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December 12, 2013

Susan A. Yocum, Esquire
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Pennsylvania Gaming Control Board
P.O. Box 69060
Harrisburg, PA 17106-9060

Re: Comment on Proposed Regulation # 125-175 (Proposal)

Dear Ms. Yocum:

Sands Casino Resort Bethlehem (SCRB) submits three comments to the Proposal.

Initially, the Proposal at the first sentence of 58 Pa. Code § 609a.4(c) (Section 609a.4) thru the addition of the phrase "temporary or permanent," as a modifier of a "credit limit increase," would make the requirement at Section 609a.4(c)(2), which incorporates the casino debt verification requirement specified at 58 Pa. Code § 609a.3(c)(2) (Section 609a.3), applicable to temporary credit line increases. By this comment, SCRB seeks to add an exception to the obligation to verify casino debt information that under the Proposal would be specified at § 609a.4(c)(2) for a temporary credit line increase so that a re-verification would not be required if the casino debt information had been verified within 30 days of the temporary credit line increase.

In the Proposal published on November 16, 2013 at 43 Pa. B. 6764 (Part 1) under the heading "Subpart K Table Games" the initial paragraph reads as follows:

> Language is proposed to be added in § 609a.4 (relating to approval of credit limits) to reflect the statutory requirement that any increase in credit, whether temporary or permanent, requires reverification of a patron's credit information.

For the reasons we outline below, we do not believe that the language of the statute pertaining to the issuance of credit, 4 Pa. C.S.A. § 13A27 (Section 13A27), has to be read to require re-verification of casino debt information for temporary credit line increases. Therefore, we believe that the Gaming Control Board (GCB) could adopt the proposal of SCRB for an exception for re-verification of casino debt information if the latest verification is within 30 days of a temporary credit line increase.

Section 13A27(b)-(d) provide in part as follows:

> **(b) Credit applications.--Each application for credit** submitted by a patron ... shall include the patron's name, address, telephone number and comprehensive bank account information, **the requested credit limit**, the patron's approximate amount of current indebtedness, the

> amount and source of income in support of the application, the patron's signature on the application, a certification of truthfulness and any other information deemed relevant by the certificate holder...
>
> **(c) Credit application verification.**--Prior to approving **an application for credit**, a certificate holder shall verify:
> (1) The identity, creditworthiness and indebtedness information of the applicant **by conducting a comprehensive review of the information submitted with the application** and any information regarding the applicant's credit activity at other licensed facilities which the certificate holder may obtain through a casino credit bureau and, if appropriate, through direct contact with other slot machine licensees...
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> **(d) Establishment of credit.**--Upon completion of the verification required under subsection (c), a certificate holder may grant a patron credit... Each applicant's credit limit shall be approved by two or more employees of the certificate holder ...The approval shall be recorded in the applicant's credit file and shall include the reasons and information relied on for the approval of credit and verification by the employees approving the applicant's credit limit. **Increases to an individual's credit limit may be approved following a written request from the individual and reverification of an individual's credit information.**
> (emphasis supplied.)

We think that Section 13A27 does not mandate casino debt re-verification for temporary credit line increases. We think there are a number of reasons this is so.

First, Section 13A27(b) describes an "application for credit" as requiring multiple items of information. Section 13A27(c) then requires verification of the information submitted with "an application for credit", describing that verification as a "comprehensive review." So the "comprehensive review" or verification required by Section 13A27(c) is tied to the "application for credit" in Section 13A27(b) as distinguished from the separate concept of a "requested credit limit."

Second, the foregoing point is buttressed by a review of the language of Section 13A27(b) that confirms that "the requested credit limit" is yet one element of an "application for credit." Therefore, an "application for credit" and a "requested credit limit" are not the same things and the "comprehensive review" is reserved for the former and not the latter.

Third, the requirements for an "application for credit" in Section 13A27(a) "shall" be satisfied for "each application for credit". There is no use of the mandatory "shall" or the all-inclusive "each" when referring to the analytically distinct concept of a "requested credit limit."

Fourth, the requirements for increases in a credit limit are addressed only in the last sentence of Section 13A27(d). There are only two requirements: a "written request" and "reverification of an individual's credit information." There is no specification of exactly what is meant by the general phrase of an "individual's credit information" and, therefore, the GCB has the power to determine what is meant by that general phrase and to conclude that re-verification of casino debt is not required for temporary credit line increases where casino debt has been verified within 30 days.

Fifth, an "individual's credit information" could not mean every last aspect of the required components of a "credit application" because the GCB has already determined in the Proposal that the verification of consumer debt required by Section 609a.3(c)(3) for an "application for credit" would not be required for an increase in credit. Likewise, re-verification of other elements of an "application for credit" such as the personal checking account information that is required by Section 609a.3(c)(4) is not required for a credit line increase.

We also think that there are practical reasons meriting conferring a validity period on the verification of casino debt. A licensee might grant a 5% temporary credit line increase during what is described in the industry as a casino trip and grant another temporary credit during the same trip. Requiring another casino debt verification during the same patron trip would be pointless. Also, SCRB has established a practice of re-verifying casino credit information on active credit players every 30 days and has adopted that practice based on a considered judgment that 30 days is a realistic interval during which casino debt may have changed and therefore would justify a patron waiting for a credit decision while an inquiry is processed.

The second comment of SCRB concerns the addition of the language "for any reason" in revised § 609a.5(e) that would require the re-verification of casino debt and consumer debt for any credit suspension regardless of the reason for the suspension. We think the "for any reason" would sweep with too broad a brush and beyond the core concern of credit worthiness.

There are a number of reasons that a patron's credit line may be suspended that do not relate to the concept of credit worthiness and that therefore ought not to require the re-verification of casino debt and consumer debt. For instance, a patron may be suspected of "walking with chips," i.e., leaving the casino with chips without applying the chips to the reduction of the patron's outstanding credit line, and the patron's credit line could be suspended for that reason pending a determination of whether the patron "walked" with chips. A credit line also may be suspended routinely as a matter of administrative credit file maintenance when the patron's credit activity has been inactive for less than the 24 months that under § 609a.6(a) would require complete re-verification of the requirements of §609a.3(c)(1)-(5). Likewise, a credit line may be suspended after the expiration of an identification credential used to identify the patron. SCRB periodically re-verifies the identity of a patron using a current credential on the next visit of the patron following the expiration date of the identification credential.

Because there are a number of reasons that SCRB would suspend the credit of a patron that are not related to credit worthiness, we request that the language proposed to be added to § 609a.5(e) of "for any reason" be amended to read "for any reason **based on the receipt of derogatory information**

relating to the patron's continued creditworthiness." The bolded language would be the added language. The additional phrase would be borrowed from § 609a.5(c). Subsection 5(c) already uses the proposed additional language to define when re-verification of casino debt would be required when derogatory information not requiring suspension is received. Adding the proposed additional language would make the language of subsection (e) consistent with subsection (c) and would solve what SCRB believes is the over breadth problem of the current form of the proposed revision to subsection (e).

The third comment of SCRB involves proposed new regulations at § 441a.25 (Reg 25) and § 441a.26 (Reg 26). SCRB believes that the proposed new regulations would unnecessarily complicate the financing activities of a licensee and its principal affiliates. Because we are concerned here with two new regulations in what would amount to an adoption of a new policy rather than refinements of existing regulations, we will recite below the complete text of the proposed new regulations, the principal defined terms used in the proposed new regulations, and a related newly proposed regulation relevant to the analysis.

The newly proposed regulations provide as follows:

> **§ 441a.1. Definitions.**
> For purposes of this subpart, the following words and terms have the following meanings, unless the context clearly indicates otherwise:
> ...
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> ***Material change in financial status***—A default in any covenant or condition specified in any loan document or other debt instrument under which the slot machine licensee, or any of its intermediaries, subsidiaries, holding companies or management companies thereof, is a borrower or guarantor.
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> ***Material debt transaction***—
> (i) A debt transaction of $25 million or more in a single transaction or cumulative transactions during any 12-month period.
> (ii) The term does not include transactions under a Board-approved line of credit, revolver or similar type of loan.
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> **§ 441a.11a. Duty to maintain financial suitability; notification of change in financial status.**
> (a) A slot machine licensee and its intermediaries, subsidiaries and holding companies shall, at all times, remain financially suitable. In determining whether a licensee is financially suitable, the Board will consider the following factors:
> (1) The ability to develop the proposed project.
> (2) The ability to obtain financing.

(3) The ability to maintain a steady level of growth of revenue to the Commonwealth.
(4) The historical financial suitability and financial wherewithal of the slot machine licensee, its intermediaries, subsidiaries and holding companies.
(b) A slot machine licensee shall notify the Bureau and the Bureau of Licensing in writing within 24 hours if the slot machine licensee or any intermediary, subsidiary or holding company of the slot machine licensee incurs a material change in financial status.

§ 441a.25. Approval of material debt transactions.
(a) A slot machine licensee may not consummate a material debt transaction without the prior approval of the Board.
(b) An intermediary or holding company of a slot machine licensee may not consummate a material debt transaction without the prior approval of the Board if the slot machine licensee is a guarantor of the debt or if the assets or income of the slot machine licensee are being used as collateral.
(c) Notwithstanding subsections (a) and (b), a publicly traded corporation may consummate a material debt transaction without Board approval, provided that:
(1) The publicly traded corporation notifies the Bureau and the Bureau of Licensing in writing at least 15 business days prior to the consummation of the material debt transaction by submitting a Notification of Financial Transaction form accompanied by current drafts of all documentation relating to the material debt transaction.
(2) The publicly traded corporation transmits to the Bureau and the Bureau of Licensing all final, executed documents relating to the material debt transaction within 5 business days following the consummation of the material debt transaction.
(3) The publicly traded corporation's debt transaction is $50 million or less.
(d) Any subsequent borrowings under a revolving line of credit, previously approved under this section, do not require subsequent approval of the Board.
(e) A debt transaction that does not otherwise qualify as a material debt transaction may require Board approval if Board staff determines that approval is necessary to protect the integrity of gaming.

§ 441a.26. Notification of refinancing transaction.
(a) A slot machine licensee or an intermediary or holding company of a slot machine licensee shall provide the Bureau and the Bureau of Licensing with all documents relating to a transaction to refinance $25

> million or more of its outstanding indebtedness at least 10 business days prior to the consummation of the transaction.
> (b) A notification required under subsection (a) shall be made on a Notification of Financial Transaction form accompanied by current drafts of all documentation relating to the refinancing transaction. All final executed documents relating to a refinancing shall be transmitted to the Bureau within 5 business days following the consummation of the refinancing transaction.
> (c) A refinancing transaction that results in the incurrence of $25 million or more of additional indebtedness shall be subject to § 441a.25 (relating to approval of material debt transactions).
> (d) Notwithstanding subsection (c), a publicly traded corporation may consummate a refinancing transaction that results in the incurrence of $50 million or less of additional indebtedness.
> (e) A refinancing transaction that does not otherwise require approval in accordance with subsections (c) and (d) may require Board approval if Board staff determines that approval is necessary to protect the integrity of gaming.

The published explanation of the need for new regulations Reg 25 and Reg 26 is as follows:

> Section 441a.25 is proposed to be added. If a licensee is going to incur additional debt, those transactions will require the approval of the Board if the incurrence of debt is greater than $25 million for privately held entities and $50 million for publicly traded entities. The incurrence of additional debt may impact the licensee's overall financial suitability. Therefore the Board believes approval of these transactions is necessary. If the licensee is borrowing on an already approved line of credit, those transactions will not require additional approval of the Board.
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> Proposed § 441a.26 requires licensees to provide documents to Board staff if the licensee is refinancing its existing debt. These transactions will not require Board approval unless Board staff after reviewing the documents determines that approval is necessary. If a licensee or its holding company incurs additional debt in conjunction with a refinance, § 441a.25 would apply.

The Notification of Financial Transaction Form would be the vehicle for notice to the GCB (a) by a publically traded licensee or parent company of a licensee of a financing of $50 million or less that might fall within the exception for prior GCB approval, as provided by Reg 25, or (b) by a licensee or parent company of a licensee of

a refinancing of $25 million or more, as provided by Reg 26. The published explanation of the use of the Notification of Financial Transaction Form is as follows:

> The Notification of Financial Transaction form which slot machine licensees would be required to complete in conjunction with a securities offering, a material debt transaction or when refinancing debt (§§ 441a.24—441a.26) will provide to Board staff an overview of a contemplated transaction.

As part of the proposed adoption of Reg 25 and Reg 26 an existing regulations, § 441a.11 (Reg 11), requiring notice to the GCB of new financial sources would be deleted. The proposal briefly explains that:

> Section 441a.11 (relating to notification of new financial sources) is proposed to be deleted and replaced with the more detailed provisions in §§ 441a.24—441a.26 (relating to notification of equity securities offering; approval of material debt transactions; and notification of refinancing transaction).

The published explanation of the need for the new regulation at § 441a.11a (Reg 11a), pertaining to the duty to maintain financial suitability, is as follows:

> Section 441a.11a (relating to duty to maintain financial suitability; notification of change in financial status) is proposed to be added. Subsection (a) reflects requirements in 4 Pa.C.S. Part II. Subsection (b) is proposed because a material change in financial status, as defined in § 441a.1, is directly related to a licensee's overall financial suitability. If a licensee or any of its intermediaries, subsidiaries or holding companies defaults on any provision of its loan agreements, immediate notification to the Board is required.

SCRB does not object to the adoption of Reg 11a. Rather, SCRB will cite to Reg 11a as part of the basis for urging the GCB not to adopt Reg 25 or Reg 26. The duty to maintain financial suitability is a recognized gaming regulatory concept and is part of the Pennsylvania Race Horse Development and Gaming Act (Act) at 4 Pa. C.S.A. § 1313.

Section 1313(a)-(b) & (e) provide that:

> **(a) Applicant financial information.**--The board shall require each applicant for a slot machine license to produce the information, documentation and assurances concerning financial background and resources as the board deems necessary to establish by clear and convincing evidence the financial stability, integrity and responsibility of

> the applicant, its affiliate, intermediary, subsidiary or holding company, including, but not limited to, bank references, business and personal income and disbursement schedules, tax returns and other reports filed with governmental agencies, and business and personal accounting and check records and ledgers. In addition, each applicant shall in writing authorize the examination of all bank accounts and records as may be deemed necessary by the board.
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> **(b) Financial backer information.**--The board shall require each applicant for a slot machine license to produce the information, documentation and assurances as may be necessary to establish by clear and convincing evidence the integrity of all financial backers, investors, mortgagees, bondholders and holders of indentures, notes or other evidences of indebtedness, either in effect or proposed. Any such banking or lending institution and institutional investors may be waived from the qualification requirements. A banking or lending institution or institutional investor shall, however, produce for the board upon request any document or information which bears any relation to the proposal submitted by the applicant or applicants. The integrity of the financial sources shall be judged upon the same standards as the applicant. Any such person or entity shall produce for the board upon request any document or information which bears any relation to the application. In addition, the applicant shall produce whatever information, documentation or assurances the board requires to establish by clear and convincing evidence the adequacy of financial resources.
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> ...
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> **(e) Applicant's operational viability.**--In assessing the financial viability of the proposed licensed facility, the board shall make a finding, after review of the application, that the applicant is likely to maintain a financially successful, viable and efficient business operation and will likely be able to maintain a steady level of growth of revenue to the Commonwealth pursuant to section 1403 (relating to establishment of State Gaming Fund and net slot machine revenue distribution)...

Proposed Reg 11a would be consistent with Section 1313(a) of the Act. Proposed Reg 11a would define the factors the GCB would take into consideration in determining financial suitability.

As set forth in the text of proposed Reg 11a, the factors to be considered by the GCB in determining financial suitability would consist of the ability to develop the proposed project, to obtain financing, and to grow the revenue benefits to the Commonwealth, which is mentioned in Section

1313(e), and the historical financial suitability and financial wherewithal of the licensee and its parent companies. For a licensee such as SCRB that has been open for more than four and one-half years, the financial suitability factors set forth in Reg 11a would state nothing more than factors that SCRB has already achieved.

In other words, SCRB has completed the proposed project, has obtained financing thru a parent company, and has increased its revenue since opening and therefore has increased the revenue to the Commonwealth, and therefore has established the historical financial suitability and wherewithal of SCRB and its parent companies. Lastly, the requirement in proposed Reg 11a that would require reporting of any "material change in financial status," i.e., the defined term covering a default on any condition or covenant in any loan of the licensee or any parent company of the licensee, would also be consistent with financial suitability because a default on a loan condition or covenant is information the GCB would need to know.

Proposed Reg 11a would also complement the existing regulation at § 433a.6, relating to the requirements for licensing certain lenders as principals and exempting banks and lending institutions subject to certain conditions. § 433a.6 is in turn consistent with Section 1333(b), relating to the determination of the integrity of financial backers.

With this background, we turn to the concerns of SCRB with proposed Reg 25 and Reg 26. We recite a number of concerns.

First, the Proposal does not state the need for Reg 25 or Reg 26. The published explanation states only that the "incurrence of additional debt may impact the licensee's overall financial suitability." However, the barebones statement that incurring additional debt "may" impact financial suitability does not articulate the need for GCB intervention to examine and to decide whether to approve "every" financing above the $25 million threshold set for licensees. In addition, in the answer to question 10 in the Regulatory Analysis Form to state the need for the regulation there is no mention of Reg 25 or Reg 26 or the need for their adoption. Indeed, we do not see any mention of Reg 25 or Reg 26 anywhere else in the Regulatory Analysis Form.

Second, the Proposal does not explain the need for the new approval requirements in Reg 25 and Reg 26 after a number of years of industry operations regulated by the GCB without the need for any approval requirements for financing or refinancing.

Third, the Proposal would repeal Reg. 11. Reg 11 provides as follows:

> Each slot machine applicant or licensee shall notify the Board, in writing, as soon as it becomes aware that it intends to enter into a transaction which may result in any new financial backers. The notice shall be sent to the Bureau of Licensing and the Bureau of Corporate Compliance and Internal Controls.

Thus, Reg 11 requires notice to the GCB of any new financial backers without setting any threshold.

On the other hand, Reg. 25 would not require any notice to the GCB of debt transactions of less than $25 million, i.e., $25 million is the materiality threshold in the defined term of "material debt transaction" that would trip the prior approval requirement. Reg. 25 also would require notice to the GCB on the Notice of Financial Transaction form only if a licensee or parent company sought to take refuge in the safe harbor for publically traded companies for debt transactions less than $50 million. Likewise, Reg 26 would require a licensee or parent company to file a Notice of Financial Transaction form with the GCB for re-financings of $25 million or more.

In other words, at present Reg 11 requires notice to the GCB of any financing or re-financing. Under proposed Reg 25 and Reg 26, notice to the GCB would only be required for financings or re-financings of $25 million or more. So despite the justification statement that the additional debt may impact financial suitability, the Proposal at the end of the day may provide the GCB with less information about the occurrence of financings and re-financings.

Fourth, while the stated need for the new debt approval requirements is that new debt "may impact the licensee's overall financial suitability," the stated need for the new approval requirements does not dovetail or square with the factors the GCB would take into consideration when assessing financial suitability under proposed Reg 11a. Reg 11a lists the factors the GCB would consider as the ability to develop the proposed project, to obtain financing, and to maintain revenue growth, and the historical financial responsibility and wherewithal. In other words, none of the factors to be relied upon by the GCB in assessing financial suitability bears any connection with the stated need to evaluate financings or re-financings based on the rationale that financings may impact financial suitability.

Taking the factors to be considered in proposed Reg 11a in turn, we begin with the "ability to develop the proposed project." We do not quarrel that having such an ability is germane to financial suitability, but the disconnect is that financing is needed to complete the proposed project. So measured against that factor, the existence of financing is something that satisfies the first financial suitability factor rather than something that draws into question financial suitability. The next factor to be considered by the GCB in assessing financial suitability is the ability to obtain financing. We therefore need not dwell on the point that having obtained financing could not be an event that would draw into question the ability to obtain financing. The third factor of the ability to grow revenue for the Commonwealth likewise has nothing to do with financing. The Commonwealth receives its revenue as a percentage of gross revenue. Therefore, obtaining financing could not adversely affect the Commonwealth's top-line revenue source. Lastly, the historical financial suitability and financial wherewithal is just that – a historical fact – that could not be influenced one way or the other with a new financing prospect. For all these reasons, the stated need for the approval requirement for financings that financings may impact financial suitability is not supported by the corresponding factors the GCB would take into consideration in examining financial suitability under the simultaneously proposed Reg 11a.

Fifth, Reg 25(a) would require approval of any new borrowing by a privately held licensee of $25 million or more including that from a parent company. Existing § 433a.4 requires the parent companies of Sands Bethworks Gaming, LLC (SBG) including Sands Pennsylvania Inc. (SPI), Venetian Casino Resort, LLC (VCR), Las Vegas Sands, LLC (LVS LLC) or Las Vegas Sands Corp. (LVSC) to be licensed as principals based on their direct or indirect ownership interests in SBG. In addition, as noted above, existing § 433a.6 requires lenders to a licensee other than banks and certain licensed lending institutions to be licensed as principals. No reason has been stated in the Proposal of the need for SBG to obtain approval to borrow funds loaned by SPI, VCR, LVS LLC, or LVSC, all of whom are licensed principals, as required by § 433a.4, and who are therefore permitted by § 433a.6 to loan funds to SBG.

Sixth, Reg 25(b) would require a parent company to seek approval of its own borrowing of $25 million or more ($50 million or more if the parent is publically traded and makes certain filings with the GCB) if the assets of the licensee serve as collateral for the parent company loan or if the licensee is a guarantor of the loan. SCBR believes that this provision may touch on a financial suitability concern, but is very overbroad in its current form.

Approval should not be required of parent company borrowings in almost all circumstances. For example, as a hypothetical, assume that LVSC or another of the licensed parent company principals loaned $500 million to SBG to finance construction of the project or to finance operations. Assume further that the funds loaned to the licensee by the parent company were the proceeds of, or derived from, a parent company borrowing or re-financed borrowing or operations of the parent company financed by the parent company borrowing. A guarantee by the licensee in favor of the lender to the parent company limited to the amount loaned by a parent company to the licensee and that reduced the obligation to the parent company to the extent the licensee paid on the guarantee would not raise any financial suitability concerns because it would not increase the obligation of the licensee. In the case of such a guarantee, the parent company would be facilitating the financing of the licensee and thus would be promoting the financial suitability of the licensee.

Likewise, no financial suitability issues would be raised where security interests granted by the licensee in favor of its parent company to secure a loan from the parent to the licensee were, in turn, collaterally assigned by the parent company in favor of the lender to the parent company. The security interests would be granted by the licensee to secure the amount loaned by the parent company to the licensee. The collateral assignment by the parent company in favor of its lender of the security interests granted by the licensee to its parent to secure the loan to the licensee from the parent would not increase the obligations of the licensee. Instead, if the parent company defaulted on its borrowings from its lender, the lender of the parent company could "step into the shoes" of the parent company as respects the obligations of the licensee to its parent company. However, the obligation of the licensee would not be increased in that situation. The obligation of the licensee would be limited to the amount loaned to it by its parent company, which was secured by the security instruments the licensee issued to its parent. So once again, in the case of a collateral assignment of the licensee's security interests in favor of the parent company's lender, the parent company would be serving as a facilitator of financing of the licensee because the parent company would be obligating itself to its third party lender for the

funds ultimately benefitting the licensee. Stated differently, the parent company for all intents and purposes would be acting as the guarantor of the licensee's debt.

To be distinguished from these customary transactions would be situations where the licensee guaranteed obligations of the parent company or provided security interests covering the licensee's assets directly or indirectly in favor of the lender of the parent company that were not limited by the amount of the funds received by the licensee from the parent company. Issuing a guarantee or security interests creating an obligation of the licensee in excess of the funds loaned by the parent to the licensee could merit the attention of the GCB from a financial suitability point of view. The language of Reg 25 would appear to permit a guarantee up to but not including $25 million more than the amount of the funds loaned by the parent to the licensee in the case of a privately held parent company or up to $50 million in the case of a publically traded parent company. If that is the intent, Reg 25 would need to be re-written to implement that intent and to eliminate coverage of what we describe above as customary transactions where the parent company facilitates the financing of a direct or indirect subsidiary.

Seventh, Reg 26 would apply to re-financings and, as respects re-financings, would contain all the same problems identified above for initial debt transactions. In addition, we believe that Reg 26 suffers from another ambiguity.

Under Reg 26, privately held companies would be subject to Reg 25 in the case of re-financings that involved $25 million or more of additional debt and public companies would be subject to Reg 25 in the case of re-financings that involved $50 million or more of additional debt. What is ambiguous is what would be meant by additional debt.

As a hypothetical, assume a parent company with a $5 billion line of credit. Prior to re-financing, assume as a further part of the hypothetical that the outstanding balance of $5 billion had been paid down to $2.5 billion and the parent company sought in the refinance to borrow $3.5 billion. The question becomes whether what is additional debt is judged against the baseline of the original $5 billion line or the amortized amount of $2.5 billion. While we hope that this question may be academic with a substantial re-write of Reg 25 and Reg 26 consistent with the comments above that would eliminate the necessity for approval of loans to the licensee from a parent company or borrowings of a parent company that are secured in whole or in part by collateral assignments by a parent company to its lender of security interests granted by the licensee to secure loans received by the licensee from a parent company, as we have described above, we raise the issue and offer the comment that, if the issue does not become academic based on our prior comments, the baseline ought to be the amount of the original loan or $5 billion in our hypothetical.

Eighth, if Reg 25 and Reg 26 were not substantially altered to be consistent with the above comments, the $25 million and $50 million thresholds noted above for privately held companies and publically traded companies are comparatively low thresholds and quite low thresholds for developers of integrated resorts such as LVSC. In addition, considering what is meant by additional debt in the case of a refinance, the low thresholds could wind up establishing a standard that would result in the greater

quantity of loans needing approval rather than establishing a standard that would exempt the greater quantity of loans from needing approval. Also, the thresholds risk capping the dollar value of future improvements or financing activities for the benefit of licensees, seeking to avoid putting public financing transactions thru the rigors of regulatory approval.

Lastly, public financings are a complex process involving scores of participants and multiple and complicated agreements necessary to document the transactions. We think that the right regulatory balance would not be achieved by adding more layers of complexity of scheduling a public hearing before the GCB in the midst of the ordinarily hectic process of multiple upon multiple revisions of what are typically voluminous deal documents and affording staff the time to wade through the same in order to assist the GCB in its review where the inevitable time delays in closing could affect the economics of the deal.

We think the right balance was struck at the outset by the GCB with the adoption of Reg 11, affording prior notice of all debt transactions, and the licensing requirements for principals and for certain lenders that we have identified earlier by reference to § 433a.4 and § 433a.6. Prior notice should give staff time to identify and prevent any potential impairment of regulatory interests. We do not think any such untoward events have occurred to the knowledge of LVSC and SBG that would warrant the large number of GCB approvals of loan transactions contemplated by Reg 25 and Reg 26 as proposed.

For all the reasons expressed above, SCRB requests that the Proposal (a) be modified at § 609a.4(c)(2) to require a new casino debt inquiry in the case of a temporary credit increase only if the current information is more than 30 days old, (b) be modified at § 609a.5(e) to require re-verification of casino and consumer debt only when a credit line suspension results from derogatory information relating to the patron's continued credit worthiness, and (c) among other matters related to the Proposal at Reg 25 and Reg 26, be withdrawn as respects prior approvals of debt transactions.

We appreciate the consideration of these comments.

Respectfully submitted,

Frederick H. Kraus /kbd

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