

It's hold-'em-or-fold-'em time for the Foxwoods Casino project.

As the original partners close in on a deal with yet another operator and new investors, the Pennsylvania Gaming Control Board will have to

decide whether to give the ill-starred group another chance - or kill the plan for a South Philadelphia gaming hall.

According to people familiar with negotiations, the Foxwoods investors are about to sign an agreement with Harrah's Entertainment to operate a casino and with a major private-equity firm - Apollo Management, part-owner of Harrah's - to arrange financing.

Harrah's would replace the Mashantucket Pequot tribe, which operates the flagship Foxwoods casino in Connecticut and was going to develop the Philadelphia site until money troubles intervened. The tribe would remain a minority investor.

The new deal, however, faces one final hurdle: Settling how much Citizens Bank will get back from a \$60 million line of credit it extended the original group in 2007.

A Harrah's spokeswoman, Jacqueline Peterson, had no comment. Nor did Citizens Bank spokeswoman Christine Jereb. Calls and e-mails to lawyers representing the Foxwoods group - called Philadelphia Entertainment and Development Partners (PEDP) - were not returned.

If a deal with Harrah's is approved, the casino, under state gaming law, would have to open with 1,500 slots by December 2012 - more than two years after the opening last month of the city's first casino, SugarHouse.

"Even if a white knight comes riding over the hills with saddlebags of cash, I still don't believe they can be operating on time," said State Rep. Mike O'Brien, a Democrat whose district includes neighborhoods near the proposed site on South Columbus Boulevard.

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A staunch critic of the project, O'Brien said the group still needed not only state but also federal approvals - for such matters as riparian rights, and water and sewer systems - before it can apply for city building permits. "There are a lot of obstacles," he said.

In Harrisburg, the Pennsylvania Gaming Control Board is proceeding on two seemingly contradictory tracks: one leading to the revocation of the Foxwoods license, and one aimed at the casino's opening.

Last April, enforcement lawyers for the gaming board asked commissioners to take away PEDP's \$50 million slots parlor license. The motion came after repeated delays, missed deadlines, and the collapse of a deal with gaming mogul Steve Wynn to develop and operate a casino for the Foxwoods group.

The gaming board has set a deadline of Tuesday for all motions to be filed in advance of a hearing to consider revoking the license.

Lawyers representing the agency also are demanding that one of the original participants in the Foxwoods deal - South Jersey lawyer Lewis Katz - be licensed as a principal in the venture.

The board recently required the licensing of developer Ron Rubin and Katz's daughter, Melissa Silver, both of whom started charitable trusts to invest in the venture.

While the trusts they created were licensed in 2006, regulators decided last summer that amendments to the gaming law would require that they, too, be licensed as principals. The process is long and thorough, requiring a review of all business dealings, investments, and legal involvements, as well as personal information.

Rubin and Silver are complying with the board's order, said Doug Harbach, a spokesman for the gaming agency.

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However, Katz, who has played a key role in the project, is appealing an order to be licensed. The matter will be taken up by the seven-man gaming board Wednesday.

A Democratic powerbroker who made millions in banking, parking garages, billboards, and professional sports, Katz is registered as a representative to PEDP, but not as a principal.

Calls to Katz seeking comment were not returned.

He has asked the state to keep confidential his reasons for appealing the licensing order - a matter that the board will take up Wednesday, Harbach said.

Katz and Rubin have been seeking a replacement for Wynn since last spring. At a board meeting July 29, a lawyer representing PEDP, F. Warren Jacoby, told commissioners a new deal was imminent.

But one of the holdups was finding a mutually agreeable way to maintain the project's charitable commitment.

According to sources, under the proposed arrangement with Harrah's, 2 percent of casino revenue would be dedicated to local charities.

When PEDP was awarded one of two slots licenses for Philadelphia in 2006, its backers argued to the gaming board that Foxwoods was the only project with "heart." Three of the main partners - the charitable trusts of Katz's daughter and Rubin, plus Comcast-Spectacor chairman Ed Snider - had pledged their 42 percent stake of profits to charities.

In an interview last June, Jacoby disclosed that the trusts might give money not only to traditional charities, but also to more activist 501(c)4 groups, an IRS category of nonprofit groups that may engage in lobbying and political campaigning.

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Under the state's gaming law, casino operators are barred from making political contributions or participating in political activities in Pennsylvania.

It's unclear if, under the arrangement with Harrah's, local investors might disburse donations to 501(c)4 nonprofit groups.

The types of nonprofit organizations that fall into that category can run the gamut from single-issue activist groups such as Casino-Free Philadelphia to organizations with broad political or social-welfare agendas.

Kevin F. O'Toole, executive director of the gaming board, said in a recent written response to The Inquirer that whatever disbursements are made in the future, the board will monitor payments to nonprofit groups to make sure the state's gaming law is not evaded.

Contact staff writer Jennifer Lin at 215-854-5659 or jlin@phillynews.com.

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