

PENNSYLVANIA GAMING CONTROL BOARD

PUBLIC HEARING

SANDS BETHWORKS
PETITION FOR RULING THAT CAUSE EXISTS TO RELAX
OR MODIFY LICENSING CONDITION NO. 51

TUESDAY, FEBRUARY 3, 2009, 11:02 A.M.

STATE MUSEUM AUDITORIUM
HARRISBURG, PENNSYLVANIA

BEFORE:

MARY DiGIACOMO COLINS, CHAIRMAN
RAYMOND S. ANGELI
JEFFREY W. COY
JAMES B. GINTY
KENNETH T. McCABE
SANFORD RIVERS
GARY A. SOJKA
KEITH WELKS, EX-OFFICIO REPRESENTATIVE

HILLARY M. HAZLETT, REPORTER
NOTARY PUBLIC

1 CHAIRMAN DiGIACOMO COLINS: Good morning,
2 everyone. If everyone could please -- I'm going to call
3 this to order. Is everyone prepared to begin? Would
4 you all be seated, please? Thank you.

5 Good morning. I'm Judge Mary Colins, Chairman
6 of the Pennsylvania Gaming Control Board. Firstly, I
7 would like to ask you all to turn off your cell phones,
8 BlackBerries, and other electronic devices, please.

9 Do we have Keith Welks with us?

10 COMMISSIONER ANGELI: Here he comes down the
11 aisle.

12 MR. WELKS: I'm coming down the aisle. My
13 apologies.

14 CHAIRMAN DiGIACOMO COLINS: Mr. Welks is
15 arriving representing the Treasurer Robert McCord.

16 Is Stacie Amsler here? She is here on behalf
17 of the Secretary of Revenue, Stephen Stetler.

18 There are a few matters, which we will address.
19 There are two Petitions we will hear argument and/or
20 testimony on before we open the public meeting.

21 The two Petitions are filed by Sands Bethworks,
22 LLC. The first Petition seeks relief in the form of the
23 Board approving a delay in certain aspects of the
24 Petitioner's project, while the second Petition seeks
25 Additional Time to Make Slot Machines Available to Play,

1 and that Petition is filed pursuant to Section 1210 of
2 the Gaming Act.

3 These matters are related and you may discuss
4 them or argue them -- I would prefer you argue them
5 separately, frankly. To the extent that your arguments
6 or testimony relate to the other Petition, we will take
7 note of that; but if you could try to proceed first with
8 the Petition to Delay the Construction of Certain
9 Aspects of your Original Plan, if you would.

10 Would you like to proceed? State your name for
11 the record.

12 MR. KRAUS: Madame Chairman, Fred Kraus
13 representing Sands Bethworks Gaming, LLC. Also with me
14 is Bob DeSalvio, President of the Licensee.

15 CHAIRMAN DiGIACOMO COLINS: Mr. DeSalvio will
16 you be testifying?

17 MR. DeSALVIO: Yes.

18 CHAIRMAN DiGIACOMO COLINS: Would you take an
19 oath, please?

20 MR. DeSALVIO: Sure.

21

22 ROBERT J. DeSALVIO, called as a witness, being
23 duly sworn, testified as follows:

24

25 CHAIRMAN DiGIACOMO COLINS: Okay.

1 MR. KRAUS: I begin very briefly with the
2 Petition seeking the delay. One thing that we made very
3 clear in the Petition is this is only a matter of
4 timing. This is not an application to change any
5 elements of the project.

6 As you will see from our PowerPoint slide, all
7 of the elements of the project remain intact. The
8 several elements that we are seeking a delay on have
9 been substantially constructed already.

10 You will see in the pictures that the hotel
11 portion of the project, the entire steel substructure,
12 superstructure is in place, all of the floors, the
13 concrete pads have been poured.

14 There is some HVAC installed. You won't see
15 that from the picture. The retail facility is entirely
16 enclosed. The steel is in place for the multipurpose
17 facility.

18 This is only seeking a delay based on current
19 economic conditions. This is not a problem, as the
20 Board is aware, that is unique to Pennsylvania, it's a
21 -- we have delayed projects worldwide.

22 In Las Vegas, we have an approval for another
23 million square feet of convention space, about a block
24 east of our main complex. We suspended that based on
25 the economy. That was the first to be suspended.

1 We have a condo tower that is perhaps half
2 constructed. Half of the steel is up. That has been
3 suspended until the economy turns around. We have
4 suspended a number of projects in McCall based on the
5 economy.

6 We can't give an actual time for the delay
7 because it -- we need additional financing to complete
8 the project, but we have a condition that requires us to
9 spend \$600 million on this project.

10 The initial elements will cost about \$743
11 million, and we are able to finance those because we
12 recently completed a \$2.1 billion capital raise in
13 November.

14 We provided the Executive staff of the Board
15 with advance notice of the suspension, which we
16 announced in our third quarter 10-Q because we will
17 always give regulatory agencies nonpublic information
18 before the information becomes public.

19 With that, I would like to have Bob go over the
20 elements of the project that are scheduled for
21 completion.

22 MR. DeSALVIO: Great.

23 CHAIRMAN DiGIACOMO COLINS: And what we will do
24 is we will have questions for you, but after your
25 presentation. Then we will ask you whatever questions

1 we have as a Board.

2 Go on, sir.

3 MR. DeSALVIO: Good morning, Chairman Colins
4 and the rest of the Board members. My name is Bob
5 DeSalvio. I am the President of the Sands Casino
6 Resort, Bethlehem.

7 It is our pleasure today to update you as to
8 the status of the project. I thought the best way to do
9 this would be visually so you can see, not only the
10 renderings of what we are building, but we are going to
11 show you as well some progress photos of the job as
12 well.

13 I might also add that various members of the
14 staff have been making visits to the property to get
15 their updates along with the State Police and others so
16 that they get to see with their own eyes exactly what is
17 going on on the site.

18 The first slide here represents just an overall
19 front view of the property from Route 412 out in front
20 and it shows the Oil bridge with our Sands sign on it.
21 The Oil bridge being one of the key components that we
22 committed to saving as part of the historical
23 preservations aspects of the project.

24 Then that is a shot directly looking at the
25 3,400 car parking garage with the large, clerestory

1 glass structure and our front port cochere entrance and
2 on the left side behind that is the casino area itself.

3 This next slide represents our overall master
4 plan. We have 124 acres on the site. We are currently
5 immediately developing the area on the right-hand side
6 or the eastern most portion of the site to include the
7 parking garage, the casino structure, and as Fred
8 mentioned, the superstructure for the hotel and the
9 completed, just about nearly completed exterior of the
10 mall structure.

11 The remaining acreage is meant to be developed
12 over time. The most likely next piece of the project
13 would be right, almost dead center on the slide. It is
14 a yellow building. That is a building that we are
15 turning over to two organizations, ArtsQuest and PBS 39
16 for a community project they are doing called Steel
17 Stacks.

18 Speaking with their representatives last week,
19 along with the Mayor, they are hoping that mid to later
20 part of this year, they will be underway with
21 construction. And the idea being that in that cultural
22 cluster area, we begin some development on the western
23 end of the site that will complement the casino
24 components on the eastern end of the site.

25 This next slide represents an overall site plan

1 for our project. You can see the access road out on
2 412. We are currently under construction with the road
3 improvements.

4 We will be widening the road to four lanes out
5 in front of the project, as well as adding all of the
6 internal road networks, the 3,400 car parking garage on
7 the far eastern end of the site, the casino structure
8 and its accompanying restaurants, the Minsi Trail
9 Bridge, which splits the job site and we built actually
10 under that bridge and come out on the western end with
11 the mall and the hotel and multipurpose structures.

12 This next slide represents the first floor, the
13 main floor plan of the project. The reason we wanted to
14 show you this was to show you that we are building the
15 complete gaming floor.

16 As I think most of the Board knows, we are
17 scheduled to open up with 3,000 slots; and then six
18 months later, we want to come back and ask for the Board
19 approval to put in the additional 2,000 units to go to
20 the maximum of 5,000.

21 In order to do that, on a rapid basis, we had
22 to build out the entire facility right from the get-go.
23 So we have built the full casino boxes, they would call
24 it; and we will outfit it accordingly based on your
25 approval.

1 We also wanted to show you that we ring the
2 casino floor with the areas to energize the floor,
3 mainly the food and beverage and the lounge aspects.

4 You will see the three circles in the center of
5 the floor represent the casino lounges; one being an
6 entertainment lounge, one more of an ultra lounge, and
7 one sort of a center bar, meet and greet place.

8 The green surrounding the perimeter of the
9 floor represents food and beverage outlets of which we
10 will be opening four when we open the facility in the
11 near future. In the blue, to the far left of this
12 slide, represents the future mall completion.

13 This is an interior rendering showing the main
14 feature in the center of the casino floor. It is a
15 circular bar with the representative steel rings.
16 You'll notice, too, the open-grid ceiling representing
17 more of a stylized industrial look to fit and to be in
18 keeping with the historical aspects of the site.

19 Now, this next slide represents an actual photo
20 taken last week of the progress in that same general
21 area on the casino floor. You can see that we have
22 started to put down the carpeting.

23 You can see the ceilings are basically finished
24 except for the decorative and architectural lighting.
25 In the far distance, you can see the first ring of the

1 bar that was on the previous rendering as they start
2 putting together the food and beverage aspects of the
3 facility on the floor.

4 We are currently slated to start bringing in
5 slot machines as of February 16th. Our surveillance
6 head-end equipment is arriving today. We expect to have
7 30 cameras up and running by the first arrival of the
8 machines. So far, everything is on track for the
9 February 16th arrival of gaming equipment.

10 This next slide represents our entertainment
11 lounge on the main casino floor, meant to be a very high
12 focus aspect of the floor. We will be having probably
13 almost daily entertainment in that lounge. It plays out
14 to the casino floor to really give a good atmosphere and
15 a high energy level on the floor.

16 This slide represents that same bar from a
17 different angle. This would be as if you were standing
18 at the stage and it gives you the perspective of looking
19 out over the casino floor and all the way across the
20 floor to the cashier cage just to show you that
21 particular lounge and entertainment venue will play out
22 to the casino floor. They are, again, putting in the
23 food and beverage systems now to get that up and running
24 for opening.

25 This rendering is our ultra lounge at the north

1 end of the casino floor. We just started preliminary
2 construction in this area. Again, this would open six
3 months after the initial opening.

4 This slide represents the interior of our
5 signature steakhouse. This restaurant will also be
6 ready for opening.

7 We are currently in the final throes of
8 negotiating a deal with a celebrity chef, which we think
9 will really add a nice complement to the facility and be
10 a real bright spot for the Pennsylvania gaming industry.
11 We are really excited about that prospect and a really
12 good looking restaurant, as you can see from the
13 rendering.

14 This is -- it is called here a logo shop. It
15 is really much more than that. It is right inside of
16 our main entranceway. Not only will we have logo wear,
17 but we will have gift items and various other amenities.
18 It is a real signature location right off the main
19 entrance and a very highly stylized retail outlet. We
20 think it will really add to the arrival sequence of the
21 property.

22 The next slide is a representative -- we are
23 going to do a very authentic Irish pub and carvery.
24 This will also open when we first open the property, a
25 very exciting look to it.

1 We will have a stage in there so we can do
2 music as well and some entertainment, and we are
3 expecting this to be quite a popular spot on the floor.

4 This represents a shot as you are coming in the
5 main port cochere entrance from the casino. It shows an
6 entry water feature. On the far right, you see lights
7 that shoots up through an atrium. That is a seven-story
8 atrium leading up to the 3,400 car garage and, again,
9 designed to make sure we have a wonderful arrival
10 sequence, very interesting and very fun. You can see
11 the shop that I previously mentioned is in the
12 background on that particular rendering.

13 And then this slide represents an aerial that
14 was taken about a week and a half to two weeks ago of
15 the progress.

16 Some important things to note there on the far
17 right, you can see the progress of the parking garage
18 that is moving along at a good clip and will be ready
19 for our opening.

20 To the left of the garage is the main casino
21 structure and the restaurants that surround the
22 perimeter of the floor, the Minsi Trail Bridge; and as
23 Fred mentioned earlier, you can see the mall.

24 The mall is just about done as far as its
25 exterior. We are going go all the way through and put

1 all of the glass and all of the glazing systems in so
2 you will have a complete looking structure there.

3 The good news about that is the hard work is
4 done and the foundations are in. The remaining work is
5 us doing the neutral piers in the malls and then the
6 rest of it is mainly tenant fit-out work.

7 When the economy does change and financing is
8 available, when we need to go in and complete this, it
9 will be a fairly simple process to be able to get
10 retailers in there and up in action.

11 Then, also as Fred mentioned, in the distance,
12 you can see the tower crane and the superstructure of
13 the hotel is complete. That was poured all the way up
14 through the top. All the floors are in. Again, the
15 hard and heavy lifting is done, so when we get back in
16 there, it will make it easier as far as getting back in
17 and finishing the hotel as soon as we are available to
18 do so.

19 That is it on the slides. The only other
20 comment I wanted to make is that we opened up our
21 employment center. We had a ribbon cutting on Friday.
22 We had an official opening yesterday.

23 We are encouraging people to sign up online so
24 that they don't have to wait in line. But if they do
25 come on board, we have got terminals right on-site.

1 We have had 4,000 people fill out applications
2 already in the first three days. We had 350 on-site
3 visitors yesterday. From what I have heard, we have a
4 pretty good crowd there this morning.

5 Obviously, in these difficult economic times,
6 there are many people out there looking for work. So I
7 think we are going to have an incredible pool of talent
8 to be able to choose from to fill these jobs.

9 Just the fact that we can add 1,000 jobs is
10 some really good news in what is otherwise pretty
11 troubling times.

12 I wanted to just give you the report that all
13 systems are go. We have talked to the Board or the
14 staff of the Board about some potential dates for
15 opening and test days.

16 Right now, all things are pointing towards us
17 completing that, assuming we get the arrival of
18 machines, on track for February 16th, which looks good.
19 That concludes my comments.

20 Fred, any others?

21 MR. KRAUS: No. I would just add as to the
22 next Petition, Madame Chairman, members of the Board
23 that the requirement to show good cause --

24 CHAIRMAN DiGIACOMO COLINS: Before we get --
25 you're going to the next Petition?

1 MR. KRAUS: Yes, I was.

2 CHAIRMAN DiGIACOMO COLINS: Before we get to
3 that, I wanted to give Chief Enforcement Counsel an
4 opportunity to ask you questions.

5 MS. DAVENPORT: Thank you, Commissioners.

6 It is Nan Davenport, Deputy Chief Enforcement
7 Counsel for the Office of Enforcement Counsel.

8 Could you just be succinct and say what
9 portions of the project have been suspended?

10 MR. DeSALVIO: Sure. The mall, basically, the
11 entire retail mall, the 300-room hotel facility, and the
12 multipurpose meeting space.

13 MS. DAVENPORT: And it sounds like you haven't
14 been able to establish a timetable to complete those
15 projects; is that correct?

16 MR. DeSALVIO: That is correct. It really
17 hinges on the ability for us to raise financing. It is
18 really not something that we could predict when that
19 availability would be, and so we really need both -- two
20 things to happen; general turn in economic conditions
21 and the ability to raise financing in other markets.

22 MS. DAVENPORT: Just so we are clear, the
23 portions that are suspended are portions of Phase I?

24 CHAIRMAN DiGIACOMO COLINS: Could you repeat
25 that.

1 MS. DAVENPORT: The portions are put out of
2 Phase I; is that correct?

3 MR. DeSALVIO: That is correct.

4 CHAIRMAN DiGIACOMO COLINS: What did you say?
5 Could you repeat that?

6 MS. DAVENPORT: Sure. That the portions that
7 have been suspended are part of Phase I of the project.
8 There are two phases.

9 MR. PITRE: I have a couple of questions also.

10 CHAIRMAN DiGIACOMO COLINS: Please.

11 MR. PITRE: Cyrus Pitre, Chief Enforcement
12 Counsel.

13 What was the main cause for the construction
14 delay?

15 MR. DeSALVIO: Do you want to take that?

16 MR. KRAUS: Yes. The two principal reasons
17 economic -- general economic conditions in the country
18 and throughout the world and the increased project
19 costs. We can -- through the \$2.1 billion capital
20 raising program, we were able to fund the nonsuspended
21 portions of the project, which will total approximately
22 \$743 million.

23 So to complete that -- those unsuspended
24 portions of the project required additional financing.
25 We achieved that.

1 So, it is generally economic conditions and
2 financing. It was not a decision that we made. It was
3 really a decision that the prevailing economic
4 conditions dictated to us.

5 Plus the mall, as Bob said, the predominant
6 part of the mall is tenant fit-out. The retail climate
7 to close leases suffered equally with the current
8 economic conditions. It would need to have retail
9 tenants to perform the fit-out work. We don't have
10 those right now.

11 MR. PITRE: And how much money have you spent
12 thus far with regard to construction?

13 MR. DeSALVIO: To complete the phases that we
14 described earlier, the project cost will be \$743
15 million; and that does not include any amounts that are
16 required to finish the mall, the hotel, and the meeting
17 space. So the \$743 million is to get us to where we are
18 for today's project.

19 MR. PITRE: Okay. And how much more financing
20 do you anticipate will be needed to complete the
21 project?

22 MR. DeSALVIO: We don't have the final number.
23 Now that we have suspended part of the work and we are
24 completing the project, we need to go back in and really
25 do a true construction assessment to find out from where

1 we are today to finish the components how much total
2 that would be. We are right in the throes of doing that
3 research currently.

4 Obviously, it would be a substantial amount of
5 money because we have to do the entire hotel fit-out.
6 We have to do the complete multipurpose facility, and
7 then whatever remaining work is to be done on the mall.
8 The substantial number, I just don't have the number at
9 this time.

10 MR. KRAUS: It would be at least a nine-figure
11 number.

12 MR. PITRE: The increased project costs that
13 you -- which you spoke about, did that have anything to
14 do with the problems that you ran across initially with
15 regard to digging the concrete bed that you had to dig
16 up?

17 MR. DeSALVIO: The initial -- I was before the
18 Board some time ago to talk about that. That we
19 initially found foundations that were much deeper and
20 thicker than what we thought when we were doing the
21 excavation work after the demolition.

22 That affected the original timeline of the
23 project. I believe last time I was here before the
24 Board, we had come to you and suggested that we would
25 open up -- and originally, I think it was the summer of

1 '08 was back at the Licensing Hearing.

2 We changed that to the second quarter of '09.
3 So we are still saying second quarter of '09. So the
4 timeline has not changed since the last time we were
5 before the Board.

6 MR. PITRE: I have no further questions.

7 CHAIRMAN DiGIACOMO COLINS: All right. I'll go
8 in order now.

9 Commissioner Ginty, do you have any questions?

10 COMMISSIONER GINTY: No.

11 CHAIRMAN DiGIACOMO COLINS: Commissioner Sojka?

12 COMMISSIONER SOJKA: No.

13 CHAIRMAN DiGIACOMO COLINS: Commissioner
14 Rivers?

15 COMMISSIONER RIVERS: Yes.

16 When you came before us and we approved this
17 project, you talked about being a vacation destination
18 as being one of your strong points in terms of why we
19 should support this particular facility.

20 Without the advent of this hotel, that negates
21 this vacation destination. I guess my concern is, have
22 you reworked your revenue projections to reflect a
23 change in your status? And if so, what are those new
24 revenue projections?

25 MR. DeSALVIO: Let me first address the idea

1 about the resort destination status. It was our
2 intention and is our intention to have the hotel resort
3 component as part of the facility. Our company is
4 committed to finishing it just as soon as possible.

5 Without it being done, what we have done is we
6 have gone around to the local hotel community. We have
7 already engaged in discussions with them so that they
8 would be able to assist us in housing potential guests
9 that are going to be looking to stay overnight in the
10 area.

11 We are establishing a program where we will
12 have a regular referral so that if somebody calls the
13 property and says they want to visit and understand that
14 the hotel is not open yet, we will be able to refer them
15 to -- there are about 3 to 4,000 rooms in the Lehigh
16 Valley and some really good quality hotel rooms.

17 The hoteliers are obviously -- although they
18 are -- I'm sure they are unhappy in the fact that our
19 meeting space and some of those components are not being
20 done because they would hope to get spinoff from that.
21 They are also going to receive a benefit in the short
22 term without us having our rooms.

23 They are very happy that we are networking with
24 them an arrangement whereby we can house people.
25 Although, they won't be on the site, they will be able

1 to go to many of the hotels in the area and hopefully
2 still accomplish the goal that you mentioned and our
3 original intention.

4 As far as the rework of the numbers, we were
5 concentrating mainly on our '09 numbers for our
6 projections.

7 The hotel component was originally slated to
8 come online about September or October of this year. We
9 had very little amount of money in this year's budget
10 related to the hotel because we never knew quite exactly
11 when that tower would be finished.

12 Obviously, the vast portion of the revenues
13 from the project are from the gaming side so that --
14 although in the out years, there will be a loss of hotel
15 revenue until such time as we get it open, it really
16 wasn't going to impact our main budget year that we have
17 been focusing on, which is this year.

18 We haven't done anything for '10 or '11 yet,
19 other than some rough internal projections. So, it is
20 -- the vast majority of the revenue does come from the
21 gaming side where we'll be able to add that hotel
22 revenue as soon as we can get the property up and
23 running.

24 COMMISSIONER RIVERS: But if you were making
25 reference to the fact that this was going to be a resort

1 vacation destination, that had to play into the numbers
2 that you touted at that particular time because you were
3 counting on people coming to your facility, staying at
4 your facility, and also gambling at your facility.

5 Now, that we don't have that, even though there
6 are 3,000 rooms within the Greater Lehigh Valley, there
7 are no guarantees that people are going to come and stay
8 at one of those 3,000 rooms. That is speculation on
9 your part; am I correct?

10 MR. DeSALVIO: I do think, though, that our
11 research told us, though, that a lot of business that
12 comes to the property is day traffic.

13 One of the reasons we were so interested in the
14 Lehigh Valley as a location is there is a million people
15 within a 25-mile radius of the property and there are
16 17.2 million people within a 75-mile radius of the
17 property.

18 We do think that there will be a very
19 substantial amount of day visitors; and yes, we do
20 understand the hotel component is important. We will
21 add to the revenue. We will add to the profit and add
22 to the overall amenity mix.

23 We don't obviously have the date for which we
24 can open that, but we still think the project will be
25 extremely successful in its current form.

1 COMMISSIONER RIVERS: Seeing how you have your
2 demographics, how many other casinos are within the
3 range that you basically articulated to earlier?

4 MR. DeSALVIO: Within a 25-mile radius, there
5 would be none. Within a 75-mile radius, you would pick
6 up to the north of us, you have got Mount Airy in that
7 range and probably the Mohegan Sun property is probably
8 in that range. To the south of us, it would be
9 Philadelphia Park and Chester.

10 COMMISSIONER RIVERS: So you will have some
11 competition?

12 MR. DeSALVIO: Yes.

13 MR. KRAUS: If I could just add one point that
14 Bob mentioned indirectly is that we are going to have a
15 bus parking lot for approximately 75 buses.

16 When Bob said it is a primarily bus -- a
17 day-tripper market, a large component of that is bus
18 traffic.

19 So the initial facility will have a covered
20 arrival zone right outside the main entrance on the side
21 for bus arrivals. It will have approximately 75 parking
22 spaces. That was one of the conditions that Bethlehem
23 was quite interested in that we would not have bus
24 traffic going back and forth all day long. So that
25 component is there.

1 In our original marketing report, we did, I
2 think, estimate what the gaming revenue would be
3 incrementally from the hotel and the retail. I just
4 don't remember off the top of my head what it is, but it
5 was in our original marketing report.

6 I don't think it is material, but we did
7 emphasize we are a builder of destination resorts. That
8 is what we intend to do. That is what we will complete
9 because we saw the retail component -- retail component
10 is not going to make a whole lot of money. We never
11 expected it to. We expected that to be an added
12 attraction to drive gaming revenue.

13 I just don't remember off the top of my head
14 what those numbers were, but they weren't material in
15 the long run.

16 COMMISSIONER SOJKA: Madame Chair, could I ask
17 one quick question now building on Commissioner Rivers's
18 question?

19 CHAIRMAN DiGIACOMO COLINS: Yes.

20 COMMISSIONER SOJKA: You mentioned these
21 additional hotel rooms that will fill in until you build
22 your hotel. You mentioned a referral system and you
23 also mentioned marketing.

24 In your initial opening period, are you going
25 to actually continue that destination/marketing approach

1 and actually do some marketing including these other
2 hotels?

3 MR. DeSALVIO: Absolutely. We originally hired
4 a Director of Sales whose focus is really solely on
5 hotel sales and marketing and a national sales manager.

6 In deciding the process after we announced the
7 suspension, we kept both of those team members on the
8 team.

9 The reason is, they are still working with the
10 Convention and Visitors' Bureau, Historic Bethlehem, and
11 the regional CVBs to make sure our name is out there.

12 As I'm sure you all know, the convention
13 business has long lead time in terms of booking. So we
14 didn't want to get out of the market. We decided to
15 keep those team members on board and their job is to
16 make sure they still go to trade shows.

17 For example, this weekend, we are at the New
18 York Times Travel Show in New York City at the Javits
19 Center to be able to continue to promote the property
20 and let people know there will be a hotel and meeting
21 facility coming.

22 COMMISSIONER SOJKA: But were you not actually
23 marketing for your eventual competitors in the hotel
24 business?

25 MR. DeSALVIO: We can't go out and actually

1 book the conventions until we know the date, but it is
2 very important to stay active in the market. So we will
3 go to a point.

4 Obviously, we don't want to make commitments to
5 groups and then turn around and have to go ahead and
6 change them. We go one step short of actually making a
7 booking. But great question. Thank you.

8 CHAIRMAN DiGIACOMO COLINS: Thank you.
9 Commissioner McCabe?

10 COMMISSIONER McCABE: Yes. Thank you.

11 I have a question dealing the finances. I
12 believe during the Suitability Hearing, your bankers
13 stood up and said they would guarantee this project up
14 to \$1.2 billion. What has changed now since that?

15 MR. DeSALVIO: Do you want to take that one?

16 MR. KRAUS: Commissioner McCabe, I just don't
17 remember that testimony. I do remember that the project
18 costs at the time were estimated at \$600 million. That
19 is what is in the licensed conditions.

20 What we did produce at the License Hearing for
21 financial suitability was a letter from Bill Widener,
22 our President and Chief Operating Officer that had said
23 that Las Vegas Sands Corp. through cash on hand, cash
24 from operations would finance the construction of the
25 project; and to the extent that that was not

1 satisfactory, we would seek financing through our
2 existing investment bankers.

3 That, in fact, is what we have done. The \$2.1
4 billion capital raise was through our investment bankers
5 Goldman Sachs, which supplied us with the additional
6 financing to complete in round numbers the initial cost
7 of the project of \$750 million, which is approximately
8 \$150 million more than what we projected the Phase I
9 cost to be at the License Hearing.

10 CHAIRMAN DiGIACOMO COLINS: Commissioner Coy?

11 COMMISSIONER COY: I don't have a question. I
12 just want to encourage you to do what you can in terms
13 of local folks and employment.

14 I know that the Lehigh Valley has been hit hard
15 and Mack Trucks has had a reduction in force and some
16 forced relocations.

17 Whatever you can continue to do to make those
18 employment opportunities available, I think is
19 important; and we will appreciate that. I think
20 everyone will.

21 MR. DeSALVIO: And we are estimating, just so
22 you know, Commissioner, that about 90 percent of the
23 workforce will be from the Lehigh Valley. So we have
24 kept it local, and we have also set up some satellite
25 locations in Easton and Allentown where if you don't

1 have a computer available at home, you can go to
2 locations and actually sign up for the application
3 process as well. We are really trying to keep it within
4 the Valley as much as possible.

5 COMMISSIONER COY: Thank you.

6 CHAIRMAN DiGIACOMO COLINS: Commissioner
7 Angeli?

8 COMMISSIONER ANGELI: I hate to go back to the
9 financing again, but I just want to clarify things so I
10 understand it.

11 The initial -- you did a financing of \$2.1
12 billion. That was for Singapore and this project?

13 MR. KRAUS: That was a purpose of a couple of
14 things. One was to provide sufficient liquidity for the
15 parent company, Las Vegas Sands Corp. to remain in
16 compliance with its loan covenant ratios.

17 The Singapore project was primarily project
18 specific financing, which took place summer before last;
19 but it, like most construction projects, has had cost
20 overrun.

21 So some of the \$2.1 billion was for completion
22 of the Singapore project as well but there are only --
23 for liquidity purposes, the \$2.1 billion, No. 1; No. 2,
24 Sands Bethlehem; 3, Singapore.

25 All of our existing construction in McCall was

1 suspended as well except for protection of what we had
2 already constructed.

3 COMMISSIONER ANGELI: So the \$750 million comes
4 out of that \$2.1 billion?

5 MR. KRAUS: Part of it will, yes. Yes. A
6 large part of it had already been provided on an inner
7 company loan basis from an original \$5 billion line of
8 credit; but the \$5 billion line of credit was not
9 sufficient to complete the portions of this project,
10 which were proposed to complete on schedule.

11 COMMISSIONER ANGELI: Okay. So then after you
12 do the phase that you have applied before us, that is
13 roughly \$750 million to get that all done.

14 There is a second part of this that was part of
15 the initial application, that sometime in the future you
16 have to get that done.

17 My question is, did you think, and based on
18 what we have seen statewide in revenue projections from
19 the casinos, do you feel that after you complete Phase I
20 and you are up and running that to go after future
21 financing for the remainder of this -- and I'm not sure
22 how much money that is -- that you are going to be in
23 the financial condition to be able to do that?

24 MR. KRAUS: Well, we are hopeful with the
25 additional -- with cash flow and with a successful

1 operation and change in economic conditions that the
2 financing markets will eventually open up and we still
3 have a, you know, a superior product in Las Vegas.

4 We had a significant cash flow in McCall.
5 Singapore will open approximately six months or so after
6 this project opens. So we think our projections are --
7 and I think what was part of the projections of our --
8 when we sought the \$2.1 billion recapitalization was
9 that in the future, yeah, we would come back to the
10 market to finish Pennsylvania.

11 COMMISSIONER ANGELI: Thank you. Just one
12 other question. When you were going through the
13 diagrams, you showed the casino floor. You said that --
14 the green area is all the way around; and you said some
15 of that would be done in the future. Is all of that in
16 the green to be done during Phase I, all of the
17 restaurants?

18 MR. DeSALVIO: We are going to open up four of
19 the restaurants in Phase I. When we open the second
20 half of the casino, we are adding an additional
21 restaurant and than that leaves us a couple of spaces on
22 a yet-to-be-determined basis.

23 We are going to be starting with four and
24 adding a fifth when we bring on the remaining 2,000
25 slots.

1 COMMISSIONER ANGELI: Okay. But all of that is
2 considered under the \$750 million that you are talking
3 about doing?

4 MR. DeSALVIO: That is correct.

5 COMMISSIONER ANGELI: Thank you. No further
6 questions.

7 CHAIRMAN DiGIACOMO COLINS: What are your
8 present projections, revenue projections in terms of
9 winning per day per machine?

10 MR. KRAUS: I'm not personally aware what the
11 revenue projections are win per unit per day. I don't
12 know if Bob has current knowledge. That is something
13 that I would submit to the Board.

14 We would actually prefer since it is -- it
15 could be construed as material nonpublic information not
16 to make a selective disclosure.

17 CHAIRMAN DiGIACOMO COLINS: What did you submit
18 to the Suitability Task Force? What were the numbers
19 you presented to the Suitability Task Force, if you
20 recall? Let me ask Chief Enforcement Counsel?

21 MR. DeSALVIO: It is 255.

22 CHAIRMAN DiGIACOMO COLINS: Have you evaluated
23 whether or not that number will hold, whether it will
24 decrease from this requested delay or increase from it?

25 MR. DeSALVIO: We believe that those are good

1 numbers, and we would like to achieve them and hopefully
2 do better than that; but certainly, we believe those are
3 strong numbers and they are achievable.

4 CHAIRMAN DiGIACOMO COLINS: How many jobs are
5 you -- upon opening, how many jobs will you have filled?

6 MR. DeSALVIO: Right now, our estimate is
7 1,055.

8 CHAIRMAN DiGIACOMO COLINS: Okay. You
9 indicated that you are in the process of doing a
10 construction assessment to determine total cost of
11 completion of what was the entire Phase I project, that
12 would be the retail mall and the hotel?

13 MR. DeSALVIO: That is correct.

14 CHAIRMAN DiGIACOMO COLINS: How long before you
15 complete that assessment?

16 MR. DeSALVIO: Probably, I'm going to say a
17 month to two months before they get through and get a
18 good analysis of that.

19 CHAIRMAN DiGIACOMO COLINS: In that assessment,
20 are you also going to make some internal decisions or
21 forecasting as to how you will pay for that -- for the
22 remaining portion of Phase I?

23 MR. DeSALVIO: I believe --

24 CHAIRMAN DiGIACOMO COLINS: Your own
25 assessment, your own plan?

1 MR. DeSALVIO: Judge Colins, I think that is
2 really a two-part answer. One is to get the assessment,
3 which would assign a value to what it costs to complete.

4 CHAIRMAN DiGIACOMO COLINS: Right.

5 MR. DeSALVIO: But then, as Fred mentioned
6 earlier, once we know that number in order to move
7 forward, we still need a turn in economic conditions and
8 available financing. So just the fact that we have the
9 number, I don't think changes the equation on when we
10 could start.

11 CHAIRMAN DiGIACOMO COLINS: Well, so you don't
12 anticipate doing planning best-case/worst-case scenario
13 planning in terms of cost of financing and things of
14 that nature?

15 MR. DeSALVIO: Well, we do want to have a good
16 assessment of what it will take to finish the project
17 and do all of the appropriate planning. What I can't
18 answer is the financing side, but we want to have
19 everything up to that point.

20 CHAIRMAN DiGIACOMO COLINS: See, I guess what I
21 am looking at is what -- what, in fact, are you going to
22 be doing to demonstrate that you're doing concrete
23 planning as to how you can get this project finished
24 under certain different circumstances?

25 Nobody can predict, but what is the best-case

1 scenario for you to be able to complete it; and if the
2 best-case scenario occurs, what would be the time frame.
3 If the worst-case scenario, you know, if interest rates
4 are up to 15 percent, how long does it take you? Do you
5 ever complete it, that type of analysis?

6 I guess what I'm getting at is I think that --
7 I think that we need more information from you that
8 basically provides us with your cost and construction
9 assessments and gives us an indication that this is not
10 an indefinite delay that this is a -- that, in fact, you
11 do have in place a plan that leads you to this.

12 It's tough to do it without, you know, it is
13 tough to do it without being able to control what the
14 economy is going to do. But I'm wondering if there
15 isn't a framework you could come up with for us?

16 MR. KRAUS: We could certainly give you our
17 best estimate of what the cost to complete is, but I'm
18 not aware of an ability to come and tell you with that
19 cost we could predict now, you know, that we could go
20 out on the capital markets and raise that money.

21 I just don't -- I wouldn't know how to do that.
22 I could ask the corporate finance folks, but don't think
23 that I would get an answer.

24 If we realistically thought that we could, in
25 our preparation for the hearing, we would have provided

1 that information.

2 It's just -- you know, the economic conditions
3 are so uncertain that I don't know that we're in a
4 position to be able to do that.

5 CHAIRMAN DiGIACOMO COLINS: All right.

6 COMMISSIONER McCABE: I have another question.
7 What happens if we don't approve this Petition and we
8 say, no, you have to provide the Commonwealth with Phase
9 I that you told us you were going to build, we want that
10 all completed now before we let you open? What happens?
11 What are the consequences?

12 MR. KRAUS: We couldn't do it.

13 MR. DeSALVIO: We just couldn't help it.

14 CHAIRMAN DiGIACOMO COLINS: Well, what I would
15 -- are there any other questions on this matter, from
16 this Petition?

17 MR. PITRE: On the Petition to --

18 CHAIRMAN DiGIACOMO COLINS: Just this Petition
19 to delay --

20 MR. PITRE: -- additional time to make the slot
21 machines available for play? No, there is no other
22 questions.

23 CHAIRMAN DiGIACOMO COLINS: No. No. No. I'm
24 not on that Petition. I'm on the Petition to extend --

25 MR. PITRE: Condition 51, we don't have

1 anything further. I would ask that we probably do need
2 to get more information with regard to this Petition. I
3 would ask possibly if the Board would consider tabling
4 the matter so we can get together with the Applicant,
5 the Licensee, to discuss what information we can come up
6 with for the Board.

7 CHAIRMAN DiGIACOMO COLINS: I think that that
8 is appropriate. I would like to table this and give you
9 more of an opportunity to work with staff in order to
10 develop some format for us so that we can track what is
11 going on here on a regular basis and get the
12 construction assessment that you are doing now.

13 Yes, Mr. Kraus?

14 MR. KRAUS: Respectfully, I would argue against
15 that. We are a publicly traded company. A decision
16 like that by this Board may negate the very thing that
17 you are trying to establish.

18 We are happy to work with staff. We are happy
19 to continue to update staff with projected costs of
20 completion, plans that we could come up with to complete
21 it; but if the result of this hearing today is that the
22 Board does not give Sands Bethworks approval to open or
23 approve this condition -- approve this Petition, that
24 could have very negative consequences to our ability to
25 open in and of itself because that will spook, you know,

1 the capital markets, that will require disclosures.

2 We're about ready to have our earnings release
3 for the calendar year 2008. That will have a very --
4 have a very negative development.

5 This is not a decision that we consciously made
6 to say, well, geez, we decided we just don't want to do
7 this.

8 The cost of construction, the absence of retail
9 tenants, those are all things that were visited upon us.
10 You know, we are, like a lot of other companies facing
11 very, very trying and very, very difficult times.

12 We were able to go out in the capital markets
13 and raise enough money to complete what we believe is
14 substantially -- substantial portion of this project.

15 It includes bus arrival parking. It includes
16 service parking. It includes a 3,400 space garage. It
17 includes coming back and asking for an additional 2,000
18 slot machines.

19 It includes a very nice building, and I would
20 say that it is the largest investment made by any
21 Applicant in the State of Pennsylvania.

22 I would urge that, although our situation is
23 not completely analogous, we make this application in
24 actually worse economic times than the Pittsburgh
25 Licensee did.

1 The Pittsburgh Licensee secured a ruling,
2 suspended or delayed parts of its project; but it was
3 three or four months earlier than we found ourselves in.
4 They got some additional financing.

5 The portion of the project that we are -- to
6 have the financing to complete, that exceeds any of the
7 other licensees in the Commonwealth.

8 We have always worked in good faith with staff.
9 We have invested a lot of money. I would urge the Board
10 not to take that -- make that decision because I think
11 it may have very serious consequences.

12 I can't say that it will. It just frightens
13 me. We're not sitting here holding back that I have got
14 some extra money in my pocket that we care not to spend
15 at the present time.

16 We are just trying to do our very best in
17 turbulent and difficult economic times. We appear
18 before you today in the utmost of good faith and
19 sincerity.

20 It is a large project. We think it will be an
21 exciting project; but if this Board says today that we
22 don't know if we are going waive this condition, we
23 don't know if we're going to allow you to open, that may
24 be of a significant negative impact. I would just urge
25 the Board to grant the relief that we have asked for.

1 CHAIRMAN DiGIACOMO COLINS: Well, we're not
2 questioning your good faith at all. I was going to ask
3 you to go to the next issue.

4 Commissioner Rivers has a question, and then we
5 are going to break and discuss this.

6 COMMISSIONER RIVERS: I think it is important,
7 Mr. Kraus, that you recognize the dilemma that we are
8 faced with.

9 We have a fiduciary responsibility to the
10 people of the Commonwealth to make sure that what is
11 promised is delivered.

12 I understand your plight, and I appreciate your
13 seriousness of it. But I would also think that you
14 would also expect this Board to act in the most positive
15 way, look at all of the information, and then make its
16 decision.

17 I mean, our decision can't -- should not have
18 impact or be felt by what happens on the markets. That
19 is your problem. Don't make that our problem.

20 We appreciate where you are coming from; but
21 the bottom line is, we have a responsibility. If we
22 don't exert our responsibility, then we all look bad.

23 I think that we need additional information,
24 and I think that you should understand that. I think
25 that we're going to request and demand additional

1 information.

2 This has nothing to do with making you look
3 bad, causing a problem, causing the project to fail in
4 any way, shape, or form. It is carrying out our
5 fiduciary responsibility.

6 (The hearing concluded at 12:02 p.m.)

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1 I hereby certify that the proceedings and
2 evidence are contained fully and accurately in the notes
3 taken by me on the within proceedings and that this is a
4 correct transcript of the same.

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Hillary M. Hazlett, Reporter
Notary Public

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