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INDEPENDENT REGULATORY
REVIEW COMMISSION

November 3, 2008

Members of the Independent Regulatory Review Commission

RE: Public Comment on Proposed Regulation #125-85 Amending the Definition of "Licensed Facility" as defined in 58 P.A. Code § 401a.3.

Dear Sirs:

Attached is a copy of our prior comment.

We predicted in our prior comment that an expansive definition of "licensed facility" would risk significant adverse consequences to Sands Bethlehem because it might lead to efforts to import all of the entity and employee licensing requirements to distinctly retail operations that have no connection to gaming operations. As proposed by the Gaming Control Board, and in carefully reasoned analysis that examines the Gaming Act, the definition of "licensed facility" would not include the separate retail facility that Sands Bethlehem has proposed.

However, in a related proposal the Gaming Control Board has pending before this Commission at proposed regulation 125-91, the Gaming Control Board would import to "on site shop keepers" the vendor certification requirements in substantially the same form as are applicable to vendors supplying the gaming licensee. The "on site shop keepers" proposal's only saving grace at the present time is that it is defined to apply to such shop keepers on the "licensed facility" and, thus, would exclude from its onerous grasp the separate retail facility proposed by Sands Bethlehem.

As currently written, proposed regulation 125-91 would nevertheless capture the four restaurants and two bars proposed by Sands Bethlehem that are located on or immediately adjacent to the gaming floor. We have commented in the past about the breadth of the personal history disclosure forms and entity licensing forms for non-gaming related vendors that go far beyond what is required in a strictly regulated State such as New Jersey and will not comment further beyond one point. Those requirements operate as significant disincentives for non-gaming entities to do business with gaming licensees. Especially in these trying economic times it is extraordinarily difficult to try and convince retail and restaurant operators that they should have to take the time to construct personal financial balance sheets that is one of the many requirements of the personal history disclosure forms. For these reasons, we join in the comments of Philadelphia Park and Pocono Downs that this separate proposal should be rejected entirely.

Turning to the proposal at hand at 125-85, the only significant objections to the Gaming Control Board's reasoning in arriving at the definition of "licensed facility" are entirely political objections derived from the distribution of the local share assessments described at **4 Pa. C.S.A. § 1403** from one licensee. The Gaming Control Board's analysis was based on a reasoned analysis of the provisions of the Gaming Act. Nothing new has been raised in the new array of political comments that calls into question the reasoning of the Gaming Control Board.

Indeed, the last thing the gaming industry needs at this point is a reversal of the Gaming Control Board's decision based on political input. Political concerns require political solutions. The Gaming Act can be amended to implement a change in the distribution of the local share assessment of that one licensee. Alternatively, the local entities can enter into an agreement to arrive at the same solution. The City of Bethlehem and the City of Allentown entered into a sharing arrangement for the local assessment and that demonstration of political wisdom should serve as the shining example for the local entities concerned with the distribution from the Penn National location.

In short, what the editorial boards of the press in the Commonwealth of Pennsylvania need at this point is an affirmation that the regulatory system works as it was intended to work. The Gaming Control Board has lead the way on this issue and it is now up to this Commission to affirm the Gaming Control Board and to give those editorial boards a reason to write something positive as opposed to another discouraging word.

We appreciate the consideration of these comments.

Very truly yours,

A handwritten signature in black ink that reads "Fred Kraus". The signature is written in a cursive, slightly slanted style.

Frederick H. Kraus, Esq.
Vice President & General Counsel
Venetian Casino Resort, LLC

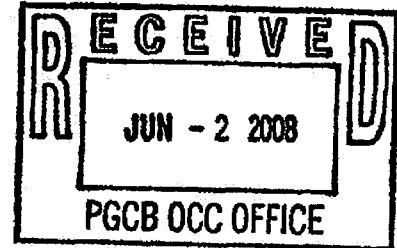


CASINO · RESORT | BETHLEHEM

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May 30, 2008

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Secretary
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Mr. Richard Sandusky
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RE: Public Comment on Proposed Regulation #125-85 Amending the Definition of "Licensed Facility" as defined in 58 P.A. Code § 401a.3.

Dear Sirs:

The Pennsylvania Gaming Control Board (PGCB) has recently proposed an amendment to the definition of "Licensed Facility" as set forth in proposed Regulation 58 P.A. Code § 401a.3. The current definition of "Licensed Facility" is "*The physical land-based location at which a licensed gaming entity is authorized to place and operate slot machines*". The proposed amended definition with our proposed revisions noted is as follows:

- (i) The physical land-based location at which a licensed gaming entity is authorized to place and operate slot machines **including the gaming floor and all restricted areas servicing slot operations including, but not limited to, food, beverage and retail outlets and other areas serving the gaming floor and either located on or directly accessible from and immediately adjacent to the gaming floor or the restricted areas servicing slot operations.**

(ii) The term does not encompass areas or amenities exclusive to pari-mutuel activities, hotel activities including hotel rooms, catering or room service operations serving the hotel, convention, meeting and multi-purpose facilities, retail facilities and food and beverage outlets and other amenities and activities not located on or immediately adjacent to, or related to slot machine gaming operations and serving the gaming floor

We propose the above revisions to make clear what we think is the principal purpose of the proposed regulation: to define more clearly the "licensed facility" and to capture within that definition beverage service bars located on or immediately adjacent to the gaming floor that are integral to the operation of the gaming floor, food outlets that are similarly situated that provide food service to the gaming floor, and retail stores such as a casino gift shop that are also similarly situated that serve the gaming floor and from which amenities are delivered to casino patrons. In other words, we see the purpose of the definition to bring within the definition of "licensed facility" the gaming floor and those ancillary operations integrated with the operations of the gaming floor. Likewise, we do not read the proposal to seek to sweep within the definition distinctly hotel related operations such as stand along food and beverage outlets, catering facilities including room service facilities serving the hotel, convention, meeting and multi-purpose facilities and stand-alone retail facilities.


We also propose the above revisions because Sands Casino Resort Bethlehem is building a 200,000 square-foot retail shopping mall that will be part of an integrated resort complex, but that will be entirely separate and distinct from the operations of the gaming floor. In addition, the original agreement between the principals requires that the facility be owned by a separate retail limited liability company. That retail facility including restaurant facilities will have two separate entrances: one that is accessed from an outside entrance completely independent from the building housing the gaming floor, and the other connected to the building housing the gaming floor. So our proposed revisions are designed to be consistent with what we believe is the intent of the proposed revision not to sweep within its grasp those types of facilities and other hotel related operations.

If the proposed regulation is not clarified, an unintended consequence could be that employees of all of the restaurants and retail shops that are leased to tenants and not owned by the casino licensee, Sands Bethworks Gaming LLC, but owned by Sands Bethworks Retail LLC would have to be licensed by the Board as Non-Gaming employees. We expect the third party tenants of the leased outlets in the retail facility to have approximately 1,000 employees including part-time employees. Furthermore, there could be the need for additional regulatory staffing, oversight and costs associated with the implementation of the proposed regulation.

Unless the proposed regulation is clarified, we think the potential sweep of the regulation could hamper our ability to lease the retail outlets to nationally known retail tenants and therefore could materially hamper our ability to launch the type of integrated resort we promised the Board we would develop. . Further, we made the investment in our project with the understanding that the current definition of a "Licensed Facility" was focused on the gaming operation. Unless the proposed definition is clarified as we propose, we believe another unintended consequence would be a significant impediment to future development of the remaining open space at our site.

Thank you for the opportunity to address this important issue.

Regards,



Robert J. DeSalvio
President

CC: F. Kraus
H. Eicher