property was when we first set foot
3 on it and when we acquired it. Obviously, old
4 industrial buildings. You can see the elevated
5 railway to the right, which brought iron ore from the
6 ore pit, or where the casino currently sits, and all
7 the way to the blast furnaces.

8 You can take a moment just to juxtapose
9 this with the next slide, which shows a more recent
10 shot of the property. The Sands invested
11 approximately \$830 million into the property, which is
12 certainly well beyond our initial commitment to the
13 Board and the State of \$600 million.

14 This next slide, really, is a current
15 shot of the casino floor. We currently have 145,359
16 square feet. We opened in May of 2009. We added a
17 Phase II expansion that opened in November of 2009.
18 We currently have 183 table games and 36 Poker tables.
19 We have a High Limit Slot machine area and we have the
20 Paiza Club, which is a Las Vegas Sands branded High
21 Limit Table Salon.

22 You know, we did build a bigger box with
23 that Phase II expansion. We had goals of bringing in
24 5,000 slot machines. Once we opened up, we realized
25 that really, we were at capacity. We didn't need

1 anything more than about 3,100, 3,200 slot machines.
2 That extra box, the built-in box, certainly turned
3 into a strategic advantage for us when table games was
4 legislated in the state. We're able to move ---
5 again, we mentioned almost 200 table games onto the
6 floor without expanding the walls out and without
7 decreasing the number of the slots substantially. We
8 made a commitment to stay above 3,000 slot machines.
9 We're currently at 3,012. And we've consistently
10 stayed within that number of units.

11 Next slide here just looks to the site
12 and details out our parking areas. Obviously, the
13 parking was critical to a facility of this magnitude.
14 We needed to move, what we now have as close to eight
15 million visitors a year, in and out of the property
16 quickly. So, we built various parking --- a parking
17 garage that handles 3,400 spaces right now and we have
18 surface parking for approximately 2,100 cars, valet
19 parking. Another strategic move we made was to build
20 a bus bay within the first floor of the garage. That
21 handles 14 buses. We have additional bus parking on
22 the surface area and we also have plans to add
23 approximately another 350 spaces of surface parking in
24 the next few months or so.

25 Obviously, concern in the community and

1 the city was traffic, early on. What we have here is
2 the slide that shows both the external and the
3 internal roadways. We have partnered with PennDOT to
4 develop an entranceway from Route 78 all the way into
5 the property, utilizing Route 412. The Sands itself
6 committed \$20 million for the first phase that was
7 completed before we opened. PennDOT is continuing to
8 do the rest of the build-out and to build a four-lane,
9 almost grand boulevard from the entranceway all the
10 way in. The total dollar amount of the project is
11 close to \$100 million and we expect and hope that it
12 will be done, hopefully, by the end of 2015.

13 I'd like to take an opportunity now just
14 to review the non-gaming amenities we had during our
15 last license renewal. We have --- Emeril's Chop House
16 is our primary restaurant. Emeril has, now, three
17 restaurants on the property. He really has become a
18 great spokesman for Bethlehem and our property. We
19 have partnered with Emeril to develop a local food and
20 wine festival. We're going into our fifth year now.
21 The benefit is for the local community college,
22 Northampton Community College. And to date, we have
23 raised over \$800,000 for the Community College. We
24 have also partnered with Northampton Community College
25 for both their Gaming and Hospitality programs and

1 training programs. I would say 85 percent of our
2 dealers have gone through Northampton Community
3 College training program, which is great. They're
4 right next door to us. And it certainly benefits both
5 of us that way.

6 St. James' Gate was here when we opened,
7 an authentic Irish pub. Patrons obviously come for
8 the culinary experience. And we have the authentic
9 music on weekends there. Nice venue.

10 The next slide is what was Cobalt Café.
11 The slide presents the past and present lease space.
12 The original owner was bought out by Villa
13 Enterprises, who also runs the food court for us. As
14 you can see, Villa completed a multimillion dollar
15 renovation and opened The Steelworks. They've done a
16 great job there. We had a lot of demand from our
17 customers for a buffet. We were not inclined to do a
18 buffet. Steelworks has taken that and run with that.
19 And they've actually put out a great product there.

20 As I mentioned, Villa also runs The
21 Market, which is our food court. We have six or seven
22 units there. Obviously, it's price point perfect.
23 It's a fast meal. And as I mentioned earlier, Villa
24 Enterprises operates it. And then, they're one of the
25 largest fast casual operators in the United States.

1 They're located in malls, airports, all over the
2 place.

3 Emeril's second restaurant here was
4 opened in the second phase, as I mentioned, after ---
5 in November 2009. He opened his first burger place.
6 So, it accommodates 90 guests. Again, that's price
7 perfect for a lot of our customers who want to quick
8 meal, when they want to get in before a show, grab
9 something that's relatively cheap, and see a show
10 there.

11 Next, we have our entertainment lounge,
12 which is called Molten. We've always provided
13 consistent floor entertainment seven nights a week.
14 We feel that it energizes the whole floor. The
15 community enjoys it. It's a great showcase for
16 regional bands, all venues of music. We do country,
17 rock, and DJs. So, we really get a lot of nice
18 comments for what we do in that area. And then, Coil
19 is our central bar. Again, it's a great center bar to
20 meet friends or those attending meetings and
21 conventions.

22 And the last of our on-floor lounges is
23 Infusion. We don't do any entertainment there. It's
24 a quiet respite from the rest of the gaming floor,
25 sort of almost locked off from that area. But it's

1 nice for patrons to mingle without the loud music that
2 happens.

3 Another one of our leased outlets is
4 Carnegie Deli. We do get a substantial amount of our
5 business from North Jersey and New York. They're all
6 familiar with a Carnegie brand and they certainly love
7 that quality --- or quantity, as I should say, that
8 they serve there.

9 And we also have a --- outside of the
10 retail mall, we do have one internal gift shop that
11 the Sands Bethlehem runs. It's a company owned gift
12 shop which sells a myriad of products. We range from
13 sundries to logo ware to historic Bethlehem and
14 Bethlehem Steel items, all the way up to higher-end
15 jewelry.

16 Prior to the development of the
17 property, the Steelworkers' Archives have struggled to
18 find a permanent location, a home. The Board asked us
19 to see if we could house and accommodate them. We
20 certainly complied. And we located the space right
21 adjacent to the Executive Offices, where the public
22 can access. And that formed a great partnership with
23 the members. They continue to document, record, and
24 restore the history of the steel.

25 We also have, on our property, the

1 National Museum of Industrial History. They have
2 started and completed their first phase of the
3 project, which was the exterior renovation. You can
4 see the before and after pictures. So, they invested
5 \$2 and a half million to enclose it and make it
6 waterproof. They're still trying to continue to raise
7 funds for the rest of the development and the fit-out.
8 I met with the chairman of the museum about ten days
9 ago. They feel comfortable, still, with the project.
10 They expect it to continue. And they expect it to
11 have a little bit of a reduced scope. Rather than go
12 on two or three levels, they're going to try and
13 complete that first level and get it opened up in the
14 very near future.

15 The next slides represent the amenities
16 and developments we've added since our last
17 re-licensure. As I mentioned, Emeril had three
18 restaurants and this was his third, his first foray
19 into Italian. The menu features antipasto, cured
20 meats, artisan cheeses. It was opened in conjunction
21 with the hotel. We also serve an Emeril's branded
22 room service from this restaurant. And we run a
23 continental breakfast from the restaurant hall. So,
24 we do use his brand. And it works great for us there.

25 In November of 2012, we opened up

1 Chopstick, which is the newest addition. And as you
2 know, we do have a significant number of Asian guests
3 on our property. And we needed, really, a sit down
4 venue to provide an authentic food offering. It's
5 leased space. And the owners made a substantial
6 investment in the build-out of the restaurant.

7 We also finished the hotel. And this,
8 obviously, was a game-changer for the property. It
9 allowed us to capture the outlying markets and
10 specifically, to capture the North Jersey and New York
11 gamers who frequent Atlantic City. It also further
12 developed the meeting and convention business in the
13 Lehigh Valley. I believe, also, we have helped other
14 areas in the hotel with our demand overflow, at
15 certain times. We've seen their occupancy pick up.
16 We've seen their average rate pick up also. For the
17 last 12 months, we've run about a mid 70 percent
18 occupancy and an average rate in excess of \$140. And
19 one interesting fact is that we probably only use 30
20 percent of those rooms that we sell for our casino
21 customers. So, we do do a substantial number of
22 meeting business, FIT, the transit customers. So, we
23 have a great mix in the hotel. With the hotel --- and
24 when we also finished out the event center space, we
25 added some nice banquet space and some meeting rooms.

1 So, now, we currently have over 12,000
2 square feet of meeting space, 3,000 of pre-function
3 space. And we cater primarily to small and mid-sized
4 groups coming from Philadelphia, New York, New Jersey,
5 you know, looking to escape the higher rates. We
6 obviously offer them reasonable rates. And the higher
7 operating costs to put on meetings in the city areas.

8 The addition of the Events Center in May
9 of 2012 further solidified the integrated resort
10 concept that Las Vegas Sands is known for and
11 certainly will help combat regional competition. It
12 was a partnership with us and a local group called
13 Vision Entertainment, with The Sands being the
14 landlord. Vision has also partnered with Live Nation,
15 who is their booking agent. And they run with SMG
16 Stadium Management Group, who is the facilitator
17 operator. They've done a great job. Usually, we get
18 about 18 --- 8 to 15 performances a month. Again,
19 similar to our on-site lounge, they --- all venues of
20 music, older to younger. We've had Paul Anka and
21 we've had a Scooby Doo Review in the Events Center.
22 We have Diana Ross, Crosby, Stills and Nash coming up
23 in the next couple of months. American Idol Live is
24 booked in July. And Tony Orlando is doing a week-long
25 Christmas show the first week in December. We also

1 have live boxing performances, mixed martial arts,
2 usually held at least once a month. We've also
3 featured game shows such as The Price is Right and
4 Family Feud, which works well for our customer
5 demographics, also.

6 The Events Center has actually just
7 added, I believe, 125 additional suite type seats on
8 the mezzanine level. So, they're comfortable with
9 what they've done. And we certainly enjoy them and
10 have been a wonderful addition to the property.

11 Most of you knew, obviously, we've added
12 a retail mall since our last licensing. We identified
13 that it should be an open type mall just to provide
14 quality shopping and reasonable prices. I think it
15 did wonders for the area. We just have two open spots
16 left to lease. Current additions have been PUMA. We
17 added a Day Spa, European Body Concepts, which works
18 well for our clientele, an artisan bakery. We've
19 added Cardinal Camera, a Verizon phone kiosk. And one
20 area that just went under construction --- we had a
21 16,000 square foot undeveloped space at the rear end
22 of the mall that we just couldn't lease. We looked at
23 various concepts. We looked at getting a Dave and
24 Buster's. We looked at Brother Jimmy's out of New
25 York. And it just didn't work for any of them. We

1 finally have a --- we got a lease together at the end
2 of December with Kids' Quest and CyberQuest. If
3 you're not familiar with that, Kids' Quest is a ---
4 they may run 20 hours, obviously a babysitting
5 facility, paid for supervision. They handle children
6 from 6 months to 12 years old. And then, after 12
7 years old, the other side, which is segregated, turns
8 into CyberQuest, which is a family friendly arcade
9 offering a non-violent, cutting edge, hi-tech game
10 center for those kids.

11 So, I think that'll be a great offering
12 for not only our casino clientele, the mall clientele,
13 the spa clientele. So, we can come in and people can
14 drop their kids off for a couple hours and enjoy
15 themselves on that side.

16 Since 2010, Steel Stacks has been
17 developed. And Steel Stacks is our partnership with
18 the local arts community. After donating
19 approximately the four acre parcel, Steel Stacks was
20 able to raise a significant amount of funds to build
21 their performance and outdoor concert centers.

22 In conjunction with the Levitt
23 Foundation, they also offer a minimum of 50 free
24 concerts outside each year, when the --- obviously,
25 when the weather is appropriate. The entire area has

1 been great. It brings arts and culture to the area,
2 along with PBS 39, which I'll speak to next. It's
3 almost simultaneously with ArtsQuest. We donated the
4 same parcel --- another parcel to PBS 39. And they
5 developed their broadcast center right there also. It
6 features two television studios that are adjacent to
7 the performing arts center, 29,000 square feet. It
8 does great. They do tours for kids. And I think it's
9 another great ancillary item to the site on the west
10 side. It really does invigorate the far side of the
11 property.

12 The most recent project, an addition
13 down there, was the Bethlehem Visitors' Center.
14 Again, we donated approximately two and a half acres
15 back in June of 2011. The redevelopment center opened
16 it in 2013. It's opened by the local Convention
17 Visitor's Bureau. And it just presents the historic
18 nature of the site. And it's a great gateway, again,
19 as I mentioned, from the west side of the site, as
20 people come into the Steel Stacks and that town center
21 area.

22 One new project that has recently gone
23 underway is the renovation of the Hoover Mason Ore
24 Trestle. You remember, early on in one of the slides,
25 we viewed that elevated tram that we used to bring the

1 ore from the pits over to the blast furnaces. Fred
2 had worked with the Bethlehem Redevelopment Authority
3 to give them an easement. And now the redevelopment
4 authority is investing approximately \$13 and a half
5 million to complete and build an elevated walkway
6 where visitors can get a primer on the steel's history
7 and significance as they walk from one end of the
8 site, primarily in front of the blast furnaces, to the
9 far end of the site. The goal is to have it open by
10 the end of this year. And I think that will be
11 another great tourism booster for both Bethlehem and
12 the Lehigh Valley.

13 This next slide illustrates, I guess, on
14 the gaming revenue side, where we've been and have
15 come since our last relicensing on this. Our slot
16 gross terminal revenue for the period increased
17 approximately 15 percent, notwithstanding the last
18 three months that we've had here in all of the
19 Pennsylvania east coast, with the snow and everything
20 else. The table games' gross revenue has increased 79
21 percent over the 2011 period. The Sands is currently
22 number one in table games in the Pennsylvania market,
23 with approximately a 25.6 market share.

24 Again, one of the important things of
25 bringing gaming to Pennsylvania was translating this

1 to the local level, and what this does. And this
2 graph below illustrates the local shares that have
3 been distributed to the City of Bethlehem, Cities of
4 Allentown, Easton, and the communities of Lehigh
5 County and Northampton County on this side.

6 So, the last fiscal year, we've
7 distributed approximately \$19.1 million within these
8 cities and the counties that I just mentioned. So,
9 that's substantial. I think they've done substantial
10 work with that, as far as the further distribution of
11 those funds.

12 Additionally, we've also paid
13 approximately \$11 million in property taxes last year.
14 So, that, combined with the local distribution, is
15 almost \$30 million that have gone to the local
16 communities surrounding the complex.

17 This next slide talks about our cross
18 marketing with the Lehigh Valley Remote Regional
19 Tourism, as I had mentioned before. We partner with,
20 from the top left, the Discover Lehigh Valley, which
21 is the local Convention and Visitor's Bureau. We also
22 partner with the Christkindlmarkt, which is located on
23 the property. It's a 40 day holiday festival of
24 shopping of arts and crafts that starts in November of
25 each year. Musikfest, I'm sure you're all familiar

1 with that, is presented by ArtsQuest. It's a 10 day
2 music festival held every August, which we are the
3 title sponsor. And we also work closely with Historic
4 Bethlehem. They promote not only the south side of
5 Bethlehem, but also the north side of Bethlehem.

6 This next slide is a visual
7 representation of the campuses tourism drivers that we
8 just recently spoke about. It's really important to
9 see how the remainder of the 124 acres is being
10 energized.

11 You know, as I mentioned, the ongoing
12 development of this area is paramount to our
13 buffering. The project, our revenues, our visitation
14 from regional competition ---. The key going forward
15 is to partner and develop what we like to call
16 Destination Retailing on this site, which would be
17 taking ---. You know, continue to develop the old
18 Bethlehem Steel buildings there. Again, a good
19 portion of the remaining undeveloped acreage was
20 recently designation as a CRIZ Zone, which is a City
21 Revitalization and Improvement Zone, by the state,
22 which will provide economic development and job
23 creation by allowing any tax increments to help
24 finance development. Once we get on ink the retailers
25 locked in, we believe that the rest of the site will

1 certainly develop quickly, right behind that. We're
2 focusing currently on Machine Shop Number Two, which
3 is the long, thin building on the lower right-hand
4 side of the slide there. Again, if we can attract
5 businesses into that, it's 1,527 feet long. I think
6 it'll be doing a massive amount of improvement for the
7 remainder of the property that can certainly provide
8 the initial dissertation we need going forward.

9 One of the things we always like to
10 speak about, you know, is our programs to prevent
11 minors on the entry to the casino floor. And we
12 continue to assess and we continue to improve and add
13 new technology to all our programs, where possible,
14 across the casino floor to prevent minors from gaining
15 access.

16 As you can see from the numbers in the
17 slide below, and primarily due to the continued build-
18 out of the integrated resort, there are more 30 and
19 younger on the property every day. Our total casino
20 floor visitation is up approximately 54 percent. But
21 our challenges for the same period rose to 175
22 percent. So, it just goes to the number of 30 and
23 below that we do check each day. And you can see that
24 ratio. It's certainly almost three times the amount
25 of our visitation before this.

1 Our turn-aways also have increased
2 almost 104 percent. Obviously, minors still present a
3 challenge to us and the entire Pennsylvania gaming
4 industry. It's an ongoing battle that we work on
5 diligently, all the time. We certainly understand and
6 agree with the Board's seriousness of the program.
7 And we do our best to keep the casino floor free of
8 minors, and would like nothing more to see some type
9 of legislation that would add some penalties with some
10 teeth for those minors that do gain entrance to the
11 gaming floor. Job creation has been a great story for
12 us. We've added from an initial hiring of 850 to 870
13 bodies when we initially opened. We're up to almost
14 2,200, a little bit over 2,200 people. Now, it's been
15 amazing. Every two weeks, we have a new hire
16 orientation. And that has started the day we opened
17 the door and still continues. And I'm sure there's
18 many other companies in the country during the last
19 four or five years, with the financial economic times,
20 that can say that they've hired, you know, every other
21 week in the building.

22 We continue to grow, obviously, the
23 Sands themselves. We have 2,200. Ninety-four (94)
24 percent of those 2,200 are full time. Eighty-nine
25 (89) percent are Pennsylvania residents. And I know

1 it should be 100. But we're close to the New Jersey
2 border. So, we do have some team members who do live
3 over there. The outlets employ an additional 350.
4 Other tenants, third-party leased restaurants,
5 probably another 225 people. The Event Center
6 employees, 40 full-time people and, obviously, it
7 flexes up depending on what shows are there. And
8 then, we also have jobs created by our community
9 partners. As I mentioned, ArtsQuest, PBS, and when
10 Kids Quest comes on, we could be probably over 3,000
11 people probably by the end of the year on that. So, I
12 think that's a great story for Bethlehem and the
13 Lehigh Valley.

14 As far as employment diversity,
15 according to the most recent report, the statewide
16 representation of categories of Executive Management
17 and Professional EMPs was male, 63 percent; female, 37
18 percent; and minorities, 21 percent. For the Sands in
19 Bethlehem, the representation was 66 percent male, 34
20 percent female, and minorities 21 percent. And more
21 recently, as of March 31st, we're at 61 percent male,
22 39 percent female, and 35 percent minority.

23 One thing I do want to mention, as far
24 as minorities, we're well over 20 percent now with
25 Asian team members, and --- which is a great benefit

1 to us. As I mentioned before, we have substantial
2 numbers of Asian customers on the floor every day.
3 And it's great to have someone who can either
4 communicate in Mandarin or Cantonese with them. So,
5 that's a great help to us, trying to operate the
6 facility.

7 Another thing that I can state that
8 we're very, very proud of is our community involvement
9 and outreach programs. We support many local non-
10 profits with fundraising events, food drives, team
11 member charitable donations. We adopt families. We
12 adopt schools. We've had volunteer services. We're a
13 proud sponsor of groups such as the Boy Scouts of
14 America.

15 As I mentioned before, we also sponsor
16 the Musikfest events. We do use a recruitment media
17 plan to help outreach with those who seek employment
18 at the Sands. We have had satellite Human Resources
19 offices located throughout the Lehigh Valley.
20 Participants have included the Community Action
21 Community of the Lehigh Valley, the Boys and Girls
22 Club of Easton, the South Side Branch of the Bethlehem
23 Public Library --- which we also host a fundraising
24 fashion show in the mall each year and the Hispanic
25 American organization in Allentown. Also, I just want

1 to mention that Las Vegas Sands has just launched a
2 new charitable outreach program called Sands Cares,
3 which will be a global, strong, sustainable corporate
4 citizen program which will be administrated globally
5 and also at the local level, too.

6 The next slide just continues our
7 community involvement. Many workshops and orientation
8 workshops that we've developed. Our team members
9 certainly work outside of the building. We have many
10 people on local boards, members of the Lehigh Valley
11 Industrial Park, Northampton Community College,
12 ArtsQuest. I'm on the local board of PBS. We have
13 members on the Lehigh Valley Convention and Visitor's
14 Bureau, as well as the Economic Development
15 Corporation. As I mentioned before, I'll mention
16 again that we really have worked tightly and partnered
17 with Northampton Community College. And again, I
18 think we're very successful in the way we have reached
19 out within the community.

20 Another item to mention is our
21 mitigation of compulsive gambling. We're very proud
22 in what we do and the awards that we have won. And
23 obviously, as mentioned here is that we have been
24 awarded a Corporate Social Responsibility Award by the
25 National Council on Compulsive Gaming. And we have

1 also been awarded the first ever Gaming Award from the
2 Pennsylvania Council on Compulsive Gambling, also. We
3 hold many problem gambling treatment training
4 workshops. And we do have a full-time consulting ---
5 consultant on board that certainly works with us as a
6 liaison to compulsive gambling and also as a liaison
7 to our community and our involvement within the City
8 of Bethlehem and the Lehigh Valley itself.

9 In closing, I think more than seven
10 years ago, Las Vegas Sands came to Bethlehem and made
11 a commitment to the State and local community to build
12 a world class facility, become a great casino
13 operator, and a strong corporate citizen in the
14 Bethlehem community. I hope through this presentation
15 and hopefully our operations for the last five years
16 that we have fulfilled and exceeded on this
17 commitment. And I thank you.

18 CHAIRMAN:

19 Thank you, sir. Any questions or
20 comments from Enforcement Counsel?

21 ATTORNEY ROLAND:

22 Yes, Mr. Chairman. Michael Roland,
23 R-O-L-A-N-D, with the Office of Enforcement Counsel
24 (OEC). A lot of these questions, gentlemen, are going
25 to be updates from the Public Input Hearing in

1 October, just so we're all up to speed. But I think
2 you reported, regarding employees in October, that you
3 had approximately 2,162. It looks like you've roughly
4 added 60 to 65 new positions. Was there something at
5 Sands that required those positions or are they
6 scattered throughout the whole operation?

7 MR. NIETHOLD:

8 Again, we continued that. Primarily,
9 it's the table games driver. We've added table games
10 continuously since we put them on the floor in 2010.
11 And we continue to do so.

12 CHAIRMAN:

13 Try to keep your voice up, sir.

14 MR. NIETHOLD:

15 Sorry. But yes, that comprises
16 primarily table games.

17 ATTORNEY ROLAND:

18 And those positions, like the other
19 positions at Sands, come with benefit packages as
20 well?

21 MR. NIETHOLD:

22 They do.

23 ATTORNEY ROLAND:

24 Okay. One of the issues --- and this is
25 no surprise. You've had a difficult time keeping tabs

1 on underage gamers. I'm going to ask you again to
2 explain what the age restrictions are, just because
3 you have so many different components that go with
4 your property. You have the mall. You have the
5 restaurants. You have the gaming floor. Once again,
6 just lay out what the restrictions are for us.

7 MR. NIETHOLD:

8 I'll start with the easy one is the
9 mall, which is --- there's no age restriction to the
10 mall. If you're familiar with the area, we do have
11 security posted at every entrance into the casino
12 floor. Obviously, we check ID for anybody that looks
13 30 and under. Obviously, over 21 is allowed in the
14 casino floor. A difficulty is that we do have our
15 great restaurants surrounding the floor. So, we do
16 allow those under 21, mostly with parental guidance,
17 to go to those restaurants with a security escort.
18 And while they're in those restaurants, we do have a
19 security man posted outside the restaurant, as they're
20 there. The Events Center is --- obviously, is not
21 within the complex. But they have a number of shows
22 that are 21 and older. But they are, as I mentioned
23 before --- they do performances for all ages there.

24 ATTORNEY ROLAND:

25 Regarding the security escort to the

1 restaurants, that escort then would see them to the
2 restaurant and make sure that they then leave the
3 restaurant and leave the gaming floor as well?

4 MR. NIETHOLD:

5 Those security officers are required to
6 stay there. And if we have one group in there,
7 there's one. If you have one family, there's one
8 security officer. If there's a second family, there's
9 a second security officer. So, they stay. So, if one
10 family leaves, there's still one behind. There still
11 is a security officer stationed at the restaurant,
12 waiting to escort them back and out of the casino
13 floor when they're finished dining.

14 ATTORNEY ROLAND:

15 I assume Sands is still using ID
16 scanning technology?

17 MR. NIETHOLD:

18 We do.

19 ATTORNEY ROLAND:

20 Okay. In October, you represented that
21 you entered a program with Veridox. And it was new
22 technology. How is that working for you? And have
23 you continued to upgrade it?

24 MR. NIETHOLD:

25 We have not upgraded that program as of

1 yet, as it's relatively new. We will continue, as
2 they come out with new enhancements, to certainly
3 review them and implement them.

4 ATTORNEY ROLAND:

5 Also, during the October 15th Public
6 Input Hearing, you advised that there were no
7 outstanding issues or citations with the Bureau of
8 Liquor Control Enforcement. Is that still the case
9 today?

10 MR. NIETHOLD:

11 That is correct.

12 ATTORNEY ROLAND:

13 And we discussed briefly at that
14 hearing, also, the RAMP Program, the Responsible
15 Alcohol Management Program. Sands represented that
16 approximately 90 percent of its employees related to
17 alcohol were RAMP certified. Have you kept that
18 consistent, as well?

19 MR. NIETHOLD:

20 We have that consistent. In fact, we
21 just finished our most recent training within the last
22 month. And I can tell you that I'm now currently
23 certified.

24 ATTORNEY ROLAND:

25 Kids' Quest and CyberQuest, they are the

1 two new slots that will be going in the rental space,
2 the mall area. Once those are filled, does that take
3 care of all the available outlets, then?

4 MR. NIETHOLD:

5 As I mentioned, we have two small
6 outlets available. One is about 4,300 square feet.
7 The other one, I believe, is about 2,100 square feet.
8 We are actively looking for lease tenants. As
9 everybody's well aware, bricks and mortar retail has
10 just been tough everywhere, with online taking over.
11 But we hope to have those filled by the end of the
12 year.

13 ATTORNEY ROLAND:

14 And at this point in time, what is the
15 status of Kids' Quest? Has construction started or is
16 it ---?

17 MR. NIETHOLD:

18 They started construction last month.
19 They hope to complete construction, maybe, by the end
20 of May or early June and look towards a grand opening
21 maybe the third week of June this year.

22 ATTORNEY ROLAND:

23 Okay. One of the items that's come up
24 across the news outlets recently, paper media, has to
25 do with the computer compromise of Sands' network.

1 MR. NIETHOLD:

2 Yes.

3 ATTORNEY ROLAND:

4 Can you give us an update of where that
5 stands?

6 MR. NIETHOLD:

7 Well, obviously, there's an ongoing
8 federal investigation to try to identify who, what,
9 and where on this. And you know, it's been labeled as
10 a criminal attack. And obviously, various U.S.
11 government agencies have commenced investigations into
12 the source of the attack. Internally, we're reviewing
13 and we're building out where need be and putting
14 additional firewalls in, trying to protect us as best
15 we can so this never happens again.

16 CHAIRMAN:

17 Yes, sir?

18 ATTORNEY KRAUS:

19 Could I add to this point that we've
20 provided a summary to everyone ---.

21 CHAIRMAN:

22 I'm sorry. But could you speak up, if
23 you would?

24 ATTORNEY KRAUS:

25 Yeah. Fred Kraus for the record, we've

1 provided as an exhibit for today's hearing a summary
2 of our disclosure 10-K and also have pasted in the
3 complete disclosure in the --- what the current status
4 of that issue. It's on the Sands Bethworks Gaming
5 website. It's also on the Las Vegas Sands Corp
6 website.

7 CHAIRMAN:

8 Mr. Roland, you're aware of this?

9 ATTORNEY ROLAND:

10 I am, Mr. Chairman, thank you. And
11 actually, gentlemen, I'd like to ask you a specific
12 question about that exhibit. Turning to page three,
13 this is the third question portion of the handout.
14 Have there been any frauds as a result of this cyber
15 attack? And you list here that you're not aware of
16 any at this time. This includes any individuals
17 coming forward, saying they've been compromised in any
18 way whatsoever? That is included in that?

19 MR. NIETHOLD:

20 That is. We've had one or two
21 individuals come forward. But we don't believe it was
22 related to the cyber attack.

23 ATTORNEY ROLAND:

24 Okay.

25 MR. NIETHOLD:

1 Again, what's mentioned here --- and
2 we've offered one year of Experian credit monitoring
3 services for any individual that we have noticed
4 through this attack. And they're certainly welcome to
5 join with that process.

6 ATTORNEY KRAUS:

7 If I could add, just for the record, I
8 pasted a copy of this from the website yesterday, onto
9 this ---.

10 CHAIRMAN:

11 Again, I'm sorry.

12 ATTORNEY KRAUS:

13 Excuse me, sorry. For the record, Fred
14 Kraus. What is represented on this exhibit is the
15 current disclosure of the website as of yesterday.

16 CHAIRMAN:

17 Okay. Thank you.

18 ATTORNEY ROLAND:

19 Mr. Chairman, I think that's all the
20 questions we have at this point.

21 CHAIRMAN:

22 Okay. Any questions from any members of
23 the Board? Greg?

24 MR. FAJT:

25 Thank you, Mr. Chairman. Two quick

1 questions on the cyber attack. How many people were
2 affected by the February cyber attack?

3 MR. NIETHOLD:

4 We obviously don't know how many people
5 were affected. We know that there could have been ---
6 the initial round was about 70,000 could have been
7 breached. There's a secondary list that we've
8 forwarded. It may be 30-some, 30,000.

9 MR. FAJT:

10 So, out of the 70,000 or so, how many
11 have signed up for the Experian credit monitoring?

12 MR. NIETHOLD:

13 As of a couple weeks ago, I believe it
14 was approximately 7,000.

15 MR. FAJT:

16 7,000? Thank you. And let me just say
17 --- and I know my colleague Commissioner McCall has
18 mentioned this before, you folks do a great job.

19 MR. NIETHOLD:

20 Thank you.

21 MR. FAJT:

22 And you've done everything that you have
23 told us that you would do, you've done it willingly,
24 and you are one of the premier casinos in
25 Pennsylvania. And thank you for your ongoing efforts.

1 ATTORNEY KRAUS:

2 Thank you.

3 CHAIRMAN:

4 David?

5 MR. WOODS:

6 I appreciate having the opportunity to
7 visit with you a little while ago and tour the
8 facility, see how it's changed over the last year or
9 so. A question regarding the Kids' Quest and the
10 CyberQuest. Specifically, could you remind me the
11 hours of operation that you anticipate those
12 facilities being open?

13 MR. NIETHOLD:

14 I don't think it's been finalized yet.
15 But from what we understand, it could be open from,
16 obviously, early morning to maybe 2:00 a.m.

17 MR. WOODS:

18 And do you anticipate any limit on how
19 long a child could remain specifically in the Child
20 Quest?

21 MR. NIETHOLD:

22 I don't know, honestly, on that. I
23 don't. Hopefully there's --- I don't believe there's
24 a limit. We looked for --- I think they're used to
25 short-term hours rather than days. I don't think it

1 becomes a normal daycare center where parents come to
2 drop them off and go to work. Although, they will
3 accommodate that. But I think it's more for the short
4 term visitors to the property.

5 MR. WOODS:

6 And that was going to be my next
7 question. Do you --- daycare for the employees to be
8 using?

9 MR. NIETHOLD:

10 Yeah. We don't have any. But again,
11 they can use --- I believe they will be able to use
12 the Kids' Quest on the side of this.

13 MR. WOODS:

14 Could you speak for a moment about your
15 decision on the number of slot machines? As you
16 mentioned, you had built a building for 5,000 slot
17 machines. It's about 3,100 now. I think we've seen
18 your average weekly play per machine are taxable in
19 the just under \$300 range or whatnot. What kind of
20 signal are you looking for to increase the number of
21 machines or do you think that that is pretty much the
22 right number into the future?

23 MR. NIETHOLD:

24 Right now, for the last couple years, I
25 think we've been stable. We feel that's the right

1 number now. Again, as we build up the property and as
2 demand dictates, we'll certainly review as we go do
3 all the time and add as necessary slot machines that
4 we feel that's needed for capacity.

5 MR. WOODS:

6 But more inclined to add tables, given
7 the amount of play?

8 MR. NIETHOLD:

9 At this moment, yes. At this moment,
10 the demand is certainly on the table games side, as
11 you can see from our growth.

12 MR. WOODS:

13 And just a last area of questioning, you
14 have a considerable number of amenities outside of the
15 normal restaurant type amenities connected to the
16 gaming floor. Do you have any idea of what kind of
17 revenue is generated from those other amenities? The
18 Ball, the Live Nation, you know, your Expo Center,
19 those kind of things?

20 MR. NIETHOLD:

21 Right off the top of my head, it's
22 probably \$3 to \$4 million annually.

23 MR. WOODS:

24 Percentage of your revenues?

25 MR. NIETHOLD:

1 Miniscule. It's not a good portion,
2 yeah.

3 MR. WOODS:

4 If I looked at employment thought the
5 numbers in total and the other amenities outside of
6 gaming, that is sizable?

7 MR. NIETHOLD:

8 Easily well over 10 percent additional
9 employment there.

10 MR. WOODS:

11 Thank you, Mr. Chairman. That's all my
12 questions.

13 CHAIRMAN:

14 Any other?

15 MR. MCCALL:

16 Just a couple.

17 CHAIRMAN:

18 Keith?

19 MR. MCCALL:

20 Just a comment. I feel compelled to say
21 it, because I live so close to the Bethlehem site.
22 And you know, literally had hundreds of men that
23 commuted every day to Bethlehem to work at the steel.
24 But to see the transformation take place before my
25 very own eyes, and what you have done in community

1 development, community redevelopment. You are the
2 envy of many. You have been a great corporate
3 citizen. And I just hope that --- you know, it's
4 important, I think, to recognize those individuals who
5 do so much. And I think the people of Bethlehem know
6 what you brought to that city and the redevelopment of
7 the south side of Bethlehem. And you are to be
8 commended, because you are model corporate citizen.
9 And I wish all of our casinos could follow your
10 example, because you do a great job.

11 MR. NIETHOLD:

12 Thank you. And we'd certainly like to
13 continue that relationship, with Bethlehem, obviously.

14 CHAIRMAN:

15 Any comment from the Ex-Officio members?
16 Enforcement Counsel, any presentation, Mr. Roland?

17 ATTORNEY ROLAND:

18 We don't really have a presentation, Mr.
19 Chairman. We'd just like to make a re-statement on
20 position and then do a little bit of housekeeping
21 regarding some exhibits we've asked to possibly move
22 in.

23 Sands Bethworks Gaming, LLC, its
24 affiliates and principals, have timely filed renewal
25 applications. And the Board's Bureau of Investigation

1 and Enforcement (BIE) has completed background
2 investigations.

3 Representatives from the BIE, the Bureau
4 of Casino Compliance, and the Office of Compulsive and
5 Problem Gambling are present today, if you have any
6 additional questions at this point.

7 BIE Regional Supervisor Michael
8 Rosenberry testified at the October 15th, 2013 Public
9 Input Hearing that Sands Bethworks Gaming, LLC, has
10 fully cooperated with the BIE during the license
11 renewal investigation, and that BIE has not identified
12 any information that would preclude a finding of
13 suitability for Sands Bethworks Gaming, LLC, its
14 affiliates, or its principals. As a result, the OEC
15 recommends that Sands Bethworks Gaming, LLC be found
16 suitable for renewal of its Category 2 Slot Machine
17 License.

18 As far as exhibits are concerned, we'd
19 ask today to have what is being marked as Exhibit
20 Number Eight from OEC moved into the record. If you
21 remember, at the October 15th hearing, we moved in One
22 through Seven. Number Eight is simply a supplemental.
23 It's an update which contains 13 warning letters which
24 address 18 separate incidents which would have
25 occurred between September of 2013 and today.

1 There is, also, out there --- and the
2 answers from Sands are also included with those
3 warning letters. There is, also, out there ---
4 although it can't physically be moved in, because it
5 hasn't been considered by the Board yet, there is a
6 pending Consent Agreement which was sent down for
7 Board review on April 25th of this year that has to do
8 with six separate underage incidents. And I think
9 with that, that covers all the matters that are from
10 the last licensing period. If you have any questions,
11 we'd be happy to answer them.

12 CHAIRMAN:

13 Mr. Kraus?

14 ATTORNEY KRAUS:

15 No objection to that Exhibit.

16 CHAIRMAN:

17 Okay. That exhibit will be admitted.
18 Any further ---? Anything further to add, Mr. Kraus?
19 Do you have anything you want submitted?

20 ATTORNEY KRAUS:

21 Two things. Yes. The synopsis of our
22 disclosure on the compulsive gambling. And finally,
23 just to --- having had the opportunity to review all
24 the reports of staff up here, I can completely
25 understand the effort and the time that went into

1 those, and the thoroughness. And we want to thank the
2 staff for all their efforts.

3 CHAIRMAN:

4 Okay. The report will be admitted. I'd
5 assume there's no objection?

6 ATTORNEY ROLAND:

7 No objection.

8 CHAIRMAN:

9 And the slide presentation, also admit
10 it?

11 ATTORNEY KRAUS:

12 Yes. Yes, please.

13 CHAIRMAN:

14 Okay. Any other questions? All right.
15 Thank you all very much, appreciate it. A vote on the
16 issuance of the license renewal will be addressed
17 later today under the Bureau of Licensing section of
18 the agenda. Thank you all.

19 * * * * *

20 MEETING CONCLUDED AT 11:46 A.M.

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CERTIFICATE

I hereby certify that the foregoing proceedings,
hearing held before Chairman Ryan was reported by me
on 4/30/2014 and that I Ariel Slotter read this
transcript and that I attest that this transcript is a
true and accurate record of the proceeding.


Court Reporter