

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: SANDS BETHWORKS GAMING, LLC - PETITION FOR  
APPROVAL OF RECONFIGURATION OF GAMING FLOOR OP-23

\* \* \* \* \*

PUBLIC HEARING

\* \* \* \* \*

BEFORE: David M. Barasch, Presiding Officer  
Richard G. Jewell, Kathy M. Manderino,  
Merritt C. Reitzel, Dante Santoni, Jr.,  
Sean Logan (via phone), Members; Michael  
Smith, representing, Russell C. Redding,  
Secretary of Agriculture; Jennifer Langan,  
representing Joseph M. Torsella, State  
Treasurer; Bob Coyne representing C. Daniel  
Hassell, Secretary of Revenue

HEARING: Thursday, February 8, 2018

LOCATION: Pennsylvania Gaming Control Board  
Strawberry Square Complex  
2nd Floor  
Harrisburg, PA 17101

Reporter: Cynthia Piro Simpson

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## A P P E A R A N C E S

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4 PA Gaming Control Board

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6 Harrisburg, PA 17106-9060

7 Counsel for Pennsylvania Gaming Control Board

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9 MICHAEL A. MAGAZZU, ESQUIRE

10 Sands Bethworks Gaming, LLC

11 77 Sands Boulevard

12 Bethlehem, PA 18015

13 Counsel for Sands Bethworks

14

15 ALSO PRESENT:16 KATHY MCCRACKEN, Executive Vice President of Marketing  
17 and Operations, Sands Bethworks18 MICHAEL MAGAZZU, Vice President and General Counsel,  
19 Sands Bethworks20 MICHAEL VINCI, Vice President of Finance, Sands  
21 Bethworks22 Brian Carr, President and Chief Operating Officer,  
23 Sands Bethworks

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CHAIRMAN: Today we have one public hearing scheduled regarding Sands Bethworks' petition to approve a reconfiguration of its gaming floor. Can we have Sands' representatives come forward, please?

And as always, before we begin, I'd ask everyone who's going to speak today please state and spell their name for the court reporter prior to your presentation. I'd also ask that any potential non-attorney witness please stand at this time and be sworn in. Missing court reporter.

Okay.

Very good. Please proceed. Identify yourselves and spell - spell and state your name.

MS. MCCRACKEN: Sure. Kathy McCracken, K-A-T-H-Y, M-C-C-R-A-C-K-E-N. Executive Vice President of Marketing and Operations.

ATTORNEY MAGAZZU: Michael Magazzu. M-I-C-H-A-E-L, M-A-G-A-Z-Z-U. Vice President and General Counsel.

MR. VINCI: Michael Vinci. M-I-C-H-A-E-L, V-I-N-C-I, Vice President of Finance.

MR. CARR: Brian Carr, C-A-R-R. President and Chief Operating Officer.

1                    CHAIRMAN: Thank you. Can we swear  
2 these witnesses at this time? How do we do that? I  
3 can do it. Fine.

4                    All right.

5                    We do things differently every day.

6                    ---

7                    WITNESSES SWORN EN MASSE

8                    ---

9                    CHAIRMAN: Thank you very much.  
10 That's a first.

11                    Okay.

12                    You may begin, Sands, whosever -.

13                    ATTORNEY MAGAZZU: Yeah, just give a  
14 brief introduction. Thank you, Mr. Chairman, members  
15 of the Board. As you noted, we are here today in  
16 support of our petition that we recently filed for the  
17 amendment of our operating plan from OP-22 to OP-23.  
18 The essence of OP-23 is to, one, move our existing  
19 poker area, which currently resides near the middle of  
20 our casino floor into what is a more enclosed area  
21 that used to be the Carnegie Deli, which is for the  
22 most part more of a four-wall poker room.

23                    It also would include backfilling the  
24 area where poker currently exists with a combination  
25 of slot machines, traditional banking tables and

1 electronic-wagering terminals or EWTs.

2 I'd also like to emphasize that the  
3 reason that we are here today for a personal  
4 appearance rather than this petition being handled by  
5 delegated authority is because pursuant to state law  
6 if - if a casino operator in Pennsylvania wants to  
7 apply to exceed 250 table games, we are required to  
8 make a personal appearance, such as this one.

9 And I want to emphasize that because  
10 we're very proud of that. Our table games business  
11 is -. We're an industry leader in - in that area.  
12 And we think that this is a good day for the gaming  
13 industry in Pennsylvania and for - for Sands  
14 Bethlehem.

15 So, again, we're really proud of that.  
16 And with that we have a brief presentation. And I'll  
17 turn it over to Mr. Carr to take you through that  
18 presentation and justify why we believe that this  
19 proposal should be approved.

20 CHAIRMAN: Thank you.

21 ATTORNEY MAGAZZU: Thank you.

22 MR. CARR: Thank you, Mr. Chairman,  
23 members of the Board. I'd like to thank you for the  
24 opportunity to come and speak to you today. We'll  
25 give you a quick overview that Mike already touched

1 on. So, for almost nine years, Las Vegas Sands has  
2 really enjoyed working with the PGCB to bring  
3 world-class gaming to the State of Pennsylvania.

4 Over the last few years, dating back  
5 to 2014, we've really made a real push to continue to  
6 emphasize the improvements in our amenities and  
7 continue to drive the growth that Mike's talking  
8 about, and really what has led us to the point where  
9 we are right now. So, over the last few years we've  
10 spent \$26 million updating our slot and table product  
11 on the floor. We've introduced stadium Baccarat and  
12 roulette and blackjack ETG last year.

13 We renovated our hotel for 282 rooms  
14 and created the Chairman suites and Chairman's lounge,  
15 which puts us on par with what you would find in  
16 Atlantic City or any other resort destination from  
17 that point. We've renovated new restaurant on - new  
18 restaurant offerings, where we brought in Buddy V's,  
19 we brought in Carlo's Bakery, rebranded it is Emeril's  
20 Fish House in addition to the renovation of Emeril's  
21 Chop House.

22 We employ 2,464 employees in our  
23 building, most of which are PA residents. So,  
24 something we're very proud of, and looking forward to  
25 continue on that success. The next slide just quickly

1 shows you the revenue growth that we've experienced  
2 since 2014. We're up 16.1 percent in that time.

3                   And just to give reference, the rest  
4 of the state without us is up 3.2. So, the work that  
5 we've done in this time has really helped us see the  
6 benefit and has benefited the State to that point, as  
7 are we now paying more than \$200,000 million annually  
8 in gaming tax to the State.

9                   So, page four is just a quick overview  
10 of why it is that we're here. So, we are here, as  
11 Mike said, for the approval of OP-23, which relocates  
12 our poker area into the Carnegie space and creates a  
13 true poker room.

14                   It also backfills that existing area  
15 with additional slots, tables and EWTs that - which  
16 have really started to catch on for us. And as Mike  
17 also said, this would take us over the 250, which is  
18 why we're here for a personal appearance.

19                   The following pages will just kind of  
20 take you into a little bit more detail about this.  
21 So, this expansion is about a \$4 million capital  
22 improvement. We - we relocate the poker area into the  
23 Carnegie Deli.

24                   I would like to note for the Board  
25 that when we closed Carnegie Deli just after the 1st

1 of the year, we had 42 employees in there. We were  
2 successful at relocating 41 of them into other - into  
3 other jobs within the building. I'm very proud of  
4 that.

5                   So, 26 tables will move into the new  
6 area. That really isn't much of a negative hit from a  
7 gaming point of view, because we really had all 27  
8 open at any time, so this is more - better utilization  
9 of space for us.

10                   And the backfilling existing poker is  
11 listed below. We will pick up 74 additional slot  
12 machines, taking our number up to 3,053. We'll add 14  
13 bank tables, we'll add 29 EWTS.

14                   And then a poker table, like I said,  
15 goes down one, but your table games equivalent moves  
16 from 247 to 265, hence the need for us to come in for  
17 this meeting. And then the gaming floor square  
18 footage will then eclipse 150,000 square feet. We're  
19 very excited about that.

20                   Number six is just a quick overview of  
21 what this does headcount-wise for us. So, as I said,  
22 we have 2,464 employees right now. We anticipate that  
23 this adjustment will result in 75 additional jobs for  
24 us, taking our total up over 2,500 jobs.

25                   A couple renderings for you to look

1 at. This is a rendering of what the outside of the  
2 building looks like. If you're familiar with  
3 Carnegie, a lot of that woodwork and everything on the  
4 outside will remain. So, it's very aesthetically  
5 pleasing to the property and fits in nicely.

6 This is just a brief overview of what  
7 the floor looks like and how the 26 games can fit into  
8 the area, and a kind of rendering of what it looks  
9 like inside the room.

10 From another angle you can see this.  
11 And then from this bite you can see the arrival  
12 experience, which will be significantly better than  
13 the one we have now. It'll be TVs behind it that will  
14 both - show sporting events, but we'll also -. We  
15 have wait lists and also a much better experience for  
16 the check-in process, for us to make sure that our  
17 players have a high-end experience when they come to  
18 play poker with us.

19 This next picture is a little bit  
20 tough to see, but it's just a brief overview. This is  
21 the backfill space.

22 And to give you some reference of  
23 where it is, the larger clouded-in area down below is  
24 where the poker room physically sits right now. What  
25 this allows us to do is backfill the space with the

1 slots, the tables. And then you can see a realignment  
2 of an existing pit above that will allow us to finish  
3 off the - that blackjack stadium gaming area that we  
4 have, which has really shown some tremendous progress  
5 since we were here for you last year as we introduce  
6 that product.

7 In closing, Sands Bethlehem and Las  
8 Vegas Sands looks to continue the recent trends by  
9 continuing to innovate and provide exciting new  
10 experiences for our guests. And we respectfully  
11 request that you approve OP-23, and my team and I are  
12 here for any questions that you have.

13 CHAIRMAN: Thank you. Are there any  
14 questions from Enforcement Counsel?

15 ATTORNEY ROLAND: Yes, Mr. Chairman.  
16 It's Michael Roland, R-O-L-A-N-D, with the Office of  
17 Enforcement Counsel (OEC). Just a few brief  
18 questions.

19 A substantial portion of OP-23 is  
20 moving the gaming floor or making a gaming floor into  
21 what used to be Carnegie Deli. I believe you've put  
22 forth today that 41 of those employees have been  
23 relocated.

24 Can you give us a little bit of a  
25 flavor about how those positions are going to be

1 utilized or where will they go?

2 MR. CARR: Several of them stayed  
3 within food and beverage. They went to other food and  
4 beverage restaurants we have. We did have some people  
5 cross into slots, move into other areas.

6 I think one of the things that's most  
7 exciting about this industry for a lot of our team  
8 members is the ability to branch out and take your  
9 career in different directions. So, that's -. We  
10 have several examples. And if the Board wants  
11 specifics I would be - it'd be very easy to go through  
12 and give a listing where exactly everyone went.

13 ATTORNEY ROLAND: Okay

14 So, would it be accurate to say that  
15 the 75 new positions that you set forth on slide six,  
16 those are in addition to the -

17 MR. CARR: Yes.

18 ATTORNEY ROLAND: - relocation of the  
19 41 from Carnegie Deli?

20 MR. CARR: Correct.

21 ATTORNEY ROLAND: Okay.

22 I'd like to draw your attention to  
23 slide five, please. And this is just a little bit of  
24 clarification. I'm looking at the chart and this is  
25 underneath the additions column. First looking at

1 what would be the EWTs, you have a blank section. Is  
2 it safe to say there should be 29 in there? Will  
3 there be 29 units?

4 MR. CARR: When we were going through  
5 the iterations, we were concerned about the confusion  
6 because of the equivalents on that. So, yes, it is  
7 29, if you were to go for actual, physical terminals,  
8 yes.

9 ATTORNEY ROLAND: Okay.

10 And then just below that, even though  
11 it is in the additions column, you have the number 1,  
12 which is in parentheses. The reason it's in  
13 parentheses is because that's actually a subtraction,  
14 not an addition?

15 MR. VINCI: Correct.

16 And it's reflected in what the final  
17 total is on the radius.

18 ATTORNEY ROLAND: Okay.

19 This proposal changes the shape of the  
20 gaming floor a little bit. And it's going to have  
21 some impact on what is labeled as the underage -  
22 underage pathway.

23 How does Sands plan on addressing that  
24 issue and ensure that underage patrons don't gain  
25 access to the floor?

1                   MR. CARR: Well, I think we've made  
2 tremendous strides in the last few years, especially  
3 since we implemented the Veridocs' system for the -  
4 for gaining entry and working on that. We will  
5 continue to work with both the Board and also with our  
6 security team to ensure that that process continues to  
7 work.

8                   And we're very pleased with where  
9 we've gotten to, but there's always opportunity for  
10 improvement. Continue to work on it.

11                   ATTORNEY ROLAND: And if adopted by  
12 the Board, OP-23 adds approximately 4,800 square feet  
13 to Sands' gaming floor.

14                   How will that addition impact the  
15 overall square footage of both the smoking and  
16 nonsmoking sections of the floor?

17                   MR. CARR: Mike, do you want to talk  
18 to that?

19                   ATTORNEY MAGAZZU: Both areas will  
20 increase. I know the exact numbers are in the  
21 petition, and I know that the smoking areas will  
22 remain under the 50-percent threshold. But I know  
23 that both smoking and nonsmoking areas will increase  
24 along with the overall increase, because of the move  
25 of poker in the Carnegie.

1                   ATTORNEY ROLAND: If I told you the  
2 difference was about 43 square feet, does that sound  
3 accurate? I mean, they're pretty close.

4                   Correct?

5                   ATTORNEY MAGAZZU: That would sound  
6 about right, yes.

7                   ATTORNEY ROLAND: And if the Board  
8 approves OP-23 today, how quickly do you plan on  
9 starting the proposed configuration and when do you  
10 anticipate its completion?

11                  MR. CARR: So I -. We have already  
12 started demolition in - in the Carnegie area in  
13 anticipation of this. Right now we are on path for  
14 somewhere mid to late March that the poker room would  
15 relocate into the new space. And then the backfill  
16 would be done sometime in April, with an absolute end  
17 of date in the very end of April.

18                  ATTORNEY ROLAND: Mr. Chairman, that's  
19 all we have as far as questions. We actually don't  
20 have a formal presentation today. We would just ask  
21 at the end we be given an opportunity to make a - a  
22 final closing statement, if that's possible.

23                  CHAIRMAN: That's fine.

24                  ATTORNEY ROLAND: Thank you.

25                  CHAIRMAN: Thank you. Any questions

1 or comments from the Board about this proposal?

2 I have one. Where do I get a corned  
3 beef sandwich now?

4 MR. CARR: You can still get that in  
5 our Skill Works offering.

6 CHAIRMAN: Same quality?

7 MR. CARR: Not only same quality, the  
8 exact same vendor and everything.

9 CHAIRMAN: All right.

10 Okay.

11 MR. CARR: I got you covered.

12 MS. MCCRACKEN: It's actually listed  
13 on their menu that way, as Carnegie's -.

14 CHAIRMAN: Okay.

15 MS. MCCRACKEN: Customer would want  
16 that, too, so -.

17 CHAIRMAN: Okay.

18 Any further comments from Sands at  
19 this point?

20 ATTORNEY MAGAZZU: Just one last  
21 comment, to express our gratitude for the Board staff.

22 We know how busy the Board staff regularly is and  
23 even more so with the onset of all the new areas of  
24 gaming and everything that goes into that.

25 And so we recognize that this petition

1 got onto the agenda in short order. And we would be  
2 remiss if we didn't express our thanks to - to the  
3 Board staff for doing that for us. So, thank you.

4 CHAIRMAN: Thank you.

5 Attorney Roland?

6 ATTORNEY ROLAND: It's a very brief  
7 statement. The OEC has no objection to Sands'  
8 operational plan 23. Section 13A11 of the Act permits  
9 Category 1 or Category 2 Licensees to increase their  
10 table game allotment above the 250 maximum set forth  
11 in the Act six months after table games operation has  
12 commenced.

13 Sands is well beyond that six-month  
14 requirement, and the size of its physical structure  
15 can easily withstand the proposed increase of table  
16 games without inconveniencing the public attending the  
17 facility. The OEC is of the opinion that Sands has  
18 proven success with table games in the Commonwealth.

19 Permitting Sands to increase their  
20 table game allowance would improve the customer  
21 experience by increasing both the variety and number  
22 of games available. Additionally, the proposal should  
23 increase tax paid to the Commonwealth, which would  
24 ultimately benefit all Pennsylvanians through the  
25 addition of property tax relief.

1                   Finally, the proposal creates and  
2 makes available an additional 75 full-time jobs for  
3 the surrounding community. OEC simply requests that  
4 if approved by the Board today, the approval is made  
5 subject to the 20 conditions set forth in our  
6 January 25th, 2018 Answer.

7                   I believe Sands has had the  
8 opportunity to review those conditions, and it's my  
9 understanding they have no objections.

10                   Is that correct?

11                   ATTORNEY MAGAZZU: That is correct.

12                   ATTORNEY ROLAND: Thank you. We have  
13 nothing further. Thank you.

14                   CHAIRMAN: Okay.

15                   Thank you very much for the  
16 presentation. We'll be voting on this a little later  
17 this morning.

18                   ATTORNEY MAGAZZU: Thank you.

19                   \* \* \* \* \*

20                   HEARING CONCLUDED

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