

# IN RE: CATEGORY 4 APPLICATION OF SC GAMING OPCO, LLC AND IRA LUBERT

Category 4 Licensing Hearing
Before the Pennsylvania Gaming Control Board

OHA Docket No. 9923-2021 GID NO: 133208-1

January 25, 2023

#### **Introductions & Opening Statement**



- Ira Lubert
  - Category 4 Auction Winning Bidder
  - Founder and Sole Member of SC Gaming, LLC
- Eric Pearson
  - Prospective Casino CEO and General Manager
- Adrian King, Ballard Spahr LLP
- Michael Fabius, Ballard Spahr LLP
- Stephen Kastenberg, Ballard Spahr LLP

#### Ira Lubert – Sole Member and Owner SC Gaming LLC



- More than 35 years of private equity and real estate investing experience
  - Co-Founder of Lubert-Adler Management Co, L.P., LLR Management, L.P.,
     Quaker Partners Management, L.P., LEM Capital, L.P., LBC Credit Management,
     L.P., Independence Capital Partners, L.P., and Patriot Financial Partners, L.P.
- Former Chairman of Valley Forge Casino Resort, King of Prussia, PA
  - Category 3 Casino Resort, Opened in March of 2012
  - Revitalized the existing Valley Forge hotel and convention complex to become the leading Category 3 Casino Resort in Pennsylvania
  - After more than six years of successful operation, VFCR was sold to Boyd Gaming in September of 2018
- Graduate of Penn State University in Food Service and Housing Administration
- Former Chairman of the Penn State University Board of Trustees
- Current boards include The Franklin Institute, National Constitution Center and Thomas Jefferson University Hospital

#### Eric Pearson – Prospective CEO & GM



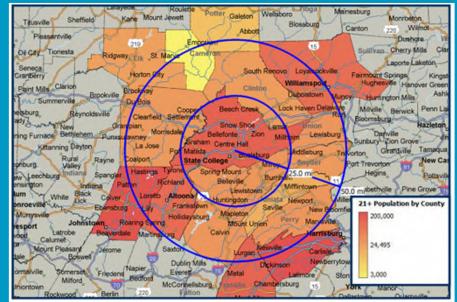
- Responsible for the design, development and ongoing operations for the project
- 24 years experience in casino resort operations, marketing and management
- Former President & CEO of Valley Forge Casino Resort
  - Recruited by Mr. Lubert and led the dynamic growth of VFCR for two years concluding with the sale of Valley Forge Casino Resort to Boyd Gaming in 2018
- Foxwoods Resort & Casino, CT Largest Casino Resort in North America
- MGM Resorts International Las Vegas Strip, NV
  - Luxor, Excalibur and Circus Circus Hotel & Casino
- Currently also serves as an Adjunct Instructor for Penn State University's School of Hospitality Management

#### **Category 4 Casino License Timeline**



- September 2, 2020, Ira Lubert wins the Category 4 License Auction to develop a casino with a bid of \$10,000,101.
  - First Category 4 auction conducted with eligibility extended beyond slot machine licenses
  - Ira Lubert pays \$10,000,101 winning bid amount on September 3, 2020 via wire from personal account
  - Validates the General Assembly's intent and goal with the expanded eligibility by generating more revenue than the second highest bid
- Casino is to be built within a 15-mile radius of a center point in Unionville Borough, Centre County, PA.
- Casino site location identified as the former Macy's department store at the Nittany Mall in College Township, PA.

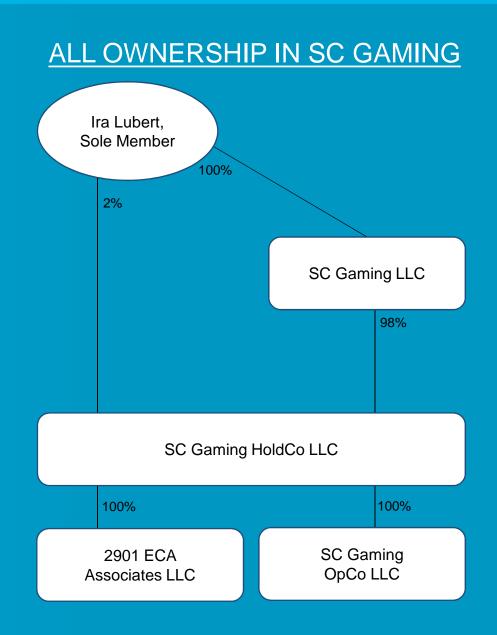




#### **Category 4 Casino License Timeline**



- Ira Lubert forms three entities as his wholly-owned business structure for the proposed casino operations on November 5, 2020:
  - SC Gaming, LLC
  - SC Gaming HoldCo, LLC; and
  - SC Gaming OpCo, LLC.
- 2901 ECA Associates LLC previously formed to secure right to acquire the former Macy's department store location at the Nittany Mall
- Ira Lubert submitted his Category 4 Gaming License Application to the Pennsylvania Gaming Control Board in the name of his wholly-owned entity, SC Gaming OpCo, LLC on March 2, 2021



#### **Category 4 Casino License Timeline**



- Land Development Plan Conditionally Approved by College Township on July 12, 2021
- PGCB Public Input Hearing on August 16, 2021 in State College, PA at the Penn Stater Hotel & Conference Center
- Land Development Plan Final, Approved & Recorded by College Township on December 28, 2022
- PGCB Licensing Hearing Application Approval Hearing on January 25, 2023, in Harrisburg, PA.

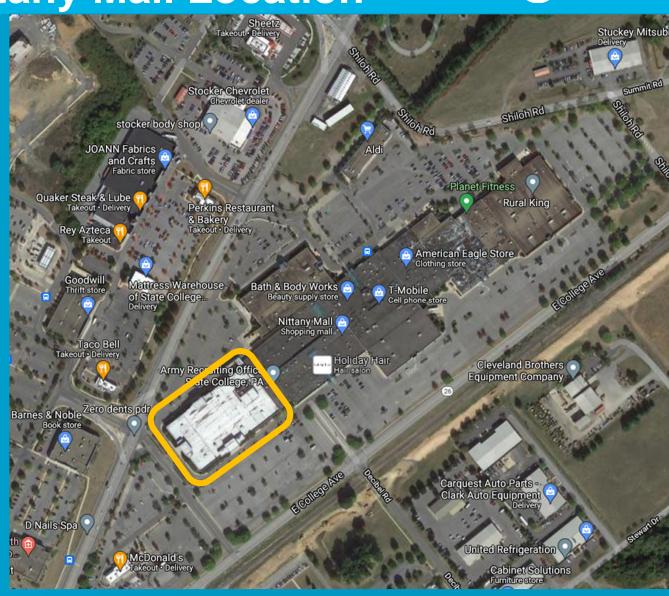




#### **Project Overview – Nittany Mall Location**



- Existing 543,000 square foot mall with excellent visibility, parking and access.
- Central location with easy access to I-99, I-80 and US-322.
- Casino to create and encourage revitalization opportunities in the Nittany Mall (currently ~50% occupied).
- Adaptive reuse of roughly 94,000 square feet former Macy's department store.
- Resides in the existing College Township Commercial District with excellent infrastructure and nearby shopping, dining and related businesses.



#### **Traffic Impact Study**



- 6 Points of Access to the Casino Site:
  - 3 Signalized Points of Access
  - 3 Unsignalized Points of Access
  - Access to over 2,000 Parking Spots
- Only minor entry point changes needed for the Casino development which are reflected in final and recorded Land Development Plan
- The site and surrounding roadway infrastructure, as currently designed, is more than adequate to support the addition of the proposed casino development
- Will perform a post-development Traffic Study 1 year after opening of the casino to verify initial results and make any needed changes





#### **Local Impact Study**



 Street Maintenance – Negligible impact. Proposed location is already built to handle high levels of commercial activity, well beyond what the casino will generate.



- Sanitation, Water & Sewer Negligible impact. No additional improvement needed to meet usage and demand.
- Police No material impact on the Department's current police force staff and/or allocated police service hours to College Township. (Estimated 6.2 calls per month)



- Fire No anticipated increase of fire calls or related expenses due to the proposed casino. (Estimate 2.2 calls per month)
- EMS Not anticipated that the proposed casino would create further capacity challenges for Centre LifeLink EMS services. (Estimated 2 calls per month)

#### **Local Impact Study**



- The regional market draw of the casino is expected to have a net-positive impact on College Township tourism, helping to revitalize the Nittany Mall and attract other retail and hospitality operators to the area.
- The proposed casino's customers may be local, or may be coming from out of town, either for the casino's attraction or may stay longer in the area because of the entertainment.
- These customers bring additional potential spending into the community on other local businesses including restaurants, hotels, and retail.
- The casino development is expected to have a negligible impact on College Township capital improvements needs. Tax revenues to the Township from the casino will be a significant net positive to the Township budget.





#### **Economic Impact: Construction & Development**



Construction Jobs: ~350 Direct FTEs / ~170 Indirect FTEs.



- \$35 million in upfront construction expenditures.
- Upfront positive impacts to the economy (direct, indirect and induced):
  - College Township \$43.6 million in one-time economic impact, supporting 360 jobs and \$16.4 million in employee earnings;
  - Centre County \$61.4 million in one-time economic impact, supporting 460 jobs and \$21.3 million in employee earnings;
  - Pennsylvania \$73.3 million in one-time economic impact, supporting 520 jobs and \$24.7 million in employee earnings;
- \$1 million in personal income, sales and business taxes during construction period.

#### **General Project Overview**



- \$127.6 million total project budget
- 94,000 SF in a single phase
- Construction expected to be completed in ~12 months
- 24/7 Operating Hours
- 750 Slot Machines and 30 Table Games\*
- Retail Sports Book\*
- Sports Themed Restaurant & Bar
  - Stage for Live Music & Special Events
- Quick Serve F&B Outlets

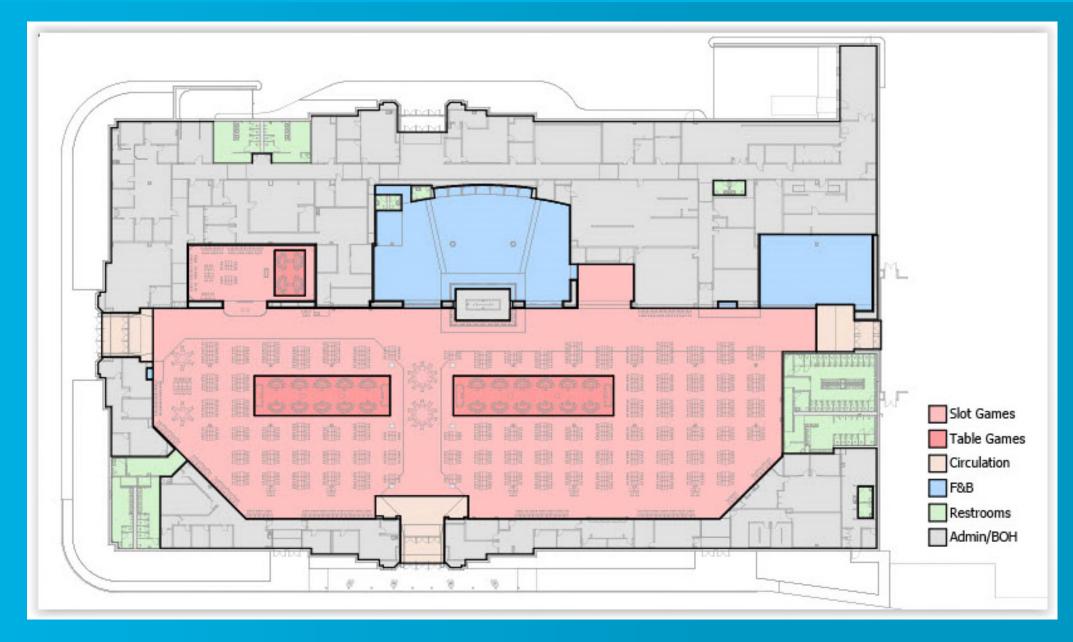
## **Front Entrance Rendering**





### **Interior Floor Plan Layout**





#### **Main Entrance**





## **Table Games Pit View**





## **Slot Floor View**





#### **Slot Floor View**





## **Sports Themed Restaurant**





## **Sports Themed Restaurant**





## **Quick Serve Dining**





#### **Security Policies and Procedures**



- Security personnel 24/7 coverage
  - Casino entrances, ID all patrons who appear 30 or younger
  - Employ ID scanning and verification technology at casino entrances
- Surveillance 24/7 coverage
  - Casino Floor
  - Public Spaces
  - Parking Lots
- Parking Lots
  - Hourly Roving Patrol Coverage in Parking Lots
  - Constant Roving Patrol Coverage during peak times

#### **Employment Opportunities**



- ~350 to 400 permanent (FTEs) jobs once stabilized
- Excellent Employee Benefits, Including:
  - Paid Time Off
  - 401K Program
  - Medical Insurance
  - Dental Insurance
  - Vision Insurance
  - Voluntary Benefits to include Term Life, Whole Life, Accident, Critical Illness and Short-Term Disability
  - Dynamic Career Growth Opportunities
  - Employee and Management Training Programs
  - Competitive Wages
  - Free Table Games Dealer Training

#### **Diversity and Inclusion**



- We seek to establish a diverse workforce and business partnerships which reflect and represent the surrounding community.
- We focus on creating a working environment with policies, procedures and systems that support and encourage the principles of diversity and inclusion.
- We build a working environment where everyone is respected and given opportunities to grow and develop.
- We enhance our surrounding communities through the inclusion and celebration of its diverse cultures and backgrounds.
- We serve our guests, drive results and create success through embracing our team's diversity of strengths, backgrounds, experiences and outlooks.

#### **Responsible Gaming**



- All employees are required to complete annual Responsible Gaming training to work on the casino floor
- Responsible Gaming Executive Committee meets quarterly
- Responsible Gaming phone number (1-800-GAMBLER), and associated messaging, is included on all marketing messaging, advertising assets and materials both on-property and offproperty
- Responsible Gaming pamphlets and support literature available at numerous locations around the casino floor including the casino cage, ATMs and security stations





Find problem gambling help 1-800-GAMBLER



#### **Prospective Management Company - Bally's Corporation**



- Framework agreement with Bally's Corp to serve as the prospective management company
- Large national network of casino resort properties and national customer database
  - Affiliation with anchor location on Las Vegas strip
- 15 Casinos in 10 States
- Bally's brings a globally recognized brand to State College, PA
- Bally Sports Sinclair Broadcasting Partnership





#### **Prospective Management Company - Bally's Corporation**



- Bally's Retail Operations
  - 15 casinos in 10 states
  - 8,000+ employees
  - 500,000+ SF of gaming space
  - 15,000+ slots
  - 500+ table games
  - 5,300<sup>+</sup> hotel rooms
  - 2 horse racing tracks\*

- Bally's Retail Highlights
  - 500,000 + monthly customers
  - High brand awareness through media and content partnerships







Thank you.



#### Ballard Spahr

IN RE: CATEGORY 4 APPLICATION OF SC GAMING

OPCO, LLC AND IRA LUBERT

## BEFORE THE PENNSYLVANIA GAMING CONTROL BOARD

OHA Docket No. 9923-2021

GID NO: 133208-1

January 25, 2023

## Category 4 Auction Requirements

• Act 23 of 2020 (Section 1724.1-E(e)) expanded eligibility to bid in 2020 broader than any prior auction.

• *No dispute.* Mr. Lubert is an eligible bidder.

- The selected location must meet certain statutory criteria.
- *No dispute.* Mr. Lubert's location meets all statutory criteria.
- The single highest bid received at an auction that meets requirements declared the winning bidder.
- *No dispute.* Mr. Lubert's \$10M<sup>+</sup> bid exceeded Stadium's bid in an undisclosed lesser amount.

By expanding eligibility to bid, the General Assembly intended to increase competition to generate higher auction bids because Mount Airy was just refunded 75% of its \$21,188,888.88 winning bid & there was insufficient demand for the Category 4 licenses previously available without expanding eligibility. See Appendix A.

## Category 4 Auction Requirements

- "The winning bidder shall pay to the board the bid amount within two business days following the auction."
  - "Payment shall be by cashier's check, certified check or any other method acceptable to the board."
  - 4 Pa. C.S § 1305.2(c)(7)

- No dispute. Mr. Lubert timely paid the winning bid amount.
  - Paid via wire out of his personal bank account
  - All of Mr. Lubert's sources of funds for his proposed project, including the bid payment, have been disclosed and detailed during the course of OEC and BIE's investigation

There is no restriction in the Gaming Act or Fiscal Code on permitted sources of funds Mr. Lubert can use to finance his auction bid payment (or his overall project budget).

To the contrary, the Gaming Act explicitly contemplates that slot machine licensees can have "financial backers" (§ 1313(b)) who are subject to principal licensure & a winning bid could be paid by a 3<sup>rd</sup> party (§ 1305.2(c)(3))

## Category 4 Right to Apply

- The winning bidder at each Category 4 Auction wins the exclusive "right to apply" for the Category 4 license.
- "The winning bidder shall submit an application for the Category 4 slot machine license within six months."
  - 4 Pa. C.S §1305.2(c)(7)

- *No dispute.* Mr. Lubert exercised his right to apply by submitting the application now before the Board.
- *No dispute.* Mr. Lubert timely submitted the application now before the Board.

"It is ... the intent of the General Assembly to ... [a]uction Category 4 locations and the <u>right to apply</u> for Category 4 locations...". 4 Pa. C.S. § 1102(12.5) (emphasis added).

"[Mr.] Lubert ... successfully bid for the right to apply for this Category 4 license." Stadium Casino RE, LLC's Petition To Intervene In Category 4 Licensing Hearing, ¶ 5, OHA Dkt No. # 10577-2022 (Aug. 26, 2022)

## Category 4 Right to Apply

## There is no restriction in the Gaming Act or Fiscal Code that precludes the winning bidder from applying in the name of a wholly-owned entity.

- <u>To the contrary</u>, there is extensive precedent for a Category 4 license to be awarded to the wholly-owned entity of the winning bidder:
  - Stadium Casino, LLC submitted the winning bid at the Board's January 24, 2018 auction winning the right to apply for a Category 4 license for its Category 4 location that became Live! Pittsburgh;
  - Its wholly-owned entity, Stadium Casino Westmoreland RE, LLC, became the Category 4 applicant;
  - On or about August 15, 2019, the Board approved Stadium Casino, LLC's Category 4 license application in the name of its wholly-owned entity; &
  - Stadium Casino Westmoreland RE, LLC now holds the Category 4 license for Live! Pittsburgh.

Applicant's Answer, New Matter, And Affirmative Defenses To Petition Of Stadium Casino RE, LLC To Intervene In Category 4

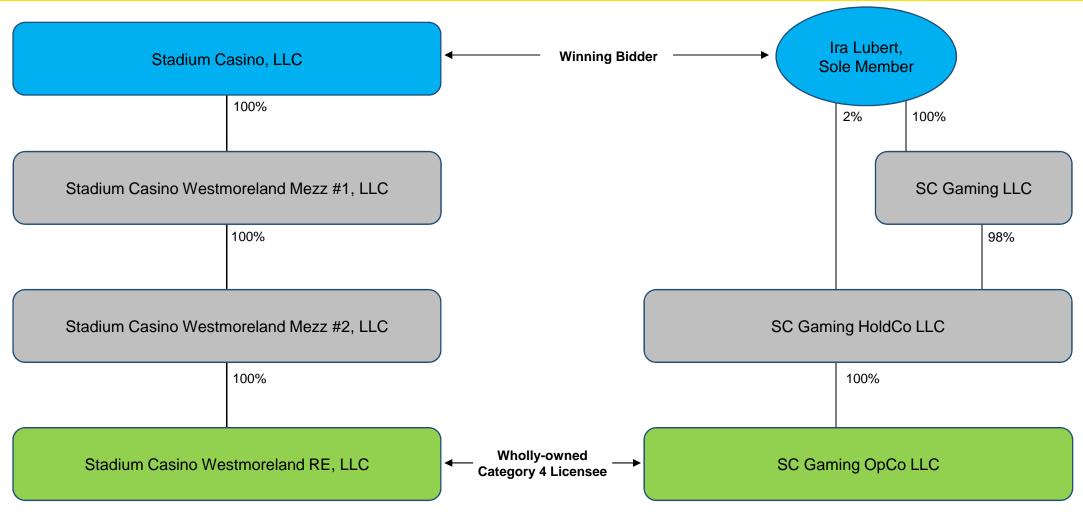
Licensing Hearing, OHA Dkt No. # 10577-2022 (Sept. 6, 2022), ¶¶ 118-126, 129-130, and 135; admitted in Stadium Casino RE, LLC's

Answer To Respondents Ira Lubert And SC Gaming OpCo, LLC's New Matter Regarding Stadium's Petition To Intervene, OHA Dkt

No. # 10577-2022 (Sept. 16, 2022), ¶¶ 118-126, 129-130, and 135.

Ballard Spahr

## Category 4 Right to Apply



Source: Board, Ownership Interests Report, dated Sept. 30, 2022, available at https://gamingcontrolboard.pa.gov/files/licensure/reports/Ownership\_Interests.pdf



## Mr. Lubert's Source of Funds for SC Gaming

Again, there is simply no restriction in the Gaming Act or Fiscal Code on permitted sources of funds to finance the bid payment or the overall \$127.6M project.

- Mr. Lubert's proposed source of funds a mix of: (i) his personal equity contributions, (ii) non-bank debt, (iii) bank debt, and (iv) operating affiliate fees (i.e. sports wagering fee).
  - Wells Fargo Securities, LLC provided a "highly confident" letter for up to \$90M debt financing
  - Regardless, Mr. Lubert has the ability to self-fund the entire \$127.6M project budget.
  - Also, Mr. Lubert & Mr. Pearson have a successful track record of operations in Pennsylvania
- Subject to future approvals not presently before the Board,
  - Mr. Lubert has the ability to convert the non-bank debt into equity in SC Gaming, LLC and take an equity investment from Bally's in SC Gaming HoldCo, LLC.
  - Such changes of control, however, require a petition and the Board's approval under 4 Pa. C.S. §
     1328. Unless and until the Board affirmatively approves these changes, Mr. Lubert is and will remain the sole owner of SC Gaming.
     Ballard Spahr

#### **APPENDIX A**

Category 4 Auction History

## Category 4 Auction History

- In Act 42 of 2017, the General Assembly authorized up to 10 Category 4 licenses and three rounds of Category 4 auctions to bid for such licenses. 4 Pa. C.S. §§ 1305.1 and 1305.2.
  - During the "Initial Auctions" (§ 1305.2(a)), the Board conducted five auctions from January 10, 2018 to March 9, 2018, the fifth of which resulted in no bids.
  - During the "Subsequent Auctions" (§ 1305.2(b)), the Board conducted two auctions on April 4, 2018 to April 18, 2018, the second of which resulted in no bids.
  - Under § 1305.2(b.1), the Board was authorized but not required to conduct a third round of auctions in which "other qualified entit[ies]" would be eligible to bid, but the Board never elected to.

## Category 4 Auction History

- In Act 20 of 2019, the General Assembly directed the Board to conduct up to five auctions from September to December of 2019 in which only slot machine licensees were eligible to bid.
  - From September to December of 2019, the Board elected to hold only one such auction because no bids were received at the auction.
- When the General Assembly enacted 72 P.S. § 1724.1-E(e)(iv), the General Assembly expanded eligibility to bid at the Board's September 2, 2020 auction to a class of bidders larger than any prior Category 4 auction after:
  - The 2017-2018 auctions only generated interest in 5 of the 10 available licenses;
  - The 2019 auctions failed to generate any interest for the remaining 5 licenses; &
  - The Commonwealth refunded 75% of Mount Airy's \$21,188,888.88 winning bid.

## Category 4 Auction History – Official Notice

The Board may take official notice of "such matters as might be judicially noticed by the courts of this Commonwealth, or any matters as to which the [Board] by reason of its functions is an expert." 1 Pa. Code § 35.173.

The conduct and result of all prior auctions are well within the Board's expertise and are accurately and readily determined from the Board's own press releases, meeting minutes, and orders listed below for which the accuracy cannot reasonably be questioned.

- <u>Gaming Control Board Announces Schedule And Procedures For Category 4 Casino Auctions</u>, dated Dec. 13, 2017, <u>https://gamingcontrolboard.pa.gov/?pr=742</u>
- <u>Mountainview Thoroughbred Racing Association, Llc Places Highest Bid At First Category 4 Casino Auction, dated Jan. 10, 2018, https://gamingcontrolboard.pa.gov/?pr=746</u>)
- <u>Stadium Casino, LLC High Bidder At Second Category 4 Casino Auction</u>, dated Jan. 24, 2018, <u>https://gamingcontrolboard.pa.gov/?pr=750</u>
- Mount Airy #1, Llc High Bidder At Third Category 4 Casino Auction, dated Feb. 8, 2018, https://gamingcontrolboard.pa.gov/?pr=755
- Bid For Fourth Category 4 Casino Auction Invalidated By PGCB; Announcement of Next Highest Bid to Take Place Tomorrow, dated Feb. 21, 2018, <a href="https://gamingcontrolboard.pa.gov/?pr=758">https://gamingcontrolboard.pa.gov/?pr=758</a>
- Greenwood Gaming And Entertainment, Inc. Gains Fourth Category 4 Casino Auction Award, dated Feb. 22, 2018, https://gamingcontrolboard.pa.gov/?pr=759
- <u>Gaming Control Board Announces Subsequent Round of Category 4 Casino Auctions</u>, dated Mar. 9, 2018 <a href="https://gamingcontrolboard.pa.gov/?pr=763">https://gamingcontrolboard.pa.gov/?pr=763</a>

## Category 4 Auction History – Official Notice

- <u>Mountainview Thoroughbred Racing Association, Llc Gains Fifth Category 4 Casino Auction Award</u>, dated Apr. 4, 2018, https://gamingcontrolboard.pa.gov/?pr=773
- No Bids Received Today At Gaming Control Board's Category 4 Casino Auction; Board to determine potential for additional auctions and accompanying procedures, dated Apr. 18, 2018, <a href="https://gamingcontrolboard.pa.gov/?pr=778">https://gamingcontrolboard.pa.gov/?pr=778</a>
- <u>Gaming Control Board To Hold Category 4 Satellite Casino Auction On September 4th</u>, dated Jul. 10, 2019, https://gamingcontrolboard.pa.gov/?pr=866
- No Bids Received Today At Gaming Control Board's Category 4 Casino Auction; Category 4 process is concluded, dated Sept. 4, 2019, <a href="https://gamingcontrolboard.pa.gov/?pr=873">https://gamingcontrolboard.pa.gov/?pr=873</a>
- Board Meeting Minutes, dated November 20, 2019 (PGCB MOTION NO. 2019-392 OCC; OHA DOCKET #8098-2018),
   <a href="https://gamingcontrolboard.pa.gov/files/meetings/Meeting\_Minutes\_20191120.pdf">https://gamingcontrolboard.pa.gov/files/meetings/Meeting\_Minutes\_20191120.pdf</a>
- In Re: Denial of Category 4 Slot Machine License Application of Mount Airy #1, LLC, OHA DOCKET #8098-2018, Order and Adjudication, dated November 20, 2019, <a href="https://gamingcontrolboard.pa.gov/?p=256">https://gamingcontrolboard.pa.gov/?p=256</a>
- <u>Gaming Control Board To Hold Category 4 Casino Auction On September 2, 2020</u>, dated Jul. 8, 2020, <a href="https://gamingcontrolboard.pa.gov/?pr=908">https://gamingcontrolboard.pa.gov/?pr=908</a>
- Gaming Control Board's September 2nd Category 4 Auction And Public Meeting, Can Be Viewed Online or Accessed Through an Audio Link, https://gamingcontrolboard.pa.gov/?pr=914
- Updated! Ira Lubert Wins Pennsylvania Category 4 Casino Auction Award; Gaming Control Board verifies legal placement of reserved area (Updated section below in italics), https://gamingcontrolboard.pa.gov/?pr=915.

### **CONCLUSION**

## Comprehensive Investigation & Report

- ✓ OEC and BIE have the power and duty to investigate and make recommendations to the Board on all matters of eligibility and suitability.
  - 4 Pa. C.S. § 1517(a.1), (a.2)
- ✓ Ira Lubert, SC Gaming, and every associated applicant have **fully cooperated** with OEC and BIE's investigation **producing all requested information, including EXTENSIVE:** 
  - ✓ (i) Applications;
  - ✓ (ii) Documentation;
  - ✓ (iii) Licensing Interviews; &
  - √ (iv) Sworn Statements

- ✓ OEC and BIE have "conducted a thorough investigation into the eligibility and suitability" including Stadium's specific claims.
  - > OEC "is of the opinion that Applicant is suitable and eligible to hold a Category 4 Slot Machine License."
  - ➤ OEC and BIE "recommend[] that SC Gaming OpCo, LLC be found SUITABLE and ELIGIBLE."
  - ➤ "FIU determined *Mr. Lubert has the ability to self-fund* the approximate \$128 million project cost of the proposed Category 4 facility."

## Eligible and Suitable

- ✓ Category 4 eligibility and right to apply beyond any reasonable dispute
- ✓ Financial suitability and wherewithal:
  - More than adequate financial resources to develop the proposed project
  - ➤ Good character, honesty and integrity, including for all financial backers
- ✓ Operational viability:
  - More than sufficient business ability and experience to create and maintain a successful, efficient operation
  - Ability to maintain a steady level and growth of revenue

- ✓ Eligible location secured with land development plan already approved
- ✓ Additional criteria satisfied:
  - Location and quality of the proposed facility
  - ➤ Potential for new job creation and economic development
  - ➤ Good faith plan to recruit, train and upgrade diversity in employment & procurement
  - ➤ History and success of the applicant in developing tourism facilities
  - Favorable record in meeting commitments to local agencies and organizations
  - Limited need for mitigation of local impacts