

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: BUSHKILL GROUP - FERNWOOD RESORT & CASINO

\* \* \* \* \*

PUBLIC INPUT HEARING

\* \* \* \* \*

BEFORE: GREGORY C. FAJT, Chairman  
James B. Ginty, Raymond S. Angeli,  
Kenneth T. McCabe, Jeffrey W. Coy,  
Gary A. Sojka, Kenneth I. Trujillo

HEARING: Tuesday, November 16, 2010  
4:31 p.m.

LOCATION: Pennsylvania State Museum  
300 North Street  
Harrisburg, PA 17120

WITNESSES: Andrew Worthington, Thomas Meyerer, Steve  
Snyder, Gina Bertucci, David West, Jamie Keener,  
Jennifer Ann Wise, Esquire, Kevin Lavelle, Mark  
Turner, Scott Kramer, Bob DeSalvio, Frederick Kraus,  
Mark Stewart, Mike Bean, Mike Izzo, Albert Federico,  
Susan Hensel, Richard O'Neil

Reporter: Sarah Wendorf

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CHAIRMAN:

Good morning, everyone. Once again, I'd just like to ask everybody to please turn off their cell phones, PDAs and other electronic devices. The purpose of these proceedings today is to provide the Bushkill Group with a final hearing to introduce testimony and evidence to prove to the Board's satisfaction that they are eligible and suitable for licensure, as well as to convince the Board that the Applicant should be selected for the available Category 3 License.

In addition, this hearing will provide the opportunity for the Applicant to answer any questions that the Board may have relating to its application. Also in this proceeding we have two other slot machine licensees who have filed Notices of Intent to Contest the Bushkill Application, namely Sands Bethworks and Downs Racing. At the conclusion of Bushkill's presentation, each of these licensees will have 15 minutes each to address their concerns to the Board. Thereafter, Bushkill will have 15 minutes to rebut Sands and Downs.

The public has previously had

1 opportunities to be heard with respect to the Bushkill  
2 Application during public input hearings and through  
3 written comments and correspondence. All the public  
4 testimony and comments will be taken into  
5 consideration by the Board when deliberating on each  
6 applicant.

7                   Suitability and eligibility factors that  
8 the Board will take into consideration when reviewing  
9 these applications, as with all applications, are  
10 defined in the Act. Upon conclusion of the four  
11 hearings we're holding today and tomorrow, the Board  
12 will take the matter of awarding a Category 3 License  
13 under advisement. As required by the Act, a decision  
14 of the Board will not be forthcoming on these  
15 applications until such time as the Board has the  
16 opportunity to deliberate and determine eligibility  
17 and suitability for the award of a license consistent  
18 with the public interest.

19                   I would ask our Deputy Chief Counsel,  
20 Steve Cook, to address the review of this application  
21 by our staff. Steve?

22                   ATTORNEY COOK:

23                   Thank you, Mr. Chairman. The application  
24 of the Bushkill Group, Inc. was filed with the  
25 Pennsylvania Gaming Control Board on June 28th, 2007.

1 As with all applications, subsequent to receipt, the  
2 Applicant underwent lengthy and thorough review.  
3 Additionally, a public input hearing was held in  
4 Monroe County, Pennsylvania, on September 2nd, 2010,  
5 during which time Bushkill made a presentation  
6 concerning its projects, including oral testimony, as  
7 well as the submission of documentary evidence.

8           During the course of that hearing,  
9 speakers other than the Applicant presented either  
10 their support for or opposition to the proposed  
11 project. This hearing was recorded and transcribed.  
12 Additionally, the Pennsylvania Gaming Control Board  
13 placed materials submitted by Bushkill on its website  
14 to allow greater public access to the information  
15 concerning the proposal, the projections, the studies  
16 and other materials presented to the Board. These  
17 documents included local impact reports.

18           The dissemination of this information  
19 permitted the Board's receipt of written submissions  
20 both in support of and in opposition to the project.  
21 As of the deadline for the submission of written  
22 comments, the Board received 1,303 submissions from  
23 members of the general public. In addition, the  
24 Bureau of Licensing, the Bureau of Investigations and  
25 Enforcement (BIE) and the Financial Investigations

1 Unit within the BIE has undertaken a review of the  
2 Applicant consistent with the mandates of the Act.  
3 The result of this licensing and investigative phase  
4 of the application process is the creation of a  
5 suitability report which summarizes the findings of  
6 the Bureau as to the Applicant's compliance with the  
7 Act's licensing eligibility and suitability  
8 requirements.

9           Further, in its application, Bushkill  
10 also submitted a traffic study for the Board's  
11 consideration of the effect on local traffic if  
12 Bushkill would be granted a Category 3 License. The  
13 Pennsylvania Gaming Control Board retained the firm of  
14 McCormick Taylor to review the study and issue a  
15 report. Albert Federico, senior traffic engineer with  
16 McCormick Taylor, is present here today and will be  
17 making a presentation after the Applicant's  
18 presentation.

19           I'd like to now discuss stipulations and  
20 exhibits for the record. Bushkill and the Office of  
21 Chief Counsel (OCC) have entered into a stipulation  
22 regarding the admission of certain documents into the  
23 record in these proceedings, specifically the  
24 application-related documents, the suitability report  
25 provided to the Board, the public input hearing



1 transcript and exhibits, public input written  
2 comments, the local impact report, traffic studies and  
3 correspondence related thereto, and all filings made  
4 at the Office of Hearings and Appeals (OHA) with  
5 respect to this Applicant. Each of these items which  
6 are identified and offered as Exhibits One through  
7 Nine are to be admitted into the record as stipulated  
8 --- as a stipulated evidentiary record in support to  
9 help further the Board's consideration of this matter.

10 (Exhibits One through Nine marked for  
11 identification.)

12 ATTORNEY COOK:

13 Of particular note relative to the  
14 stipulated evidence is the testimonial stipulation  
15 going to the procedure employed by the Bureau of  
16 Licensing, the BIE and Financial Investigation Unit in  
17 reviewing this application. This stipulation is  
18 marked as Exhibit Eight.

19 In addition, the transcript of today's  
20 proceedings, as well as any other evidence submitted  
21 today, will also be made part of the public record ---  
22 or part of the record for the Board's consideration,  
23 as will any post-hearing memorandum submitted by the  
24 Applicant. Thank you, Mr. Chairman.

25 CHAIRMAN:

1 Thank you. I'd like to now call on the  
2 representatives of the Bushkill Group. I see that you  
3 are present. If there are any non-lawyers among your  
4 folks today that will be offering testimony, could  
5 they please stand and be sworn in?

6 -----

7 WITNESSES SWORN EN MASSE

8 -----

9 CHAIRMAN:

10 Just again, in the way of housekeeping,  
11 for every speaker, before you begin your presentation,  
12 if you could clearly state your name and then spell it  
13 for the stenographer, that would be great. With that,  
14 we'll begin, Counselor.

15 ATTORNEY JONES:

16 Good evening, Chairman Fajt, members of  
17 the Board. Marie Jones from Fox Rothschild here on  
18 behalf of the Bushkill Group. I would like to first  
19 take the opportunity to thank the Board staff for  
20 their professionalism, hard work and dedication in  
21 getting us to this point today.

22 With me today from the Bushkill Group is  
23 Andrew Worthington, CEO and president and shareholder;  
24 Gina Bertucci, Vice-President of Marketing and a  
25 shareholder; and Holly Freeman, Director of Special

1 Projects. Also in attendance from Bushkill there are  
2 other shareholders and officers who will not be  
3 presenting but will be available for questions, that  
4 is Mark Turner, Chief Operation Officer; Kevin  
5 Lavelle, Vice-President and Chief Financial Officer;  
6 Thomas Casale, Vice-President and General Counsel;  
7 Josh Herschlag, Vice-President of Timeshare Marketing.

8                   And then from our management company,  
9 Penn National Gaming, we have Steve Snyder, Senior  
10 Vice-President of Corporate Development; Carl  
11 Sottosanti, Vice-President and Deputy General Counsel;  
12 Thomas Auriemma, Vice-President and Chief Compliance  
13 Officer; Walter Bogumil, Vice-President of Financial  
14 Analysis; Karen Bailey, Director of Public Affairs;  
15 Sue Rays (phonetic), Vice-President of Human  
16 Resources. In addition, we have Solicitor Jennifer  
17 Ann Wise from Middle Smithfield Township; Thomas  
18 Meyerer, Investment Officer from Capital Source Bank;  
19 David West from West Consulting Services; and Jamie  
20 Christopher --- or Jamie Keener and Christopher Bauer  
21 from Herbert, Rowland & Grubic. And I've already  
22 given the court reporter all the names and spellings.

23                   We're pleased to be before the Board for  
24 the continuation of the application for a Category 3  
25 License that Bushkill applied for in June 2007. It

1 has been a long and winding road to get to this point.  
2 But Bushkill has stayed with the application process,  
3 as we believe this is the type of resort for which the  
4 legislature created the Category 3 License.

5           Since our initial application, things  
6 have changed that have enhanced the project. The  
7 addition of table games will bring additional revenue  
8 to the project. We are also very pleased to have Penn  
9 National Gaming with us who will be providing the  
10 financing for the project and will bring their vast  
11 gaming experience to the table.

12           Bushkill will establish today that it not  
13 only meets all the eligibility and suitability  
14 requirements of the Act, but it is the best applicant  
15 and would bring the most revenue to the Commonwealth.  
16 This is also Bushkill's last opportunity to apply for  
17 a Category 3 License, as the license that can be  
18 issued in 2017 has an increased mileage requirement up  
19 to 30 miles that would make them ineligible. I would  
20 now like to introduce Mr. Worthington to begin our  
21 formal presentation.

22                           MR. WORTHINGTON:

23           Thank you, Marie, Chairman Fajt, members  
24 of the Board. I appreciate you giving us this  
25 opportunity to present before you today. My name is

1 Andy Worthington and I am president and CEO of the  
2 Bushkill Group.

3           I would like to briefly show you what  
4 supports our premise that we are the best choice for  
5 this Category 3 License. We will deliver the highest  
6 gross gaming revenue of the Commonwealth of  
7 Pennsylvania. And as you can see, it's by a  
8 significant margin. We will provide the most gross  
9 gaming tax to the Commonwealth of Pennsylvania and are  
10 ready to start construction immediately after  
11 licensure, thereby delivering much needed tax revenues  
12 to our Commonwealth quickly. And we can provide this  
13 revenue to the Commonwealth because of our location.  
14 Just minutes from the New Jersey state line and the  
15 massive New York DMA. Within a hundred-mile radius of  
16 our property there are over 28 million people. And  
17 currently at our resort over 84 percent of our guests  
18 come from outside of Pennsylvania.

19           Many of you have seen our previous video  
20 and earlier presentations. We're not going to show it  
21 to you again. And for this hearing we've prepared a  
22 new short video which describes our resort.

23 VIDEO PLAYED

24           MR. WORTHINGTON:

25           As you can see from this next slide,

1 Fernwood meets all the eligibility requirements. To  
2 highlight a couple of points, and given our time we  
3 will not highlight all of them, we do have a minimum  
4 of 275 rooms under common ownership. In fact, at the  
5 resort we have 906 rooms. We're not located within 15  
6 miles of another licensed facility. And we have  
7 substantial year-round amenities, as you saw from the  
8 slide. Bushkill Group is a wholly-owned subsidiary of  
9 Resorts Group, Inc. and is the parent company of  
10 Fernwood Hotel & Resort and the Villas at Tree Tops.

11           We also meet all the suitability  
12 requirements. You'll hear from Penn National of our  
13 demonstrated ability to generate and sustain revenue  
14 growth for the Commonwealth. We have demonstrated in  
15 previous presentations our commitment to this process  
16 and demonstrated our good character, honesty and  
17 integrity, along with our years of experience in  
18 resort operations. The design of our facility meets  
19 the statutory, regulatory and technical standards  
20 defined in the legislation, and we will open quickly.

21           This is a map of our 440-acre resort,  
22 which shows our existing amenities, with a highlight  
23 of our already approved expansion for villa  
24 construction of 292 more rooms. As you saw in the  
25 video, we have substantial year-round amenities all

1 within walking distance to our accommodations and the  
2 proposed casino. This is an artist rendering of the  
3 proposed entry and porte-cochere of the casino, which  
4 is located adjacent to our front desk. The casino  
5 facility is attached to the hotel rooms and is located  
6 adjacent to our restaurants and our meeting room  
7 building. This is a layout of the proposed gaming  
8 floor. The building will house a poker room,  
9 restaurant and all the other legislative gaming floor  
10 requirements. We've highlighted the parts where  
11 footage to accommodate our proposed opening of 500  
12 slot machines and table games. As the law requires,  
13 we will restrict access to the gaming floor.  
14 Satisfaction of that requirement will be discussed in  
15 detail later by Penn National.

16 I would now like to introduce Thomas  
17 Meyerer. He's our lead lender for Resort Operations  
18 and is an investment officer for Capital Source Bank.

19 MR. MEYERER:

20 Hello, members of the Board. My name is  
21 Thomas Meyerer, and that's spelled M-E-Y-E-R-E-R. I'm  
22 here today representing Capital Source Finance, who's  
23 the primary senior lender to the Bushkill Group.  
24 Capital Source is a commercial finance company which  
25 is publicly traded on the New York Stock Exchange

1 under the ticker symbol CSE. Our core business is to  
2 provide senior debt to middle market companies across  
3 a variety of industries. We've been actively lending  
4 in the timeshare industry since our inception in 2000  
5 and remain committed into the space.

6           Capital Source went public in 2003 and  
7 has continued to grow its diverse national lending  
8 platform. In 2008 Capital Source acquired certain  
9 assets of Freemont Investment Loan and formed Capital  
10 Source Bank with five billion dollars in retail  
11 deposits and 22 retail branch locations. This  
12 formation of an FDI insured depository combined with  
13 our commercial lending platform provides a stable and  
14 powerful combination in today's market.

15           Capital Source Bank provided a senior  
16 loan facility to the Bushkill Group in May 2010.  
17 Their loan is current, performing and compliant with  
18 all terms and conditions of the agreement.  
19 Additionally, the Bushkill Group has the capacity  
20 under the facility to draw additional funds as needed.  
21 I would like to point out that the management team at  
22 the Bushkill Group has been great to work with and  
23 operates with a high level of integrity. All the  
24 principals appear to have strong ties to the community  
25 and are committed to the success of the project.



1                   In October, Capital Source issued a  
2 letter to the Pennsylvania Gaming Control Board  
3 indicating our continued support of the Bushkill Group  
4 in their application for the Category 3 Gaming  
5 License. In the letter we outlined how we believe a  
6 casino will complement Fernwood Resort's existing  
7 resort amenities and would enhance the appeal of the  
8 resort for future guests.

9                   In conclusion, Capital Source supports  
10 the Bushkill Group's application for a Category 3  
11 Gaming License. We have in place committed financing  
12 for the timeshare operations of the resort and we'll  
13 act in good faith into the future to assist the  
14 Bushkill Group to achieve its goals. Thank you.

15                   MR. WORTHINGTON:

16                   Thank you, Tom. These next slides are  
17 designed to give you a better picture of the owners  
18 and managers of Bushkill Group. In addition to our  
19 long years of experience in the resort industry, and  
20 all of us have been in it for more years than we want  
21 to admit, I'd like to point out as a slide show our  
22 commitment to Fernwood Hotel & Resort. We've all been  
23 at Fernwood for a long time as well. We worked at  
24 Fernwood when it was owned by the Rank Group, and in  
25 2006 we successfully completed a management buyout of

1 the business. This is our business. We're not  
2 investors in search of a gaming project. We're resort  
3 owners and operators looking to add a great amenity to  
4 improve our resort for our guests, our employees and  
5 for our region. Because of our commitment to our  
6 resort and our region, we will be a great partner for  
7 the Commonwealth.

8 In conclusion, let me review the --- I'm  
9 sorry. I'm not concluded.

10 ATTORNEY JONES:

11 Thank you, Andy. Earlier today you heard  
12 from Penn National Gaming and then you heard from a  
13 number of people. We have asked Mr. Snyder to present  
14 on behalf of Penn. I do want to present a little bit  
15 of his background. He's senior vice-president of  
16 corporate development of Penn National, and he's been  
17 with them since 1998 and has nearly 20 years of  
18 experience. He's responsible for identifying and  
19 conducting internal and industry analysis of potential  
20 acquisitions, partnerships and other opportunities.  
21 He's also responsible for developing and maintaining  
22 bank and financial community relationships. Mr.  
23 Snyder received his Bachelor's degree from Dickinson  
24 College and a Master's of Science in Industrial  
25 Administration from Carnegie Mellon University. I

1 would like to move Mr. Snyder in as an expert witness  
2 with respect to the economic impact of the Bushkill  
3 facility and the management and operation of same.

4 CHAIRMAN FAJT:

5 So noted.

6 MR. SNYDER:

7 Thank you, Marie. Thank you, Mr.  
8 Chairman and members of the Board, as well as the  
9 public and staff who are in attendance. I want to  
10 just briefly highlight for the record, since you've  
11 heard it before, but I will introduce it for the  
12 record in this matter, a little bit of background  
13 information on Penn National Gaming, who of course is  
14 well-known by this board as the Licensee with the  
15 closest, the most proximate facility to Harrisburg,  
16 here at the Hollywood Casino and Penn National  
17 Racecourse. We have, over the course of the last  
18 several years, grown to become the third largest  
19 publicly-traded gaming company in the United States,  
20 as measured by the United States originated gaming  
21 revenue.

22 We now currently, as we sit today, with  
23 our most recent opening on September 27th of our  
24 Hollywood Casino in Perryville, we operate in 16  
25 states and the Province of Ontario --- 15 states and

1 the Province of Ontario 23 facilities. In addition to  
2 those 16 jurisdictions, we have the State of Texas and  
3 the State of Nevada, who are pending, as well as the  
4 State of Kansas and the State of Ohio in which we are  
5 currently developing a number of significant projects  
6 in those two states. So we, over the recent years,  
7 have grown to become really the largest footprint of  
8 any gaming company in the United States bar one. I  
9 would concede to the Harrah's folks that they probably  
10 have a larger footprint, but much more concentration  
11 in Atlantic City and Las Vegas, which we do not have.

12           We are in these communities. We are in  
13 places like Bangor, Maine. We are in places like  
14 Hobbs, New Mexico. We are in places like Grantville,  
15 Pennsylvania. And we have struck upon a partnership  
16 with Andy and his team over a year ago to explore an  
17 opportunity to work on a project in Monroe County,  
18 Pennsylvania. You can see from the slide some of the  
19 examples of the growth that we've exhibited as being  
20 evidenced by Forbes Magazine as one of the fastest-  
21 growing --- Fortune Magazine, as being one of the  
22 fastest-growing companies for really six out of seven  
23 years, back through the late 2000s.

24           Moving on to the management team of the  
25 company again, a group that you are familiar with.

1 Our company was really built and founded by a family,  
2 and that family is evidenced by Mr. Carlino, starting  
3 with his father, who was involved in the original  
4 construction of Penn National Racecourse back in the  
5 early 1970s, was a leader in additional enhancements  
6 to the racing industry and formed a simulcast wagering  
7 legislation, which allowed for simulcast facilities in  
8 the mid 1980s, which gave Penn National a platform for  
9 some of the growth. The greatest platform for our  
10 growth, however, came when we did step into the slots  
11 machine and casino gaming industry with our investment  
12 in the Charles Town Races & Slots, which at the time  
13 of our acquisition, Charles Town Races was closed,  
14 boarded up and was not operational.

15                   Since the IPO of the company in 1994,  
16 we've been one of the fastest-growing companies, led  
17 most recently by the management team that you see  
18 there in the gaming industry. Mr. Carlino, Peter, has  
19 been with us since the IPO of the company in 1994.  
20 Tim Wilmot joined us after in excess of 20 years of  
21 experience at Harrah's, rising to the level of Chief  
22 Operating Officer at Harrah's, and is now our  
23 president of the operations of Penn National Gaming,  
24 and the rest of the management team which you see on  
25 that slide in front of you.

1           We've included additional biographical  
2 information on members of our team who are in  
3 attendance here today, who will be available to answer  
4 any and all questions that the Board may have on any  
5 subject matter. You'll see representatives there from  
6 Compliance, representatives from legal counsel,  
7 representatives from public affairs, as well as our  
8 human resources staff, so that we will be in a  
9 position to answer any question that the Board or  
10 staff may have as you consider this presentation.

11           Just to finalize the conversation about  
12 Penn National, you'll see that map. And that map is  
13 something that we, as a company, are very proud of,  
14 stretching from Maine in the northeast to New Mexico  
15 in the southwest, and soon to be Nevada through the  
16 acquisition of a mortgage on a property on the  
17 southern end of Las Vegas Boulevard, which hopefully  
18 will close sometime in early 2011 through the  
19 regulatory process before the Nevada Gaming  
20 Commission.

21           More importantly, for today's purposes, I  
22 do want to start to drill down specifically on the  
23 Bushkill Application, the Fernwood project. We were  
24 introduced to Mr. Worthington and his ownership team  
25 and his management team, as I said, over a year ago.

1 This Board will recall it was an application which was  
2 pending at that time, in addition to another  
3 application which was being considered by the Board.  
4 There were pieces at that point in time, because of  
5 the financial crises, the challenges that existed in  
6 the general economy, the macro economy here in the  
7 United States that led to their challenges in getting  
8 over the goal line for what at the time was really a  
9 qualified and the remaining qualified project short of  
10 financing.

11                   And that, quite frankly, is how we were  
12 introduced to Mr. Worthington. We were approached  
13 through intermediaries who asked if we would have an  
14 interest in participating with this group, with these  
15 investors, these owners, these operators of the  
16 Bushkill Fernwood Resort. We spent some time trying  
17 to understand the dynamics of that marketplace. We  
18 spent a lot of time with our construction team, our  
19 development and outside architects and consultants  
20 evaluating the opportunity for this site for the  
21 existing facility in their event center. And we can  
22 sit before you today to say we've come up with Mr.  
23 Worthington and his team with a plan which we feel, as  
24 he suggested, will maximize the revenue for the  
25 Commonwealth. We'll do it in a fashion that is as

1 speedy as anyone else. And we will provide, as you  
2 see here, all of the necessary resources, the  
3 resources that did not exist historically to this  
4 project to get it completed. Those resources include  
5 the turnkey development of this project from start to  
6 finish as a gaming operator with a track record of  
7 developing these types of facilities in similar  
8 markets around the country. We will provide 100  
9 percent of the financing necessary for the  
10 development, renovation and opening of the casino  
11 facility at the Fernwood Resort, and we will manage  
12 all of the casino operations at Fernwood if this  
13 Applicant is chosen to be the grantee of this Category  
14 3 License.

15                   I know in considering the Category 3  
16 Licenses this is unique. Obviously, one has been  
17 awarded. It's not open yet. The Category 1s, save  
18 for one, are all open and operating. The Category 2s,  
19 save for one, are all open and operating. The  
20 Category 3s are still a work in progress in their  
21 entirety. None are open. So the question becomes how  
22 do we, working with the resort owners, develop a  
23 process by which the intention of the Category 3  
24 Licenses is honored and is adhered to?

25                   What you see before you is the game plan



1 that we have spoken with the Fernwood folks about in  
2 terms of maintaining the restriction for a guest or a  
3 customer of the resort as a requirement to access the  
4 gaming floor. The thought process here, in consistent  
5 fashion with the implementation of the rules set by  
6 this Board for a ten-dollar de minimis requirement or  
7 a ten-dollar usage charge --- or ten-dollar  
8 expenditure, excuse me, by a patron before they are  
9 able to go into the casino will be implemented at this  
10 resort by integrating our player information into the  
11 point-of-sale system that is currently utilized at the  
12 resort. So that a transaction through that point-of-  
13 sale system, whether it be a hotel guest, through  
14 their lodging management system, a beverage purchase  
15 at one of the beverage outlets, a food purchase, a  
16 gift purchase in one of the gift shops, a golf round  
17 at the golf course, will all be identified and  
18 codified through their existing point-of-sale system,  
19 their micro system.

20           A recipient or a customer who does make  
21 such adequate purchase will then be given a voucher,  
22 and that voucher will have to be submitted to the  
23 security guard at the entrance to this facility to  
24 further evidence the fact that they are in compliance  
25 with the entry requirements to enter into this

1 Category 3 facility. That will allow for greater  
2 regulation of the age requirements, greater regulation  
3 and greater enforcement of any self-exclusion or other  
4 known problem gamers from being able to access this  
5 facility and also allows us to monitor that no casino  
6 employees are able to enter the facility.

7           You can see here as we drill into the  
8 floor plan, and we'll get into some of the design  
9 features a little bit later on, the only entrance for  
10 the public to this facility will be at the northern  
11 end of the facility. As you drill down, that entrance  
12 will require the passage by a security checkpoint.  
13 And at that security checkpoint both the age  
14 requirement, as well as the patron-of-the-resort  
15 requirement will be identified and verified before a  
16 customer will be able --- will be allowed to even set  
17 foot on the gaming floor.

18           Moving on, I've touched upon most of  
19 these points with the point-of-sale system being  
20 integrated into the casino access, the guests getting  
21 an identification and an access pass. And as  
22 importantly, once on the floor, as we do in all of our  
23 facilities for those patrons that do elect to have  
24 their play monitored for purposes of the Rewards and  
25 Infinity programs, we would be monitoring their play

1 once they are on the casino floor.

2 I'm going to touch on just a couple of  
3 other areas of corporate responsibility that we, as a  
4 company, bring to our operations and certainly would  
5 bring to the operation of the casino at Fernwood  
6 Resort. Our Compliance Department is headed by Tom  
7 Auriemma. Tom was the Director of the Division of  
8 Gaming Enforcement, has 30 years of experience as a  
9 regulator in the gaming industry. And needless to  
10 say, as a result of that, I'd like to think that our  
11 compliance function at Penn National is as rigid, if  
12 not more rigid, than anyone in the industry because of  
13 Tom's background. And us having Tom as a party --- as  
14 an employee, as a member of our team, as a member of  
15 our staff, is quite an honor for us.

16 We do take compliance seriously, very  
17 seriously. We have a Compliance Committee in place at  
18 the corporate level, and we have identified a  
19 compliance officer at each of our properties and would  
20 do so as well at Fernwood. We would expect the same  
21 corporate infrastructure that is utilized to oversee  
22 the management and operations of the Hollywood Casino  
23 at Penn National to be replicated and to be integrated  
24 into that corporate structure here at the Fernwood  
25 facility.

1                   Finally, there is a 24-hour hotline that  
2 is available so that our employees do feel free and  
3 have access to report anything that they've identified  
4 that could lead to any problems. As to responsible  
5 gaming, we have a very strong commitment to  
6 responsible gaming. We do have a member of our  
7 compliance staff who is exclusively responsible for  
8 overseeing our responsible gaming programs, our  
9 employee training with respect to responsible gaming,  
10 identifying issues before they are arise and  
11 implementing the code of conduct for the appropriate  
12 level of responsible gaming as a casino industry  
13 participant. I believe you are aware of that as a  
14 regulator of us. I know that you have followed  
15 intimately our compliance history and followed  
16 intimately our adherence to the code of conduct for  
17 responsible gaming.

18                   One of the other areas that we take great  
19 pride in as a company is our workforce, is the  
20 diversity of our workforce, the training which we  
21 provide our workforce, the ability to provide for  
22 career enhancement and career opportunities of  
23 participants in our workforce be they at existing  
24 properties or growing and maturing at the existing  
25 property or lateral movements across properties. We

1 facilitate all of those moves where there are  
2 opportunities that present themselves. You will see  
3 from this slide that our workforce is more diverse in  
4 many of our markets among our 15,000 employees and  
5 many of the markets in which we operate with 52  
6 percent of those over 15,000 employees being female  
7 and 28 percent of them being minority based on 2009  
8 reporting statistics. We do constantly strive for  
9 adherence to goals that are established inside the  
10 company as well as by third-party regulators in  
11 applying the equal opportunity standards for both  
12 construction procurement as well as employment  
13 opportunities within our workforce.

14                   You can see on the next slide with the  
15 procurement side and the women-owned business and the  
16 minority-owned business enterprises, the slide --- the  
17 bullet point on this slide that I like the most, that  
18 I think is most telling about our company, we, in  
19 Grantville, Pennsylvania, were ranked third by this  
20 Board and by your staff in terms of the construction  
21 spending that was applied to or was spent on MBE and  
22 women-owned business enterprises. That's in  
23 Grantville, Pennsylvania. That's second only to ---  
24 not Three Rivers, that was the stadium, but to The  
25 Rivers in Pittsburgh and Parx in Philadelphia. So

1 that in spite of our geographic location, we've been  
2 able to exceed and really achieve some pretty  
3 substantial results on the MBE and WBE side both in  
4 the construction procurement, and as you can see in  
5 the last bullet point, on the operations side by  
6 looking for vendors who do qualify under the same EOC  
7 guidelines as MBE and WBEs with over \$15 million spent  
8 since 2008 here in central Pennsylvania with those  
9 types of vendors.

10                   Let's move on. I'm sorry. There was one  
11 other thing that is important for us as a company.  
12 And this was really brought home for us as a company  
13 in 2005. We, unfortunately, in 2005, looking at the  
14 Penn National Gaming Foundation, were back then the  
15 property owner of two casino facilities on the  
16 Mississippi Gulf Coast, one in Biloxi and one in Bay  
17 St. Louis, Mississippi. Those of you who are familiar  
18 with it know that the eye of the Katrina storm came  
19 ashore just east of Bay St. Louis, Mississippi. As a  
20 result of that, many of our workers were displaced.  
21 We chose to employ those workers, to continue to pay  
22 them for 90 days after their displacement, even though  
23 those facilities could not operate. We moved quickly  
24 to get those facilities open as quickly as possible.  
25 In one case it took a year. In the other case it was

1 a bit shorter.

2                   But one of the lessons that we, as a  
3 company, learned is the importance of the communities  
4 in which we do business. From that experience in 2005  
5 we established what we see on the slide before you,  
6 the Penn National Gaming Foundation. And it has grown  
7 over the years and in 2009 alone has invested over \$3  
8 million in the communities in which we do business  
9 through charitable giving, again, an entity that  
10 started in response to a crisis that has grown now and  
11 become really a part of our corporate culture by  
12 encouraging our workers to contribute both their time  
13 and their dollars in the communities in which we  
14 operate.

15                   That's kind of enough about Penn  
16 National, and I'm sorry for taking as much time as we  
17 did. I think it's now important to really focus in on  
18 the project at hand and what an award of the Category  
19 3 License to Fernwood would mean. The slide that you  
20 see before you is just a little bit of our experience.  
21 When Mr. Worthington and his team came to us over a  
22 year ago, we did our own work. We didn't rely on any  
23 consultant's work. We certainly didn't look at any  
24 consultant's work that was done back in 2003, before  
25 table games were authorized, before Maryland and some

1 of the other adjoining states came online. We did our  
2 own work to look at what we felt was the potential for  
3 stabilized gaming revenue out of the Fernwood  
4 facility. What you see on the board there is our  
5 projection of that first-year stabilized revenue of  
6 \$107 million. The methodology which we utilized to  
7 arrive at that revenue number is similar, not  
8 identical but very similar to what we utilized back in  
9 2006 and presented to this Board in your consideration  
10 of our Category 1 License Application at the Penn  
11 National Racecourse facility in Grantville.

12           The difference, the principal disparity  
13 is the fact that Grantville didn't have and does not  
14 yet have any hotel rooms. This facility has 906 keys  
15 that can be used to drive visitation to the facility  
16 and, therefore, gaming revenue. So that \$107 million  
17 number of gaming revenue, we think we can very easily  
18 achieve at least 30 percent of that through better  
19 maximization, and I think Andy will get into the  
20 current occupancy of the facility, of those 906 rooms,  
21 those 906 keys, and deeper market penetration into  
22 northern New Jersey and into New York. Those are  
23 markets, specifically New York, which even the Lottery  
24 Director --- the State of New York Lottery has  
25 identified as very underserved in terms of gaming



1 capacity given the base of adults and the household  
2 income of those adults in that northern New  
3 Jersey/southern tier of New York --- New York  
4 metropolitan area.

5           The one last item on this slide that I do  
6 want to just highlight for the Board, I think there  
7 was one licensee who suggested that bidding by  
8 exaggeration --- excuse me, bidding by projection,  
9 bidding by exaggeration, is something that this Board  
10 should frown on. I agree. I think this Board should  
11 frown significantly on bidding by projections or  
12 bidding by exaggerated projections. I think the  
13 differentiator between the projections that we have  
14 made for Fernwood and the projections that that  
15 existing licensee has suggested for Fernwood are  
16 indicated by the disparity in the hotel rooms that  
17 exist at Fernwood and the number of hotel units that  
18 have existed historically at that property of that  
19 licensee.

20           With 906 keys at the Fernwood Resort, we  
21 feel very strongly that the ability to achieve these  
22 revenue numbers is very reasonable and very likely to  
23 be met, if not exceeded, in a reasonably short  
24 timeframe of three to five years. And that's why we  
25 are comfortable investing \$55 million of our capital

1 as a lender, as well as the operator, for this  
2 facility.

3           Again, just to highlight, from our  
4 experience, you will recognize that our projections  
5 and the performance of our facility at the year end of  
6 June 30, 2009 was pretty much spot on within I think  
7 what even Mr. Maddona (phonetic) would say is within  
8 the margin of error. I'm not sure that others in the  
9 State can make that same claim, but we are quite  
10 comfortable in making it, given the performance that  
11 we have seen from our facility.

12           Moving on again, in terms of this  
13 facility and why we feel so confident in our ability  
14 to achieve these projections, again, it's driven by  
15 hotel rooms. And other participants in the market  
16 know that. Other participants in the market reflect  
17 that, not necessarily in the facilities in which they  
18 operate in the Commonwealth, but certainly in the  
19 facilities in which they operate in proximate or  
20 neighboring jurisdictions like Connecticut or like  
21 Atlantic City.

22           You can see here another licensee who has  
23 raised an issue with respect to market penetration.  
24 And I understand the concern with market penetration,  
25 if you look at an eastern Pennsylvania marketplace.

1 We, quite frankly, don't understand the concern with  
2 market penetration when we look at northern New Jersey  
3 and New York area metropolitan marketplace and have  
4 the ability to utilize 906 hotel rooms, which the  
5 other applicants --- or excuse me, the other current  
6 license holders in eastern Pennsylvania have chosen,  
7 either by design or by circumstance, not to take  
8 advantage of. That was one of the distinguishing  
9 features that attracted us to participation in this  
10 project, the 906 keys that Fernwood has between their  
11 hotel and their timeshare units.

12           Additionally, there really isn't any  
13 other facility on the east coast attached to gaming  
14 with a timeshare component to it. There are  
15 timeshares units in Atlantic City not attached to  
16 gaming. This makes this project unique. And we've  
17 looked at the demographics of timeshare investors,  
18 timeshare purchasers, and they fit almost to a bulls  
19 eye with the demographics of gaming customers. So  
20 again, another reason why we see this as being an  
21 attractive opportunity.

22           One last item, and I jumped ahead a  
23 little bit, and I apologize, I think, here again, this  
24 Board can see not by projections, not by exaggeration  
25 but by fact. And the facts here in terms of how

1 existing licensees have chosen to address the New York  
2 metropolitan market to drive gaming spend in their  
3 facilities are best evidenced by this media monitor  
4 slide, which shows 3,300, nearly 3,400 media sources  
5 that were identified in the New York metropolitan  
6 market for casino gaming by one of the existing  
7 Category 1 licensees in Pennsylvania. Unfortunately,  
8 every one of those 3,377 media points were directed at  
9 their facility, which houses a hotel in eastern  
10 Connecticut. I think people recognize --- I think the  
11 industry recognizes that New York and northern New  
12 Jersey are underpenetrated gaming markets, and that's  
13 why there are people that are advertising in those  
14 markets for their hotels in conjunction with their  
15 casino properties and why we are so optimistic around  
16 the revenue projections that you are considering for  
17 this project.

18                   One last data point for your  
19 consideration --- two last data points. I apologize.  
20 Here is a slide that shows that differentiation I  
21 think pretty much in a nutshell, with 906 keys at the  
22 Bushkill facility at Fernwood. The next closest  
23 Applicant, of course, is Nemaquin, with 336 keys,  
24 slightly more than a third of what is available at the  
25 Fernwood facility. And I think most telling is

1 foreign access of any of the existing licensees.  
2 Certainly there is a hotel that will be coming online  
3 next May, I believe, I'm told, in Bethlehem. So that  
4 others are recognizing the value of hotel rooms for  
5 driving gaming revenue. I think it's also important  
6 for us as an operator in a number of other  
7 jurisdictions to share with you fact, to share with  
8 you what we've produced at some of our other  
9 facilities.

10                   In Bangor, Maine, of all places, and  
11 maybe some of you have had the fortune or misfortune  
12 of visiting Bangor, we have a 154-key hotel room  
13 there. That hotel generates \$153 of gaming revenue  
14 per night from each guest who stays in that hotel.  
15 That kind of statistic in Bangor, Maine, with a total  
16 adult population within a 30-minute drive time of  
17 140,000 adults --- yes, only 140,000 adults within a  
18 30-minute drive time generating \$153 in gaming revenue  
19 per room night is an example of why we are so  
20 confident the revenue projections that we've presented  
21 to you are highly achievable.

22                   The other extreme, of course, are some of  
23 the other facilities that we operate in places like  
24 Charles Town, West Virginia, where our hotel room ---  
25 our hotel, 152 keys, produces about \$230 of win gaming

1 revenue per room night --- per room.

2                   Looking at one last --- well, let me look  
3 at the overall numbers that we are projecting here.  
4 You can see our patron numbers are relatively modest,  
5 looking at a stabilized patron level of 1.3 million  
6 adults patronizing the facility, generating that \$107  
7 million in stabilized year revenue, which produces the  
8 tax revenue that Andy mentioned in his first slide.  
9 And we do think we can ramp to that level within five  
10 years of opening of operations.

11                   Again, why we feel comfortable getting  
12 there? You see those revenue numbers. I want to jump  
13 to the next slide. The principal reason we feel very  
14 comfortable in achieving these revenue numbers, in  
15 addition to the hotel rooms and 906 keys, are really  
16 the under penetration of gaming in this market, the  
17 New York DMA, the market which we will focus as the  
18 operator of the casino at Fernwood if they are  
19 selected for the Category 3 License, to market most of  
20 the patronage for this facility.

21                   You can see those statistics ranging from  
22 12.3 slot machines per 10,000 adults within a 100-mile  
23 radius of Fernwood to the extreme of 46.8 slot  
24 machines per 10,000 adults within a 100-mile radius of  
25 the Nemaquin Woodlands site. That under penetration,

1 that lack of available gaming capacity is what, in  
2 addition to the hotel rooms, leads us to the  
3 conclusion that the revenue numbers that you see on  
4 the next page for the Bushkill Group are ones that we,  
5 as a company, feel comfortable investing in and we,  
6 with our operational reputation on the line, expect to  
7 be able to achieve.

8 ATTORNEY JONES:

9 Thank you, Steve. Next I'd like to  
10 introduce Gina Bertucci, Vice-President of Marketing  
11 and a shareholder of Bushkill Group.

12 MS. BERTUCCI:

13 Thank you very much. Thank you, Marie,  
14 Chairman Fajt and members of the Pennsylvania Gaming  
15 Control Board. Thank you for your time and attention.  
16 I think I am going to just review some of the things.  
17 One of the reasons that we believe that this is a  
18 winning combination is that we've been in the business  
19 of marketing destination travel to the Pocono  
20 Mountains for many, many years. You combine our  
21 marketing and the abilities and strengths of Penn  
22 National, which you see up on the slide, which include  
23 12 million gamers in the players club database. They  
24 already do e-mail, direct mail and traditional  
25 marketing through their players Club. We have a

1 customer database in excess of 115,000 and 200,000  
2 households for prospects. Our timeshare base is  
3 approximately 17,000 members. And our affiliation  
4 with RCI, which is the exchange network from which we  
5 work through our timesharing.

6           As Marie indicated, my name is Gina  
7 Bertucci, and I'm a shareholder of the company and I'm  
8 the Vice-President of Marketing. As my biography  
9 indicates, I've been marketing the Pocono Mountains  
10 for over 30 years and for the last 11 have been  
11 marketing destination travel to Fernwood Hotel &  
12 Resort. We've been in the business of delivering  
13 Pocono Mountain vacations for over 80 years. As our  
14 video indicates, we've grown from a roadside guest  
15 house that opened in the '20s to one of the largest  
16 award-winning continuously operating Pocono Mountain  
17 resorts.

18           We currently spend \$5 million annually on  
19 marketing and will increase that number to \$18 million  
20 working jointly with Penn National to develop and  
21 implement winning marketing strategies. But the  
22 success of our casino amenity is not just about the  
23 increase in marketing strength. It also about  
24 capitalizing on our current marketing strengths to  
25 increase overnight occupancy and resort usage, which



1 was the original legislative intent of a Category 3  
2 License. By virtue of its size, the de minimis  
3 requirement and proven in other gaming markets, this  
4 smaller license will not compete with standalone  
5 larger gaming destination facilities. A fact that was  
6 confirmed by Robert Soper, president of Mohegan Sun  
7 and Pocono Downs, in a 2007 newspaper interview, where  
8 he said, and I quote, we believe certainly that the  
9 market can accommodate other facilities throughout  
10 Pennsylvania, including the Poconos. Generally, we  
11 target different markets. Additionally, today you  
12 heard both from Mr. Luvan (phonetic) and Mr. Shyer  
13 (phonetic), they both referenced Vicksburg, and that a  
14 its fine casinos in town increase business for all.

15                   We have a timeshare owner customer base,  
16 as I indicated, of over 17,000 members, with an  
17 average length of stay of 4.2 nights. Our affiliation  
18 with RCI allows us to market to them through their 3.8  
19 million timeshare owners throughout the world.  
20 Through traditional and nontraditional marketing  
21 programs, we attract visitors utilizing our 50-station  
22 state-of-the-art in and out-bound phone room, e-mail  
23 and text massaging campaigns, Paper Click, a national  
24 search engine for marketing, mobile and PC websites,  
25 social media, print, radio and outdoor advertising.

1 Using our electronic and telemarketing channels, we  
2 market to our 200,000 prospect and 115,000 household  
3 customer base, completing over 500,000 calls and  
4 sending over two million e-mail and text messages  
5 annually for resort vacations in the Pocono Mountains.

6           As you can see from this slide, because  
7 of our historical marketing efforts and easternmost  
8 Pennsylvania location, the demographic of our customer  
9 base is largely from outside the Commonwealth, which  
10 will deliver significant out-of-state play. As a  
11 comparative, Nemacolin states that their guest  
12 visitation is 350,000 of which 60 percent are from out  
13 of the state. Our current visitation, as you saw in  
14 the video, is 425,000, without a casino with 84  
15 percent of our guests coming from outside of  
16 Pennsylvania.

17           It is important to recognize both where  
18 we are now and where we have available room to grow as  
19 a resort. Our on-site amenity capacity, before the  
20 addition of a casino, is 2,000 guests, with a special  
21 events capacity of approximately 6,000 more. You add  
22 daily bus service to our property, show, conference  
23 and banquet capacity of 1,500 guests, our current  
24 complement of 906 rooms that accommodate 4,500 guests,  
25 plus our future growth of 1,700 more guests staying in

1 new villa construction, and you have thousands of  
2 people on property who are eligible to gain. As you  
3 can see from by numbers, we are a true resort property  
4 in size, scope and number of amenities, with a long  
5 history and significant expertise in four-season  
6 resort marketing. When issued the license, we will  
7 hit the ground running.

8                   We are also fortunate to be located  
9 within one of the most recognized vacation  
10 destinations in Pennsylvania, the Pocono Mountains.  
11 David West of David West Consulting will give you the  
12 overview of the power of the brand and the efforts by  
13 the region to grow its market share.

14                   ATTORNEY JONES:

15                   Thank you, Gina. I would now like to  
16 introduce Professor David West of West Consulting  
17 Service. In addition to his consulting services,  
18 Professor West serves as the vice-president of  
19 marketing and sales for the Pocono Mountains Visitors  
20 Bureau. Professor West is responsible for all aspects  
21 of business development, strategic marketing and  
22 advertising for the Pocono Mountains Visitors Bureau.  
23 Prior to this, Professor West has held similar  
24 positions with the Bucks County Conference and  
25 Visitors Bureau and the Manayunk Development

1 Corporation. He has also taught marketing and  
2 hospitality at Temple University and Drexel  
3 University. He was named the 2001 Temple University  
4 School of Tourism and Hospitality Professor of the  
5 Year. He has conducted extensive research on tourism-  
6 related topics and has written and spoken on the  
7 subject matter extensively. He has also won numerous  
8 awards. He received his Bachelor's degree from the  
9 University of Michigan and his Master's degree in park  
10 recreation and tourism from Michigan State University.  
11 I would like to move Professor West in as an expert on  
12 the economic impact of the proposed facility.

13 PROFESSOR WEST:

14 Thank you, Marie. As Marie indicated, I  
15 am the Vice-President of Marketing for the Pocono  
16 Mountains Visitors Bureau and have spent my career in  
17 teaching and promoting tourism in the Commonwealth of  
18 Pennsylvania. The Pocono Mountains recognized 75  
19 years ago the importance of collective marketing and  
20 formed the Vacation Bureau to accomplish this effort.  
21 Now known as the Pocono Mountains Visitors Bureau, we  
22 are a four-county region approved by the Commonwealth  
23 that includes Monroe, Carbon, Wayne and Pike Counties.  
24 Just to be clear, regardless of its name, Pocono  
25 Downs is not part of the Pocono Mountains as is the

1 Luzerne County Tourism Promotion Agency. Likewise,  
2 the Sands is outside the Pocono Mountains and is in  
3 the Lehigh Valley Tourism Promotion Agency.

4           The Pocono Mountains have become one of  
5 the most recognized four-season leisure travel  
6 destination brands with over 24-and-a-half million  
7 visits annually. To put that in perspective, as  
8 reported in Forbes.com, the Pocono Mountains attract  
9 more visitors each year than Disney World's Magic  
10 Kingdom. What makes the Pocono Mountains so strong?  
11 We have 9,242 guest rooms, over 30,000 vacation homes  
12 and over 8,000 campsites, an overnight accommodation  
13 base larger than the City of Philadelphia and  
14 significantly larger than Nemaquin and Gettysburg  
15 regions.

16           More importantly, the Pocono Mountains  
17 region spends far in excess of what either of those  
18 regions spend on advertising in the densely populated  
19 New York and New Jersey market area. A total of 151  
20 hotels and resorts, 35 golf courses, hundreds of  
21 restaurants, outlet shopping and seven ski areas are  
22 all within the driving distance to Fernwood Hotel &  
23 Resort. Day trippers spend \$800 million annually,  
24 with overnight visitors of 8.5 million who spend \$1.3  
25 billion. The region recognizes sustainable job

1 development is critical to growth. And area tourism  
2 and businesses are projected to spend \$250 million on  
3 new projects in the near term.

4           The Pocono Mountains learned long ago why  
5 McDonald's built their restaurants across from Burger  
6 King. One resort's marketing might be strong, but  
7 could never be as strong as many working together.  
8 Route 80 provides direct access from New York and New  
9 Jersey and delivers over 19-and-a-half million  
10 vehicles across the Delaware Water Gap Bridge each  
11 year. In addition, 5.2 million visitors travel to the  
12 Delaware Water Gap national recreation area, which is  
13 adjacent to Fernwood. By the way, it's the ninth most  
14 visited park in the national park system, just behind  
15 the Lincoln Memorial.

16           What attracts them to the Poconos? Our  
17 joint annual marketing span promotes the active nature  
18 of Pocono Mountains destination, its ease of access,  
19 variety of experiences and affordability. In our 2010  
20 cooperative marketing plan, which Fernwood was our  
21 largest participant, we spent over \$2.5 million to  
22 drive business to the Pocono Mountains. The New York  
23 DMA is the number one destination market area in the  
24 country. Located a short drive from the Pocono  
25 Mountains, it over indexes in propensity of the game

1 and recreate according to both Scarborough (phonetic)  
2 and Prism Research. This means that the New York DMA  
3 residents are more likely than residents of other  
4 regions to participate in gaming, golfing, winter  
5 sports, activities that drive enough than --- there's  
6 more enough than the market share.

7                   In addition to the strength of the New  
8 York DMA, New York City also attracts over 45 million  
9 visitors each year. These travelers are looking for  
10 excursions out of the city for the very type of  
11 activities that Fernwood provides and spend over \$28  
12 billion while visiting. These photos give you an  
13 example of some of the advertising that was used in  
14 Fernwood and in the Pocono Mountains Visitors Bureau  
15 joint marketing efforts in New York this past summer.  
16 Millions of New Yorkers and tourists saw the bus wrap  
17 on the double-decker tourist bus that traveled  
18 throughout the city. Over 25 million riders monthly  
19 saw the train cars and the busy commuter lines, and  
20 this billboard located near the entrance of New York  
21 National Airport on one of the most traveled turnpikes  
22 in the nation.

23                   Why choose Fernwood for this License?  
24 Because of the constraints of the number of machines  
25 and tables, a Category 3 License was not designed to

1 complete with a Category 1 and Category 2 License.  
2 For the resort, it is a way to increase occupancy by  
3 growing in amenities that attracts guests who are  
4 casual gamers. Resorts are like stationary cruise  
5 ships without the problems of being stranded at sea.  
6 Visitors come to Pocono Mountains to ski in the  
7 winter, to golf, hike in the mountains, canoe, shop,  
8 recently leaf peep in the fall and now they can add  
9 gaming to the list of things to do when visiting the  
10 resort. The Pocono Mountains have collective strength  
11 in its marketing efforts and are one of the most  
12 recognized brands attracting millions of visitors to  
13 Pennsylvania with a love of the outdoors and an over-  
14 indexed propensity to gaming.

15                   May I respectfully submit that the  
16 decision to select Fernwood Hotel & Resorts for the  
17 Category 3 License is an easy one. The marketing  
18 strengths of the Pocono Mountains, Fernwood's location  
19 and volume of visitation and its proximity to the  
20 largest demographic market area in the United States  
21 makes Fernwood the ideal applicant for this license.  
22 Thank you very much for your time.

23                   ATTORNEY JONES:

24                   Thank you, Professor West. I'd like to  
25 ask Gina to discuss Bushkill's diversity briefly.



1                   MS. BERTUCCI:

2                   Thank you, Marie. Much like Penn, we  
3 would be nothing without our dedicated and diverse  
4 employees. I would like to give you insight into our  
5 commitment to them and our multicultural diversity.

6                   As an operating resort, we maintain a  
7 talented staff of over 500, with an ethnic mix that  
8 reflects our cultural diversity and the diversity of  
9 our metropolitan, New York and New Jersey customer  
10 base. We are committed to hiring practices that have  
11 helped us create this multicultural team and have had  
12 success using a variety of traditional and  
13 nontraditional recruiting tools. We place advertising  
14 but also work with vocational and work/study programs,  
15 internships and host regular job fairs to attract  
16 potential employees primarily from the local area. As  
17 the second most diverse county in the Commonwealth,  
18 this has been part of our corporate culture for many  
19 years. We are proud of the statistics that speak to  
20 these efforts and today have a workforce that is 37.8  
21 percent minority representation, a percentage that  
22 exceeds our county average and is well above all other  
23 applicants' county averages. More than half of our  
24 workforce is female, and over 73 percent of  
25 supervisory personnel are either minority or female.

1           Since the start of our application  
2 process, we have expanded our list of vendors to  
3 increase suppliers from minority and women-owned  
4 businesses wherever possible. With our Diversity  
5 Committee, the guidance of Penn National and the  
6 Gaming Board staff, we will continue to explore ways  
7 to enrich understanding of diversity in our workforce.  
8 Chairman Fajt, members of the Board, thank you for  
9 your time.

10                   ATTORNEY JONES:

11           Thank you, Gina. I would next like to  
12 introduce Jamie Keener from Herbert, Rowland & Grubic.  
13 He will be discussing the environmental and  
14 traffic --- I'm sorry, engineering and environmental  
15 impacts of the facility. You have heard from Mr.  
16 Keener before. The Board has previously recognized  
17 him as an expert.

18                   MR. KEENER:

19           Thank you, Marie. Mr. Chairman, Board  
20 members, I'd like to thank you for the opportunity to  
21 present our testimony on behalf of the Bushkill Group.  
22 HRG is a Harrisburg-based multi-discipline engineering  
23 firm doing business for 48 years. HRG has performed  
24 various planning, engineering and environmental  
25 services at the Fernwood Resort for a number of years.

1 Today I would like to speak to land use, planning and  
2 general infrastructure issues.

3           The resort is located in a resort  
4 commercial zoning district, and in accordance with the  
5 Middle Smithfield Township, Monroe County Zoning  
6 Ordinance, the Fernwood Resort & Casino is a permitted  
7 use. The intent of the resort/commercial zoning  
8 district is to provide for a mix of commercial,  
9 resort, residential and other compatible uses to  
10 promote unified and coordinated development.

11           Within a resort/commercial district, the  
12 zoning ordinance provides for a resort complex  
13 overlay, which is defined as a coordinated development  
14 that includes overnight lodging, timeshare dwellings,  
15 a ski area or similar large outdoor recreation  
16 facility as a principal use, as well as other outdoor  
17 recreation and dining facilities. The Fernwood Resort  
18 was approved by Middle Smithfield Township as a resort  
19 complex October the 11th, 2005.

20           Since the casino facility will occupy the  
21 existing event center, land development approvals are  
22 not required. Construction of the facility will only  
23 require a building permit. It is our opinion that all  
24 other municipal approvals are in place, including a  
25 prior land development approval that covers the

1 addition of parking spaces to serve the proposed  
2 gaming facility. All stormwater management to control  
3 runoff from the expanded parking facility is currently  
4 approved under an existing NPDES Permit. The proposed  
5 project supports Monroe County's smart growth  
6 objectives for open space preservation in that it is  
7 being developed by expanding existing facilities  
8 within or adjacent to existing developed areas and  
9 existing infrastructure.

10           No adverse impacts on existing  
11 environmental features, wetlands or endangered species  
12 have been identified, and an environmental impact  
13 review report identified the potential for minimal  
14 impacts during construction of the parking lots. But  
15 those impacts will be mitigated by following the  
16 approved erosion control plans, stormwater management,  
17 BMPs and other controls as required by the existing  
18 NPDES Permit.

19           Regarding infrastructure, the current  
20 electrical system and phone systems have sufficient  
21 capacity to serve the existing resort and proposed  
22 casino facility. Sufficient water and sewer capacity  
23 exists to serve the existing resort and the proposed  
24 casino facility. Sewer service will be provided by  
25 the Middle Smithfield Municipal Authority at the

1 existing plant adjacent to Fernwood, and water service  
2 will be provided by the existing permitted Fernwood  
3 community water system. Local public transit service  
4 is in place. The Monroe County Transit Authority, of  
5 which I am a former board member, has service to the  
6 Fernwood Resort.

7                   Finally, we anticipate that law  
8 enforcement and emergency service levels will continue  
9 to exceed service needs even with the addition of a  
10 casino facility. Fernwood currently employs its own  
11 security force, and a fire department substation is  
12 located at the resort complex. Thank you again for  
13 the opportunity to testify before this Board.

14                   ATTORNEY JONES:

15                   Thank you, Mr. Keener. We do have  
16 present today Christopher Bauer on traffic issues.  
17 However, we have reviewed McCormick and Taylor's  
18 report. They have responded to same. He will be  
19 available for any questions you may have. You can see  
20 up there is his bio and then his conclusions.

21                   So our next witness --- for our next  
22 witness I would like to introduce Solicitor Jennifer  
23 Ann Wise, Township Solicitor for Middle Smithfield  
24 Township's Board of Supervisors' Planning Commission  
25 and Sewer Department. She was a judicial nomination

1 for the Court of Common Pleas of Monroe County by  
2 Governor Rendell and has handled numerous civil and  
3 criminal cases. Solicitor Wise also has served on  
4 several outreach programs and received the Women's  
5 Resource Community Recognition Award. We would like  
6 to thank her for coming here today.

7 ATTORNEY WISE:

8 Thank you, Attorney Jones. Good evening,  
9 members of the Board. As introduced, my name is  
10 Attorney Jennifer Wise, W-I-S-E, and I am the  
11 solicitor for Middle Smithfield Township, the host  
12 municipality for the Fernwood Hotel & Resort. This is  
13 my third presentation since 2008 to this Board, and I  
14 am pleased to report to each of you that, once again,  
15 the elected officials in Middle Smithfield Township  
16 completely and unanimously support this application.

17 This project has received overwhelming  
18 support not just from our elected officials but from  
19 our community and its residents. I sit here before  
20 you to tell you that we are a community united. After  
21 the first hearing in 2008, the newspaper headlines  
22 read Fernwood Resort Praised at Casino Hearing. To  
23 quote the reporter, all that was missing was a chorus  
24 from Kumbaya. Twenty (20) of the 23 individuals  
25 testifying showered praise on the Middle Smithfield

1 Township Resort and its proposal to build a 500-  
2 machine slot casino. In fact, the then Pennsylvania  
3 Gaming Control Board Chairperson, Mary DiGiacomo  
4 Colins, comparing the hearing to other more rancorous  
5 ones she had been attending, was quoted as saying,  
6 this one had a definite positive tone. And again, in  
7 2010, the press reported that Fernwood received  
8 overwhelming public support in its bid for a resort  
9 license.

10 I submit to you today that Fernwood Hotel  
11 & Resort is the only applicant that clearly meets all  
12 the criteria of the Act. Fernwood Hotel & Resort is  
13 the perfect fit for the legislative intent of an  
14 additional amenity to a well-established resort in a  
15 popular destination resort area. Fernwood is permit  
16 ready and shovel ready and that Fernwood Hotel &  
17 Resort is the only qualified and the best applicant,  
18 bar none.

19 Middle Smithfield Township officials  
20 endorse this project because they understand that from  
21 the beginning of the 20th Century, Monroe County,  
22 Pennsylvania, known as the Pocono Mountains, was  
23 unlike any other region in Pennsylvania. With its  
24 less than 90-mile proximity to the greatest city in  
25 the world, the Poconos became a thriving tourist

1 destination focused on family and fun. By the 1970s  
2 the Poconos had become world renown as the honeymoon  
3 capital of the world, with resorts providing  
4 world-class accommodations and amenities and, of  
5 course, heart-shaped tubs and champagne towers.

6           Fernwood Hotel & Resort, like other  
7 Pocono resorts, such as Skytop Lodge, Shawnee Inn and  
8 Pocono Manor, has been a thriving resort destination  
9 in the heart of the Poconos for the past 80 years,  
10 adapting to the changing demands of today's travelers.  
11 Sadly, however, many of the once-famous Pocono resorts  
12 did not fare so well over the decades, and many  
13 resident lost jobs as their resort doors closed. One  
14 reason Fernwood continues to be the township's largest  
15 employer, with over 500 employees, is because Fernwood  
16 has been able to be so successful over the past  
17 century when other resorts are faltering because it  
18 was designed with forethought, forethought to provide  
19 opportunities for a mix of commercial, resort,  
20 residential and other compatible uses, and amenities  
21 are always being added to meet the public's demand for  
22 the newest and the best.

23           Fernwood has Certificates of Occupancy  
24 for 906 rooms. The resort's master plan, which was  
25 approved in January of 2006, promotes unified,



1 coordinated development, with interior traffic access,  
2 and the overall resort has been designed to promote  
3 development that does not create conflict with  
4 neighboring zoning districts, and it strives to  
5 preserve unique environmental features of the land.  
6 By following the unified and coordinated development  
7 scheme, Fernwood is able to boast a full-scale hotel,  
8 with amenities that include but are not limited to  
9 tantalizing restaurants, exciting nightclubs, a water  
10 family fun park with a tubing center, beautiful  
11 challenging 18-hole golf course, horseback riding,  
12 indoor/outdoor swimming pool and so many more that  
13 have already been shown to you here today.

14           The leaders at the helm of the resort  
15 continue the same forethought as their predecessors  
16 and have already secured the continued opportunity for  
17 well-managed growth at the resort, with undeveloped  
18 land, simply waiting to add endless amenities, and 292  
19 new villa sites already approved and simply waiting  
20 for a reason to be built. In order to remain  
21 competitive, Fernwood, once again, needs to supplement  
22 its long list of amenities. The resort needs to add  
23 the one single amenity that is missing and many of the  
24 guests are looking for, a casino gaming facility. We  
25 need as a state to make every effort to continue to

1 grow Pocono tourism because we need to regain the jobs  
2 that many of the resort people lost when the resorts  
3 closed their doors.

4           Currently, according to a study by the  
5 U.S. Census Bureau, Monroe County residents have the  
6 longest daily commute in the nation, with 27.6 percent  
7 of workers 16 and over commuting two hours a day  
8 minimum. And as a result of the lost tourist jobs and  
9 a national economic crisis, Monroe County sadly boasts  
10 the highest county unemployment rate of all  
11 applicants.

12           Awarding this license to Fernwood Hotel &  
13 Resort will support approximately 180 local  
14 construction jobs. And the project, once completed,  
15 will create an estimated minimum of 360 additional  
16 full-time jobs in the gaming facility, plus additional  
17 temporary jobs and there will be additional resort and  
18 local area business jobs resulting from the increased  
19 activity.

20           The Poconos are and have always been a  
21 year-round destination, and the success of the tourism  
22 industry is tantamount to the quality of life  
23 maintained by county residents. The future of Monroe  
24 County, Pennsylvania depends, in part, upon our  
25 ability to transform the local economy and create jobs

1 through tourism revenue. By supporting Fernwood's  
2 application, Monroe County and Middle Smithfield  
3 Township is embracing an economic opportunity that  
4 will help transform this local economy, as well as the  
5 county, region and state economy, by bringing new  
6 temporary and permanent jobs, increasing tax revenue  
7 and increasing tourism revenue. With 28 million  
8 people living within a hundred-mile radius of Fernwood  
9 Hotel & Resort, not to mention the millions of people  
10 that travel within that same radius every year, the  
11 opportunities and economic potential and benefit for  
12 not just Middle Smithfield Township residents, not  
13 just Monroe County residents, but all Pennsylvanians  
14 are endless.

15 Middle Smithfield Township officials also  
16 unanimously support this application because they know  
17 that the folks at Fernwood Hotel & Resort do not have  
18 a wait-and-see approach. By way of explanation, in  
19 2004 Fernwood Hotel & Resort sought and received a  
20 resort complex designation by Middle Smithfield  
21 Township and were delineated in the zoning regulations  
22 as an overlay zoning district in which a casino gaming  
23 establishment is a permitted use. Fernwood could  
24 conceivably submit a zoning permit application in the  
25 morning to Middle Smithfield Township and by the end

1 of the day they could have their zoning permit for the  
2 project.

3                   Many years ago Fernwood Hotel & Resort  
4 sought and received land development approval for a  
5 35,000 square foot event center on their property. As  
6 part of the land development approval process Fernwood  
7 received outside agency approvals for compliance with  
8 stormwater, parking, wetland and environmental testing  
9 regulations. They received approval from PennDOT for  
10 a highway occupancy permit and also for the  
11 installation of a traffic signal at their property.  
12 Since Fernwood Hotel & Resort is proposing to convert  
13 the facility into their new casino gaming facility by  
14 retrofitting the existing structure, no new land  
15 development plans are required under the township  
16 regulations.

17                   Fernwood's forethought is commendable.  
18 This proposed development approach of retrofitting an  
19 existing structure balances economic and environmental  
20 impacts with social vitality and fully supports the  
21 smart growth objectives of Monroe County,  
22 Pennsylvania. And during the spring of 2010, Fernwood  
23 Hotel & Resort sought and again received approval for  
24 a lot consolidation plan. Fernwood does not need to  
25 submit any new subdivision plan applications to Middle

1 Smithfield Township as they are already compliant with  
2 township subdivision regulations.

3           The property is served by central water  
4 and they have a number of on-site wells. And there  
5 remains a couple hundred thousand gallons per day of  
6 sewer capacity that they own and a plant that's owned  
7 by the Township.

8           Middle Smithfield Township also  
9 unanimously endorses this project because they  
10 understand that the municipality receives less money  
11 today in school property tax relief from the state  
12 than any other applicants' township. In fact, Middle  
13 Smithfield township is receiving --- in that region is  
14 receiving less today in school property tax relief  
15 from the state than we received almost 20 years ago  
16 despite increases by the millions in the budget. And  
17 with 34.8 percent of the land in the township being  
18 tax exempt, awarding this license to Fernwood will  
19 generate much needed revenue.

20           The anticipated revenue that will be  
21 generated by the issuance of this license is  
22 significant. It's anticipated that the reconstruction  
23 of the arena into a first-class gaming facility will  
24 bring an estimated \$28 million in revenue to the  
25 region, plus \$11 million in revenue from machines and

1 other equipment which will attribute to both the  
2 region and other areas. And the addition of a gaming  
3 facility will also generate significantly higher tax  
4 revenues. Township officials also unanimously endorse  
5 the project because if Fernwood is awarded the  
6 license, no additional or new burden will be imposed  
7 on emergency service providers. The existing service  
8 level for emergency service at the Fernwood location  
9 exceeds current level needs, and future level needs  
10 will also be fully met.

11                   Township officials also believe that  
12 additional traffic generated by this additional  
13 amenity at Fernwood will not overburden the road  
14 system. Particularly in the past several years road  
15 improvements have already been made to Route 209  
16 leading to and from the Fernwood Resort property and  
17 the recent start of the final phase of the Marshall  
18 Creek Bypass. PennDOT improvements to Route 209 will  
19 adequately handle any additional traffic generated by  
20 the gaming facility. I should note for the record  
21 that Fernwood has been working for many years with  
22 Middle Smithfield Township through public and private  
23 partnerships on road maintenance and repair along the  
24 portions of roadways leading to their property. This  
25 additional amenity will not create any additional

1 burden.

2                   And Fernwood's community and corporate  
3 spirit, it is simply unparalleled in our township.  
4 There is no reason to believe that their generosity  
5 will not expand with new opportunities bestowed upon  
6 them by the issuance of this license. For all these  
7 reasons, Middle Smithfield Township respectfully  
8 requests this Gaming Board to award Fernwood Hotel &  
9 Resort this Category 3 License.

10                   On behalf of Middle Smithfield Township,  
11 the board of supervisors and myself personally, I  
12 thank you each very much for this opportunity to make  
13 this presentation this evening. And I hope that when  
14 I pick up the newspaper in months to come I read the  
15 headline that says, Fernwood Resort Awarded the  
16 Category 3 License. Thank you.

17                   MR. WORTHINGTON:

18                   Thank you very much, Jennifer. I  
19 appreciate you coming down. This is one of those  
20 slides --- fortunately, we only had one of them this  
21 morning. I was having trouble reading a lot of them.  
22 So I'll tell you what, I'm going to skip into this.  
23 It's in the packets and we do address, I think, the  
24 most significant points out of this again. We're  
25 going to produce the most revenue. We're going to

1 generate the most tax benefit for the Commonwealth and  
2 all of its citizens. And we can do this because we  
3 draw from the largest, most dense population in the  
4 country. In addition, we will have the largest number  
5 of rooms to gaming positions in the entire  
6 Commonwealth, and that with only 500 machines. We will  
7 also --- we will be one of only a handful of casino  
8 timeshare resorts in the United States. Although the  
9 timesharers love to game, there has not been a  
10 preponderance of gaming at timeshare resorts, mostly  
11 because the timeshare resorts come first and it's hard  
12 to add a casino.

13           Because we already have a critical  
14 massive visitation in excess of 425,000 guests and  
15 will spend over \$18 million attracting resort vacation  
16 and casino guests each year, we are delivering the  
17 most back to the state. Penn National and Fernwood,  
18 they both have an award-winning staff of marketing  
19 professionals that know the gaming and the resort  
20 markets and will be able to achieve the projected  
21 results because they are marketing to this huge  
22 population base. As recently admitted by Nemaocolin  
23 spokesman Jeff Nobers, we're saturated but so is  
24 Gettysburg.

25           Given that Fernwood has the lowest number



1 of machines per 10,000 adults, greater cannibalization  
2 of existing casinos will occur if any other applicant  
3 than Fernwood is awarded this license. No matter what  
4 else is said over these two days, we all know it's  
5 vital to the success of gaming in the Commonwealth to  
6 put the machines where the people are. And in  
7 Pennsylvania that location is Fernwood. When  
8 identifying the criteria for making this decision for  
9 the final license for which Fernwood is eligible, we  
10 ask you to consider the rank of the applicants in each  
11 of these critical categories. In gross gaming revenue  
12 Fernwood ranks first. In gross gaming tax Fernwood  
13 ranks first. In population density, Fernwood --- for  
14 a hundred miles, Fernwood ranks first. In the  
15 amount --- in the number of rooms Fernwood ranks  
16 first. In the amount of revenue required per room to  
17 meet projections, and this is another case where lower  
18 is better, Fernwood ranks first. And as far as  
19 saturation, with the lowest machine ratio of any of  
20 the applicants, we are the most underserved of all the  
21 applicants, again ranking Fernwood first.

22                   Finally, I'd ask that the Board consider  
23 the key indicators on this screen as compared to Mr.  
24 Fine (phonetic), who you just saw in the prior  
25 application. We have not assigned arbitrary grades to

1 secondary indicators that are not material to this  
2 analysis. Our key indicators are the key drivers of  
3 the casino business, and Fernwood ranks first among  
4 all the applicants in every one of these categories.  
5 Thank you for your time. This concludes our formal  
6 presentation.

7 ATTORNEY JONES:

8 Thank you. As Andrew indicated, that  
9 concludes our formal presentation. We'd be happy to  
10 address any questions you have.

11 CHAIRMAN:

12 Great. Thank you. Questions from the  
13 Board? Commissioner Trujillo?

14 MR. TRUJILLO:

15 Thank you, Mr. Chairman. I guess I'd  
16 like to start with some questions about your numbers  
17 because I'm a little confused. Mr. Worthington,  
18 you're probably the best person to answer this.  
19 Between 2007 and 2009 your net operating revenues  
20 seemed to get goosed pretty substantially by your  
21 timeshare resort operations or at least as best I can  
22 tell. I'm trying to figure out how from 2007 to 2009  
23 you go from fairly thin net operating revenues to a  
24 fairly robust number. If somebody can talk to me about  
25 that, I'd appreciate it.

1                   MR. WORTHINGTON:

2                   I'd be happy to. I can give you the one  
3 sentence, non-accountant answer.

4                   MR. TRUJILLO:

5                   That would be great.

6                   MR. WORTHINGTON:

7                   If you need more, we have someone else  
8 sitting here. It's a change in accounting method is  
9 all it was. If you look at the total numbers, they  
10 should remain approximately the same. It was just a  
11 method to more accurately reflect the amount of money  
12 that was being spent at the timeshare resort versus at  
13 the hotel.

14                   MR. TRUJILLO:

15                   And so I guess I would like to have the  
16 accountant come up.

17                   MR. WORTHINGTON:

18                   That's why he never lets me talk about  
19 accounting.

20                   MR. TRUJILLO:

21                   I guess we need to have a name and serial  
22 number.

23                   MR. LAVELLE:

24                   Kevin Lavelle, L-A-V-E-L-L-E. I just  
25 want to make sure I understand your question.

1                   MR. TRUJILLO:

2                   Well, let me take you to --- I won't go  
3 directly to the --- but I just see your timeshare  
4 operations growing by about 40 percent between 2008  
5 and 2009. And that number, as best I can tell,  
6 basically accounts for your increase in your net  
7 income. So prior to 2009, you show what I see as  
8 being a pretty thin net income, and then it grows  
9 actually tenfold in 2009. I'm trying to understand  
10 that.

11                   MR. LAVELLE:

12                   It's two items. On the timeshare resort  
13 operations revenue, in 2009 general public rentals of  
14 the villas is included in timeshare operations. In  
15 2007 and 2008 the rental of the timeshare villas is  
16 included in hotel operations. So if you look at the  
17 hotel operations revenue number from 2008 to 2009, it  
18 drops. So it's just a switch of where the villa  
19 rental income is classified on the P&L.

20                   MR. TRUJILLO:

21                   All right. And so then what  
22 accounts ---?

23                   MR. LAVELLE:

24                   And then the other item you're looking at  
25 is in the financing and other income. If you look in

1 the 2007/2008, it's around \$7 million to \$8 million  
2 dollars. And then in 2009 it jumps to \$12 million.

3 MR. TRUJILLO:

4 Correct. Gotcha. Go ahead.

5 MR. LAVELLE:

6 In 2009 the Bushkill Group sold excess  
7 sewer capacity to the township for about \$4 million.

8 MR. TRUJILLO:

9 So it was a one-time infusion?

10 MR. LAVELLE:

11 One time, yes.

12 MR. TRUJILLO:

13 And actually, while you're up here, I  
14 don't think I need to bring Mr. Meyerer back up. I'm  
15 just trying to understand. The purpose of Mr.  
16 Meyerer's testimony, as I understood, was simply to  
17 inform us that you had taken out the Textron debt and  
18 replaced that credit facility with the \$38 million  
19 credit facility from your company?

20 MR. LAVELLE:

21 That's correct.

22 MR. TRUJILLO:

23 That's all I have on the accounting.

24 Thank you.

25 MR. WORTHINGTON:

1           Isn't that what I said?

2           MR. TRUJILLO:

3           I just didn't understand exactly. Either  
4 that or I might have nodded off at the time. Well,  
5 since you want to talk to me, then I have some more  
6 questions for you, Mr. Worthington. My recollection  
7 of your testimony and your slide is that --- let me  
8 see my notes here. I think you said that the Fernwood  
9 has 425,000 guests per year. I'd like to figure out  
10 how that's possible, given your 906 rooms. So can you  
11 tell me exactly how you get 425,000 guests?

12           MR. WORTHINGTON:

13           Sure. Actually, once again, I'll pass  
14 this.

15           MR. TRUJILLO:

16           That's fine. You're a lawyer. I expect  
17 that.

18           MR. TURNER:

19           Good evening. My name is Mark Turner,  
20 T-U-R-N-E-R, Mark with a K. I'm the chief operating  
21 officer for Bushkill Group. The number 425,000 is  
22 combined. It's a combination of all of our guest  
23 visitation. So when Gina Bertucci was referring to  
24 the resort capacity, she was describing the occupancy  
25 of our 906 rooms. They are made up of a --- in fact,

1 a minority of the standard hotel room, which may have  
2 an average occupancy of 1, 1.8, 1.9. And our villa  
3 accommodations, which is the vast majority of our  
4 accommodations, which can accommodate up to 12 persons  
5 in the accommodations, we're averaging between five  
6 and six persons per occupancy night in our villa side.  
7 So our overnight occupancy is traditionally much  
8 higher than a standard hotel room, two-person-type  
9 occupancy.

10           In addition to that, we have many  
11 visitors that come to the property for our group and  
12 convention business. Those groups and conventions we  
13 can accommodate, two, two-and-a-half thousand people  
14 at any time, all the way down to a family reunion of  
15 50 people. In addition to that, our events and shows  
16 on the property, again, we have the capacity of 2,000  
17 plus. Most recently, this past Saturday evening we  
18 had an event at the property with just over 2,000  
19 people in attendance. In addition to that, for our  
20 amenities, our golf course, for example, we'll see  
21 about 14,000 rounds on our golf course, the majority  
22 of which are not overnight guests of the property.  
23 They're local visitations to the Poconos staying at  
24 other locations who come to enjoy the golf course.  
25 And in addition to that, our Winter Fun Center, we run

1 approximately 30,000 tubers, as we like to call them,  
2 through our tubing hill at the Winter Fun Center.

3           When you combine all of those together  
4 with our timeshare owners, our 17,000 timeshare  
5 owners, who either come and use their timeshare  
6 ownership themselves or trade out to the RCI system,  
7 that is simply replaced with an RCI exchange guest  
8 from elsewhere in the system coming to use the  
9 property either overnight or as a day visit. We have  
10 many of our timeshare owners who do come to the  
11 property due to their proximity in northern New Jersey  
12 or New York area come for the day. So when you add  
13 all of those together, that brings us to our 425,000,  
14 which is --- my recollection is we arrived at that  
15 number by taking a three-year average of '07, '08 and  
16 '09.

17           MR. TRUJILLO:

18           And that's what I was trying to figure  
19 out. Because I assumed that did not reflect the  
20 number for your overnight guests.

21           MR. TURNER:

22           Correct.

23           MR. TRUJILLO:

24           What's your number, your annual number  
25 for overnight guests?



1                   MR. TURNER:

2                   I can give you from memory in nights.  
3 About 102,000 to 104,000 nights, with an average of  
4 five-plus guests per night.

5                   MR. TRUJILLO:

6                   Okay. That's helpful. The other  
7 question still on this issue then is of the --- what  
8 is your average occupancy? And I know it may be  
9 different in the winter and the summer, but if you can  
10 as easily break that --- as quickly as you can break  
11 that down. And then secondly, I'd like to also know  
12 your average rate. And I understand it's going to be  
13 different in the timeshare than it's going to be in  
14 the hotel, but as well as you can do it. Thank you.

15                   MR. TURNER:

16                   It's different for the villas as to the  
17 hotel for our average occupancy. For our villas it's  
18 running around 53 percent. For our hotel, about 38  
19 percent. And our ADR, average daily rate, again, much  
20 higher for the villas due to the size of the  
21 accommodations. So for our hotel our ADR is running  
22 about \$110 a night and for our villas, \$175.

23                   MR. TRUJILLO:

24                   And again, I'm not sure if you're the  
25 right person. Based upon those projections, how do

1 you then project how you're going to have --- how your  
2 overnight guests are going to --- how those numbers  
3 are going to be changed in the event you get the  
4 license?

5 MR. TURNER:

6 Currently, those numbers are based on a  
7 combined average between the hotel --- if you take the  
8 villa occupancy of 5.5 nights and our hotel average  
9 length of stay, when you combine those together, you  
10 saw the 4.2 average length of stay on our slides. Our  
11 anticipation is that that will increase to 5.5 as an  
12 average length of stay. Our timeshare owners in  
13 particular have indicated they would stay longer with  
14 additional amenities and activities to participate in.  
15 So that would certainly increase our occupancy. We  
16 also are obviously very intimate with the periods of  
17 the year where we have capacity or room. We  
18 anticipate that the very few weekends where there is  
19 capacity will immediately fill to a hundred percent.  
20 We have many weekends that are already at a hundred  
21 percent. But we also anticipate our weekly business  
22 will grow substantially by offering this amenity.

23 MR. TRUJILLO:

24 And the four to five per room room  
25 growth, that was based on what? Your use of the five

1 number, where did you get that number?

2 MR. TURNER:

3 The 5.5 projected growth was part of our  
4 original 2007 economic impact study based on the  
5 anticipated behavior --- the behavior of our existing  
6 timeshare owners or exchange guests in staying longer  
7 at the property or taking our existing average length  
8 of stay and estimating that that would increase by  
9 that factor once this additional significant amenity  
10 is available at the resort.

11 MR. TRUJILLO:

12 And I wasn't here in 2007, so if you'll  
13 forgive me, but that analysis, how was that analysis  
14 conducted?

15 MR. TURNER:

16 I would have to go back to the economic  
17 impact study to draw down on that.

18 MR. TRUJILLO:

19 And I suspect we have that available, so  
20 I just wanted to find out what the basis of that  
21 growth was. And I believe that the number that you  
22 had as being out-of-state, overnight visitors, was 84  
23 percent?

24 MR. TURNER:

25 Eighty-four (84) percent.

1                   MR. TRUJILLO:

2                   And what is your calculation as to how,  
3 if at all, that would change going forward if you were  
4 to be awarded the license, or did you base your  
5 calculations based on that --- on that 84 percent  
6 continuing?

7                   MR. SNYDER:

8                   Commissioner Trujillo, if I may, again,  
9 Steve Snyder from Penn National. Looking at the  
10 historical visitation at the 84 percentage coming from  
11 outside of the state versus what will happen on a  
12 projected basis, we haven't drilled down enough to  
13 identify that number, but what we've done is look at  
14 the source market and identified the market potential.  
15 We do think the number is at least 60 to 70 percent  
16 of the gaming revenue we expect to be derived from out  
17 of state. And therefore, I'm not sure that the  
18 analogy to the room rentals would be quite the same,  
19 but it's along that scale.

20                   MR. TRUJILLO:

21                   And that was, I guess, what I was getting  
22 to, because the only number that I saw as to what you  
23 were drawing from out of state was the 84 percent. So  
24 what I'm interested in knowing is on the gaming side  
25 of what the basis of your projection for whether it's

1 60 or 80, whatever the number is. A, I'd like to know  
2 the number. And B, I'd like to know the basis for  
3 that.

4 MR. SNYDER:

5 We'll drill down on that, but again, it  
6 won't be quite as high as the 84 percent number in  
7 terms of what the guess visitation has been  
8 historically at the facility.

9 MR. TRUJILLO:

10 That's what I assumed. I just didn't see  
11 any numbers to that effect. Mr. Chairman, that's all  
12 I have.

13 CHAIRMAN:

14 Commissioner Sojka?

15 MR. SOJKA:

16 Yes, I have a few. Thank you. One, I  
17 was quite impressed with the diversity numbers, given  
18 the location and whatnot. Out of curiosity, any  
19 members from the ownership team, would they fit ---  
20 not in gender but in ethnic minority?

21 MR. WORTHINGTON:

22 I don't know. Does British count?

23 MR. SOJKA:

24 No, it does not count. I'll rule on  
25 that.

1                   MR. WORTHINGTON:

2                   No. We were all hired by Rank, as the  
3 managers of the business in the late 1990s. We  
4 purchased the business in 2006. It's a commitment  
5 that we made as we moved into the leadership  
6 positions, but we bought the business among the  
7 management team.

8                   MR. SOJKA:

9                   We've heard the reference to 906 keys  
10 many, many times, and we've seen one form of analysis  
11 having to do with really who's in there. But way back  
12 --- now not the last public input hearing but the one  
13 that preceded that, we went round and round about the  
14 availability of the --- at least minimum number of  
15 rooms that would be available if somebody just called  
16 up and said give me a room. What is that number now?  
17 It's clearly not 906 because you've got timeshare  
18 people occupying some of those.

19                   MR. WORTHINGTON:

20                   No. We like 906 because 906 rooms means  
21 906 families or friends or groups that have  
22 availability to game. Certainly we have some  
23 timeshares that are deeded, and those weeks when you  
24 aggregate them leave us over 600 rooms still. And  
25 our --- the obligation we will always meet, obviously,

1 is we will have more than 275 rooms unsold so that  
2 they would be available.

3 MR. SOJKA:

4 And that meets the requirement.

5 MR. WORTHINGTON:

6 Right. We'll always meet the  
7 requirement. And I think it's apples to apples  
8 because I don't care whether they come in as a  
9 timeshare guest or they act as a hotel guest, they're  
10 still renting a room from us.

11 MR. SOJKA:

12 We just want to meet that statutory  
13 requirement, and it's clearly there.

14 MR. WORTHINGTON:

15 Okay.

16 MR. SOJKA:

17 Thank you. Now, the tough question, the  
18 one that we struggled with. And I think it's fair  
19 because everybody pretty much was here for the first  
20 hearing we had. And I think we have the unusual  
21 opportunity that we have Mr. Snyder with us, who is in  
22 this peculiar business of representing both of the  
23 competitors that we're hearing today. Let me get you  
24 off the hook by telling you what I think I'm hearing,  
25 and then you tell me if I'm right. How's that?

1 Just amuse me if I'm wrong.

2 MR. SOJKA:

3 I think we have basically two models  
4 here. We heard one where we actually got a number,  
5 about 12.8 percent of the projected revenue from the  
6 other competitor was going to come from people who  
7 were actually overnight guests at either the resort in  
8 question or another nearby one, leaving the vast bulk  
9 of people who would probably come for gaming as a  
10 destination. This one appears to be the exact  
11 opposite. It appears that --- a lot is really  
12 depending on who is there using the facility and then  
13 would also game; am I correct in that?

14 MR. SNYDER:

15 You are, Commissioner Sojka. But I  
16 wouldn't want to leave the Board with the impression  
17 that this is the reciprocal of that. It's not 88  
18 percent or whatever 1 minus 12.3 would be 87.7 percent  
19 in terms of revenue being derived.

20 MR. SOJKA:

21 Yeah, they're not going to be exactly.

22 MR. SNYDER:

23 Correct.

24 MR. SOJKA:

25 But each one would represent a different



1 kind of model; is that correct?

2 MR. SNYDER:

3 That is absolutely correct, sir.

4 MR. SOJKA:

5 Okay. That helps me. So if this one  
6 then is a model that's based more on overnight  
7 situation, let me ask a little bit about what Penn  
8 National's role would be. You have a hotel resort  
9 group that's already managing it. Would you manage in  
10 any way the hotel operations, or in this case would  
11 you be strictly game?

12 MR. SNYDER:

13 In this particular case we would strictly  
14 be managing the casino. We would not have any  
15 management responsibility for the timeshare or for the  
16 hotel component of the Fernwood Resort. But as  
17 manager, managing on behalf of the ownership group of  
18 the Bushkill Group, we would expect to work with them  
19 to maximize the revenue of this facility. And  
20 maximizing the revenue of this facility would start  
21 first with gaming revenue. It would also include  
22 timeshare sales, which have historically been a  
23 significant part of their business. And we see the  
24 two as being very complimentary.

25 MR. SOJKA:

1                   And I can see the complementarity, but  
2 there would clearly be certain walls demarcating one  
3 from the other. For example, you would hire, fire,  
4 train and advise gaming employees, for example, but  
5 you would not be involved with people who were doing  
6 hospitality in the hotel, that sort of thing?

7                   MR. SNYDER:

8                   That is correct, but they would all be  
9 employees of the Bushkill Group or the Fernwood  
10 Resort. We, in this capacity, will strictly lend  
11 management and expertise, management service, as well  
12 as the oversight of our corporate structure on the  
13 management operations of the casino facility, but the  
14 employees at the operation level, not the senior, the  
15 general manager of the casino, but the other employees  
16 would be employees of the Fernwood Resort so that  
17 you're not dealing with an employee of one on one side  
18 of the fence and an employee of the other when you  
19 cross over.

20                   MR. SOJKA:

21                   Okay. That's also very helpful. That  
22 brings us to the issue of the pesky liquor license.  
23 And that would still belong to Fernwood?

24                   MR. ANGELI:

25                   Excuse me. Can I follow up on that?

1                   MR. SOJKA:

2                   Yeah.

3                   MR. ANGELI:

4                   You talked about earlier it was a family  
5 buyout --- I mean it was a management buyout of the  
6 organization, so just to follow up on what  
7 Commissioner Sojka said, so that when this thing ---  
8 if this thing is completed, the management structure  
9 is just you pay them for the management of this and  
10 the group that bought them out a couple years ago and  
11 is running the Bushkill Group or Fernwood, they have  
12 overall control of everything with the exception of  
13 their hiring somebody to manage just the casino part  
14 of this. And the interface between all of the housing  
15 and the people who live there and the resort area,  
16 that's all managed by your group?

17                   MR. WORTHINGTON:

18                   That's correct, Commissioner. Steve's  
19 not going to like this, but we do this  
20 substantially --- our bumper boat guy has --- he  
21 runs --- it's another amenity, though. We are a  
22 resort full of amenities. And he runs his bumper  
23 boats, and we don't interfere, and they're on our  
24 lake. And that's how we view this amenity, is we're  
25 not the expert in bumper boats. We're not the expert

1 in slot machines, so ---

2 MR. ANGELI:

3 I understand.

4 MR. WORTHINGTON:

5 --- we'll let the experts manage that.

6 We will continue to own the resort.

7 MR. ANGELI:

8 Thank you.

9 MR. SOJKA:

10 Just a couple other quick things along  
11 some of those same lines, and that is you are in a  
12 resort area. And I think we're beginning to define  
13 that people who are going to be gaming here are likely  
14 to be in the Poconos for one of the other kinds of  
15 amenities, to stay overnight, to play golf, to enjoy  
16 the scenery, something of that sort. When you're  
17 thinking about qualifying someone to game through  
18 participation in another amenity, does this --- this  
19 is just a hypothetical. Does this raise the  
20 opportunity for some sort of partnership with other  
21 potential operators, that this could become, to some  
22 degree, a regional gaming area in the Poconos?

23 MR. SNYDER:

24 Well, we have not, at this point in time,  
25 had discussions, as you can tell from my earlier

1 comments, with any of the other gaming operators of  
2 either a Category 1 or a Category 2 License.

3 MR. SOJKA:

4 This could be somebody that isn't a  
5 gaming operator. This could be someone that's  
6 operating a motel or a restaurant.

7 MR. SNYDER:

8 Oh, I think that, Commissioner Sojka, is  
9 a given. We do that now at Grantville. Because we  
10 don't have a hotel, we work with the Holiday Inn.

11 MR. SOJKA:

12 But you don't have to do that because you  
13 don't have to have --- you don't have to qualify your  
14 people to walk on the gaming floor. It's an open  
15 facility as a Category 2. I'm thinking about ways in  
16 which people could qualify to use the gaming facility  
17 by taking advantage of an amenity in the region. I'm  
18 not sure we would allow it, but I'm just curious.

19 MR. SNYDER:

20 No. I think that is a very interesting  
21 observation. Do we have a conclusion as we sit before  
22 you this evening? We do not. But we would like to  
23 think that the Board would be open to consideration if  
24 a guest is a guest at a proximate facility, because  
25 that proximate facility has a ski slope and they are

1 there for two nights, we would hope that you would  
2 consider that. But right now we recognize that the  
3 rules do not permit it.

4 MR. SOJKA:

5 Okay.

6 MR. WORTHINGTON:

7 If I can add to that answer,  
8 Commissioner? Currently, one of the things we do is  
9 we do partner with lots of other resorts. We have a  
10 tubing hill, most of the other resorts don't, so we  
11 will send them --- sell them a package ticket with  
12 cheaper rates. They'll advertise for their rooms and  
13 our tubing hill. We do the same with golf. So joint  
14 partnerships is something that we're very familiar  
15 with at Fernwood.

16 MR. SOJKA:

17 Thank you. That really helps me. Now,  
18 two really quick ones that don't require speculation,  
19 and we can move on to other people. The actual  
20 distance between the porte-cochere and the front door  
21 of the hotel and the front doors of the ---?

22 MR. WORTHINGTON:

23 Maybe 50 feet.

24 MR. SOJKA:

25 Fifty (50) feet; right? There's no

1 cover, just walk out the one and right into the other?

2 MR. WORTHINGTON:

3 Correct.

4 MR. SOJKA:

5 How about ---?

6 MR. WORTHINGTON:

7 There is actually a tunnel that runs  
8 under the driveway that was built, I don't know, turn  
9 of the century. It's been there a long time. We  
10 don't go down there, but there is a tunnel the guests  
11 could use if they don't want to get wet.

12 MR. SOJKA:

13 And then I just need one piece of  
14 explication, and that is on this --- again, these  
15 matrices obviously bother me. I just don't understand  
16 what this one category means where it says last chance  
17 at a license, and there are two yeses and two nos.

18 MR. TRUJILLO:

19 Is that a statutory requirement?

20 ATTORNEY JONES:

21 That's a statutory requirement. The new  
22 Category 3 License that comes into effect in 2017  
23 requires that the resort be 30 miles away from another  
24 Category 1 or 2.

25 MR. SOJKA:

1 I see. But when you say last chance, you  
2 mean to beat that?

3 ATTORNEY JONES:

4 Yes, eligibility requirement.

5 MR. SOJKA:

6 All right. That is it. Thank you.

7 CHAIRMAN:

8 Commissioner McCabe?

9 MR. MCCABE:

10 I have a few questions. Commissioner  
11 Sojka addressed the one area about the rooms. And I  
12 think you testified in the past that you'll guarantee  
13 that you'll have 270 rooms available every night to  
14 meet that requirement. I have a question. I haven't  
15 been out to your place in a little while. The last  
16 time I was there the road improvements weren't done,  
17 where I got stopped by the lights and everything  
18 turning into where the casino would be. Have all  
19 those road improvements already been completed?

20 MR. WORTHINGTON:

21 Yeah. That was the first phase of the  
22 highway improvement project.

23 MR. MCCABE:

24 This may be for Penn National. When  
25 you're projecting out the revenue, did you consider



1 Yonkers Raceway in your projections, that Yonkers  
2 Raceway was going to be open and that the New York  
3 crowd may be going there?

4 MR. SNYDER:

5 We considered both Yonkers and Aqueduct.  
6 Yonkers is already open. Aqueduct started  
7 construction about three weeks ago. So we  
8 factored --- we competition adjusted for all of those.

9 MR. MCCABE:

10 And then on the media monitor question I  
11 have is you addressed one casino. Why didn't you look  
12 to see are you going to have an effect on Mount Airy?  
13 Did Mount Airy advertise in the New York/New Jersey  
14 area? And what kind of impact do you think you're  
15 going to have on them? Are you going to be taking  
16 people away from Mount Airy, which is an existing  
17 Category 2?

18 MR. WORTHINGTON:

19 We did not address Mt. Airy because they  
20 did not object to our application. The media monitor  
21 slide that we looked at was specific to Mohegan Sun,  
22 who claimed that we would be stealing their New  
23 York/New Jersey visitors, when it turns out they don't  
24 advertise in the Wilkes-Barre area for any New  
25 York/New Jersey visitors. And in fact, the slide was

1 fairly compelling to what they're doing, is trying to  
2 protect Connecticut revenue by keeping Fernwood from  
3 getting a license that would draw the same market into  
4 Pennsylvania.

5 MR. SNYDER:

6 Commissioner McCabe, if I may amplify on  
7 that a little bit. I am not familiar with Mount  
8 Airy's marketing efforts in New York, but I have seen  
9 them make a pretty significant push into the Lehigh  
10 Valley in terms of where they spent media dollars.  
11 And that may just be an incidence of my experience  
12 traveling through there more than northern New Jersey  
13 or New York, but they clearly have made an effort to  
14 market down into the Allentown, Bethlehem, Easton  
15 region of the Lehigh Valley.

16 MR. MCCABE:

17 And how many table games are you  
18 anticipating having?

19 MR. SNYDER:

20 Twenty-two (22).

21 MR. MCCABE:

22 Okay. Because what you had in your paper  
23 here up there was 15. Have you considered more ---  
24 one of the things I think we're finding with table  
25 games and poker is that that's very popular, and it's

1 generating a lot of revenue and a lot of demand across  
2 the state. And is that going to be enough for a  
3 resort to have only 22 table games? I didn't see  
4 anything about poker room or bank.

5 MR. SNYDER:

6 There is a poker room. There was a  
7 nonbanked area as well as a banked area. In fact, we  
8 can go to the floor plan, if that is helpful.  
9 Additionally, the floor plan only has 500 slot  
10 machines on the original floor plan. We do have ample  
11 opportunity to grow this business when and if that  
12 demand is there. But we looked at speed, and speed to  
13 open is inside the existing four walls, but there will  
14 be ample room to go outside the existing four walls to  
15 provide up to 50 table games and to provide up to 600  
16 slot machines. You can see in the upper left-hand  
17 corner is the poker room, which we've identified ---  
18 upper right-hand corner. I'm sorry. I'm losing my  
19 left and my right. And the house bank games are in  
20 the center of the floor.

21 MR. MCCABE:

22 With only six tables?

23 MR. SNYDER:

24 Yeah. Six poker and 16 house bank games,  
25 for a total of 22. And there is room, what would be

1 to the upper left of this map, for expansion.

2 MR. MCCABE:

3 I'm just hoping that you were considering  
4 that.

5 MR. SNYDER:

6 And again, as the market demand is there,  
7 one of the things that we, quite frankly, struggle  
8 with is applicants for these size facilities  
9 suggesting 50 table game operations because, quite  
10 frankly, even our own experience, Grantville has not  
11 yet gotten us to the point where we've got 50 house  
12 bank table games.

13 MR. MCCABE:

14 And I guess the last question, are we  
15 going to see you guys tomorrow, too?

16 MR. SNYDER:

17 Yes. Yes, you are, unfortunately.

18 CHAIRMAN:

19 Commissioner Coy?

20 MR. COY:

21 Thank you, Mr. Chairman. I have some  
22 Penn National questions, like I did this morning, but  
23 the Chairman has them, too. So because he always  
24 waits until last, I'm going to let him ask those  
25 couple questions. Thank you.

1                   CHAIRMAN:

2                   Commissioner Angeli?

3                   MR. ANGELI:

4                   On the one chart that didn't show up  
5 well, the win-per position --- and I'm going back to  
6 something I saw in the presentation where you were  
7 projecting \$308, \$410 and \$513 over a three-year  
8 period, when I look at this chart that you put in  
9 here, you have eventually a 513 here on the Bushkill  
10 Group, and then in the other ones you have \$285, \$277  
11 at Penn Harris and \$257 at Nemaquin. Give me a  
12 little bit of comfort level that you believe that you  
13 will hit \$513 when you're projecting everybody else to  
14 be in the 200s.

15                   MR. SNYDER:

16                   Well, we haven't projected for anyone  
17 else. We've taken the numbers that they've provided.  
18 But you're asking the question of our comfort level in  
19 these projections, which are Penn National's, for the  
20 operating performance of Fernwood. First of all, I  
21 want to clarify, those three years are not years one,  
22 two and three. Those three years in that column are  
23 open, interim and stable. We think these businesses  
24 do reach stabilized levels of operating performance  
25 within three to five years, but I wouldn't want you to

1 leave here tonight thinking that that is a year three  
2 number. It's somewhere in the three to five-year  
3 range.

4                   Secondly, as to your specific question of  
5 the performance at the win-per-device level, remember,  
6 this is only 500 games which we're showing here. We  
7 did put up a slide showing the 906 keys, which results  
8 in a gaming --- excuse me, a hotel key or a room key  
9 per gaming position that is far superior to anyone  
10 else in the Commonwealth of Pennsylvania at almost 1.5  
11 --- almost two to one, nine to five. We'll do the  
12 easy math. And here, with the nature of these  
13 timeshare facilities, the villas, as you heard in  
14 response to Commissioner Trujillo's earlier question,  
15 with an average occupancy of four or five people as  
16 opposed to the typical hotel room, which would have an  
17 average occupancy of 1.8 or --- one point something,  
18 not necessarily ---.

19                   MR. ANGELI:

20                   Assuming they were adults?

21                   MR. SNYDER:

22                   Assuming they were adults, yes. We get  
23 our comfort level in terms of the revenue projections  
24 based on those two phenomena, the number of games and  
25 the number and nature of the room inventory.

1                   MR. ANGELI:

2                   Thank you.

3                   MR. WORTHINGTON:

4                   If I may just follow up on that. Just  
5 for the clarity of this chart, none of these numbers,  
6 except for the Bushkill Group numbers, were developed  
7 by us. All of these were taken out of the public  
8 record.

9                   MR. ANGELI:

10                  I understand. It was just the comparison  
11 in numbers, that is very striking. That's all I have.

12                  CHAIRMAN:

13                  Commissioner Ginty?

14                  MR. GINTY:

15                  I find my memory is getting a little more  
16 difficult each year or month, which I share with some  
17 of my colleagues. But you know, I recall the last  
18 time you were before us on an application your average  
19 stay was a little over two nights, and now you're  
20 jumping to over five nights. Because I was surprised  
21 at the number being as low as it was.

22                  MR. WORTHINGTON:

23                  That might have been a hotel number as  
24 opposed to a hotel timeshare average. The timeshare  
25 owners always buy in week increments. They might not

1 stay seven days, but when you average them together,  
2 it's --- I think it's 4.2 now and we're projecting it  
3 to go to 5.5.

4 MR. GINTY:

5 And if I recall correctly, you weren't  
6 using on your last application the 900 keys, but we're  
7 meeting --- basing it on the sort of minimum number of  
8 rooms. Is that correct?

9 MR. WORTHINGTON:

10 That's correct. We will always have at  
11 least 275 rooms under common ownership available for  
12 nightly rental.

13 MR. ANGELI:

14 That's not --- I mean, that could be any  
15 275 rooms; right?

16 MR. WORTHINGTON:

17 Absolutely.

18 MR. ANGELI:

19 It's not a specific 275 rooms?

20 MR. WORTHINGTON:

21 That's correct. That would be our  
22 preference anyway. I mean, ultimately it would be  
23 your decision, but our preference would be we own all  
24 the rooms. Some of them have been either licensed or  
25 sold to timeshare owners. If we sold them to a



1 timeshare owner, they're out of the calculation. If  
2 we still own them, we'd like to include them in the  
3 275 minimum.

4 MR. GINTY:

5 I'm just curious, you know, you're making  
6 a stronger case now. What was the change from your  
7 last application?

8 MR. WORTHINGTON:

9 I think the last time --- well, by the  
10 end of it, it was two Applicants for two licenses  
11 until our financing fell apart. But the last time we  
12 were far less sophisticated in the world of gaming.  
13 We were resort operators from the Poconos. It's a  
14 great resort and a great location. We've learned a  
15 lot in working with Penn National. Having Penn  
16 National behind us as opposed to the other iterations  
17 of our applications we've gone through has made a  
18 quite significant difference in understanding what it  
19 takes to fill casino positions and fill hotel rooms  
20 and how this will work as an amenity. So, I think  
21 that's the primary difference.

22 MR. GINTY:

23 Could you bring up your comparative  
24 revenue chart?

25 MR. WORTHINGTON:

1 The graph or the chart?

2 MR. GINTY:

3 This is fine.

4 MR. WORTHINGTON:

5 Okay.

6 MR. GINTY:

7 Mr. Snyder, the \$107 million for Bushkill  
8 is your number?

9 MR. SNYDER:

10 Yes, that's correct.

11 MR. GINTY:

12 Okay. The \$93 million for Mason Dixon is  
13 Mason Dixon's number?

14 MR. SNYDER:

15 I believe it was PKF's number.

16 MR. GINTY:

17 It is PKF. You also had a number?

18 MR. SNYDER:

19 We did have a number, yes.

20 MR. GINTY:

21 And my recollection is it was in the  
22 neighborhood of \$300 million,

23 MR. SNYDER:

24 No. It was \$300 million of market  
25 potential. It was \$83 million or 27 percent

1 penetration in terms of the actual gaming revenue,  
2 which we were projecting. That \$300 million number  
3 was just a potential of all gaming revenue that might  
4 exist in the marketplace without adjusting for  
5 someone's propensity to game, without adjusting for  
6 competition.

7 MR. GINTY:

8 Okay. What would the \$300 million be?  
9 What would be the comparative number then for  
10 Bushkill?

11 MR. SNYDER:

12 Yeah, because it's spread over a 28  
13 million person population, I think the number would be  
14 a factor. It'd be very large. I don't know if it  
15 would be a factor of ten times that number. But it  
16 would be significantly larger because of the 28  
17 million population that we think we can draw from with  
18 about 70 percent of those being adults as is standard  
19 in the U.S. population. So, you're looking at the  
20 potential of 16 million gamers.

21 MR. GINTY:

22 And then I assume your penetration rate  
23 would be ----?

24 MR. SNYDER:

25 No. Again, I'm not adjusting for

1 penetration. I thought you asked me the raw data.

2 MR. GINTY:

3 Oh, the raw data. But then you would  
4 have to come up with a penetration?

5 MR. SNYDER:

6 Which we've done to get down to about  
7 \$107 million.

8 MR. GINTY:

9 And what was that penetration?

10 MR. SNYDER:

11 I think it was --- it was probably teens.

12 MR. BOGUMIL:

13 On an adjusted basis you never assume  
14 that you're going to need more than 25 percent.

15 MR. SNYDER:

16 Yeah, I'm sorry. That's Walter Bogumil,  
17 who's our vice president of financial analysis at Penn  
18 National Gaming.

19 MR. GINTY:

20 You know, I just --- you know, I want at  
21 least establish ---

22 MR. SNYDER:

23 Establish.

24 MR. GINTY:

25 --- at some point be able to compare what

1 you did on your projections for Mason Dixon and your  
2 projections here. And you know, I hope staff is  
3 comfortable that it understands the methodology that  
4 you used in both cases, so that we'll be able to  
5 compare them.

6 CHAIRMAN:

7 Well, let me just ask the pointed  
8 question. You testified on behalf of both people,  
9 you're under oath. Which one's going to generate more  
10 revenue in your opinion? Is it going to be Mason  
11 Dixon or Fernwood?

12 MR. SNYDER:

13 Under oath, it will --- with the 28  
14 million person population and the 600 --- excuse me,  
15 the 906 hotel keys, clearly Bushkill has greater  
16 potential.

17 CHAIRMAN:

18 I understand potential. Based on your  
19 experience in the industry. You're no virgin to the  
20 business. Which of the two facilities is going to  
21 generate more gross terminal revenue? Simple  
22 question.

23 MR. SNYDER:

24 We stand by the projections that are on  
25 this slide. This has the potential and this will,

1 based on its amenity package, barring New Jersey  
2 putting slots at the Meadowlands, barring New Jersey  
3 putting casinos in northern New Jersey or New York  
4 doing something with the Shinnecock Tribe to put them  
5 on Governor's Island, this should and will --- is  
6 likely to produce greater revenue.

7 CHAIRMAN:

8 Thank you. Let's stay with Jim. Go  
9 ahead.

10 MR. GINTY:

11 Can I follow up on that? Because the  
12 projections you've given are, quite frankly,  
13 exceedingly robust, compared to the experience that  
14 other casinos in Pennsylvania, and specifically some  
15 of the casinos up in the --- you know, close to you in  
16 the Poconos area and northeast have. And you know,  
17 Sands, for one is a fairly mature operation. And I  
18 would think that they'd be pretty good at what they're  
19 doing. And, you know, they're showing, you know, the  
20 win per day per slots, you know, way below what you're  
21 projecting.

22 MR. SNYDER:

23 Commissioner Ginty, I don't think it's an  
24 accurate comparison to look at the win-per-device  
25 number. I think it's more --- because the limitations

1 on the Category 3s, you will never be able to compare  
2 this to Sands with 3,000 and the opportunity to go to  
3 5,000 or Mount Airy. I think it's more appropriate to  
4 look at the total gaming win and add \$107 million in  
5 gaming revenue. This projection is less than \$8.4  
6 million per month, which would make it the least  
7 performing gaming facility currently in the  
8 Commonwealth of Pennsylvania. The lowest performing  
9 gaming facility in the Commonwealth on a revenue basis  
10 of any existing facility in the Commonwealth. So, I  
11 would encourage you not to look at the win-per-device  
12 metric by itself, but look at the aggregate here of  
13 what this facility is. It's 906 keys compared to any  
14 other operator in the Commonwealth today, and look at  
15 the 28 million population that is proximate to this  
16 facility.

17 MR. GINTY:

18 You keep coming up with this 906 keys.  
19 And by the way, it took me awhile to understand what  
20 you were referring to. But you know, still better  
21 than 70 percent of your revenues that you're  
22 projecting are going to be local; is that true? I  
23 mean, am I reading this right within 50 miles would be  
24 77 percent of the ---?

25 MR. SNYDER:

1           Yes. In those first-year projections,  
2 that's correct. As we get out to stabilized  
3 operations, we do expect to be able to extend that  
4 draw, because of the rooms.

5           MR. GINTY:

6           All right.

7           CHAIRMAN:

8           Commissioner McCabe?

9           MR. MCCABE:

10           To maybe follow up a little bit on that.  
11 Mr. Snyder, in your opinion --- we've heard testimony  
12 in some of our hearings, that some people are saying  
13 that the east coast and the east coast of Pennsylvania  
14 is over saturated, and it's going to have too many  
15 casinos. What's your opinion about that statement?  
16 Are there too many casinos on the eastern side of  
17 Pennsylvania and with New Jersey, New York and  
18 Maryland, all having casinos now?

19           MR. SNYDER:

20           I do not agree with that based on the  
21 population base that exists in a very proximate drive  
22 time to the eastern coast --- the eastern side of the  
23 east coast of Pennsylvania.

24           MR. MCCABE:

25           Okay. Thanks.



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CHAIRMAN:

Commissioner Trujillo?

MR. TRUJILLO:

Thank you, Mr. Chairman. Maybe in the form of almost a MDA, or a management discussion analysis, can you, or perhaps Mr. Worthington, I'm not sure who's the right person is to respond --- and this is to the comparative --- the comparisons that are being drawn. Take Mohegan Sun and Sands, and my understanding of what you are saying in your response is simply your target market is different. It is not eastern --- northeastern Pennsylvania. It is northeastern Pennsylvania, New York and New Jersey. And because of the 906 rooms, the folks that you're going to attract are --- it's a different group that right now Mohegan Sun is not even advertising for, and that Sands right now, because they don't have a hotel and they're a much larger facility, are just different in kind. That's what I'm hearing. But I guess I'd like to hear it from your mouth if I'm correct or --- I would just like, rather than a lawyer's response, and I love lawyers, I'm married to one. I would just like to get your response to the critiques of the other licensees.

MR. SNYDER:

1 Commissioner Trujillo, I thank you,  
2 because you paid attention. I could not have restated  
3 ---.

4 MR. GINTY:

5 As opposed to the rest of us?

6 MR. TRUJILLO:

7 Touché.

8 MR. SNYDER:

9 By his statement he indicated an  
10 understanding of the points that I believe that we  
11 have been making over the course of the last few hours  
12 this evening. This is a different facility from any  
13 that currently exists in the Commonwealth. It is in a  
14 location geographically that has greater access to a  
15 larger number of potential gamers than most, not all,  
16 but certainly most. And for the size and scale of  
17 this facility being limited to 600 slots and 50 table  
18 games, it has the ability on a per-unit basis, which  
19 was Commissioner's Ginty's question, to far exceed the  
20 performance of the existing facilities in the  
21 Commonwealth. Again, when scaled appropriately, it  
22 would be back to where others are.

23 It's just we are, by the terms of a  
24 Category 3 License, limited to a constrained supply.  
25 And that's why you're seeing the numbers on a scale

1 basis being disproportionate. But when you look at  
2 them on a relative basis, this is still the least  
3 performance facility in the Commonwealth today and  
4 well in the future.

5 MR. TRUJILLO:

6 On a gross revenue basis?

7 MR. SNYDER:

8 Correct, relative.

9 MR. TRUJILLO:

10 As I understand the kinds of numbers  
11 we're talking about here on these Applicant  
12 comparisons, the revenue feasibility, I want to make  
13 sure, was your revenue feasibility based upon the  
14 current projection of the 500 games, the current table  
15 --- the current configuration of the poker room and  
16 table games, or is it based upon any future growth?

17 MR. SNYDER:

18 No, it is not based on any future  
19 expansion of the facility. That will require  
20 additional capital, which we've not had a discussion  
21 with Mr. Worthington and the owners of the Bushkill  
22 Group. But suffice it to say, if we do start to hit  
23 300, 350 or 400 win-per device for performance numbers  
24 at this location, we will be having a discussion with  
25 them about the merits of expanding to get up to a full

1 complement of 600 games and the full complement or  
2 closer to the full complement of 50 tables.

3 MR. TRUJILLO:

4 Aside from the capital that you are  
5 providing for the gaming operation, do you have any  
6 commitments to provide any capital to Mr.  
7 Worthington's folks in the event they need it for  
8 hotel operations or for any other operations?

9 MR. SNYDER:

10 No, we do not, Commissioner Trujillo. In  
11 fact, the security for our loan is limited to the  
12 building and adequate measures that could be before  
13 you for consideration if we needed it to be as a  
14 replacement owner and satisfy all the conditions of a  
15 Category 3 License. But we are not investing in the  
16 timeshare business. We are not investing in the  
17 current hotel operations of the Fernwood Resort.

18 MR. TRUJILLO:

19 And finally, Mr. Worthington, on your  
20 relationship with RCI or any other timeshare exchange  
21 operators, has the potential --- I'm certain you've  
22 had discussions. But can you just give me a 30-second  
23 thumbnail on any changes in your marketing  
24 particularly --- in particular to the timeshare folks?

25 MR. WORTHINGTON:

1 Sure.

2 MR. TRUJILLO:

3 If any.

4 MR. WORTHINGTON:

5 Obviously, this would be a great amenity  
6 for us. One of our --- our major market is New York  
7 and that's where we get the majority of our timeshare  
8 guests. A lot of them come out to tour timeshares on  
9 the weekends. We believe that with the appropriate  
10 cooperation of Penn and our ability to put together  
11 packages, we'll be able to attract them midweek,  
12 instead of just on the weekends, because of the casino  
13 amenity, which smooths our entire operation. It  
14 allows for a more even occupancy, which is --- that's  
15 the important thing in any resort, because you  
16 certainly don't want all the occupants on the  
17 weekends, where you can't fit anybody else in and have  
18 to pay people the rest of the week when nobody's  
19 there. So, we're looking to smooth with this. And we  
20 believe that in addition to being able to increase our  
21 number of timeshare tourists, we'll be able to put  
22 them on days where we need them.

23 MR. TRUJILLO:

24 Thank you. No further questions, Mr.  
25 Chairman.

1                   CHAIRMAN:

2                   I have a couple quick questions.

3                   MR. WORTHINGTON:

4                   Yes.

5                   CHAIRMAN:

6                   How long does your patron of the  
7 amenities voucher last? We heard somebody testify  
8 earlier today, Mason Dixon's was 72 hours.

9                   ATTORNEY JONES:

10                  Well, under the one regulation, it would  
11 be permitted to be 72 hours. So, we would go with  
12 that. But of course, we'll work with the Board for  
13 whatever needs to be done to effectively get the  
14 voucher and the whole system coordinated.

15                  CHAIRMAN:

16                  And timeline on the construction of the  
17 casino if you were to get the license, how long would  
18 it take from the issuance of the license to the day of  
19 operation?

20                  MR. SNYDER:

21                  We think, as the Solicitor suggested, we  
22 can pull a building permit and a zoning permit quickly  
23 enough to be in a position to best case be open within  
24 six to nine months.

25                  MR. WORTHINGTON:

1 Mr. Chairman, can I go back to the prior  
2 question ---

3 CHAIRMAN:

4 Sure.

5 MR. WORTHINGTON:

6 --- on the card? We already have a card  
7 system in place for owners. It's a Dunbar (phonetic)  
8 at this point, but all of our employees are completely  
9 aware of the owners have cards that they can use to  
10 get around the facility and use at different outlets.  
11 So, in terms of introducing that into the system, it's  
12 going to be an easy mesh for us, we believe.

13 CHAIRMAN:

14 Okay. And I was asking the question that  
15 the ---?

16 MR. WORTHINGTON:

17 The 72 hours, correct.

18 CHAIRMAN:

19 That's what I was asking. Okay. And  
20 just to confirm, I think heard somebody say that the  
21 number of direct new jobs for this project was 360.  
22 Did I hear that right?

23 MR. SNYDER:

24 Yes, Mr. Chairman. That's a slide that I  
25 had fallen asleep on and skipped over. I apologize.

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CHAIRMAN:

Somebody had mentioned it though. I see folks in the back. 360?

MR. WORTHINGTON:

Yes.

CHAIRMAN:

Okay. Thank you. Any other questions? What we're going to do is, we're going to break at this time for ten minutes. We will be back and we will then have the Sands Bethworks folks come up, followed by the Downs Racing and then our BIE folks after that. Break for ten minutes.

SHORT BREAK TAKEN

CHAIRMAN:

Thank you. I do see that we have the Sands Bethworks here. And just again, just as a reminder, you guys have 15 minutes. I see this, it looks like --- and I appreciate you sharing it with us, and we will review it. But we are going to try to stay on time. Sands Bethworks is a contestor in these proceedings and if there are any non-lawyer testifiers at the dias, could you please stand to be sworn?

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WITNESSES SWORN EN MASSE  
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1                   CHAIRMAN:

2                   Thank you. And again, if I could ask  
3 each presenter before you begin your presentation if  
4 you could just please state your name and spell your  
5 name for the stenographer. And with that, please  
6 begin.

7                   ATTORNEY KRAMER:

8                   Good evening, Chairman Fajt, members of  
9 the Board. My name is Scott Kramer with the law firm  
10 of Duane Morris. And I'm pleased to present to you  
11 today, representatives from the Sands Casino Resort  
12 Bethlehem. We, on behalf of Sands Casino Resort, have  
13 a present and immediate interest as a participant in  
14 the marketplace of the Applicant, Bushkill Fernwood.  
15 And let me introduce to you the Sands representatives.  
16 To my left is Holly Eicher, the General Counsel for  
17 Sands Casino Resort Bethlehem. To my far right, Fred  
18 Kraus, vice president and General Counsel of the  
19 Venetian Casino Resort in Las Vegas. And to present  
20 to you today is Robert DeSalvio, the president of  
21 Sands Casino and Resort Bethlehem. Scott Kramer,  
22 K-R-A-M-E-R.

23                   MR. DESALVIO:

24                   Thank you, Scott. Good evening, Mr.  
25 Chairman and other Commissioners. Bob DeSalvio,

1 that's D-E, capital S, A-L-V-I-O. And I'm the  
2 president of Sands Bethworks Gaming, LLC. Thank you  
3 for giving us this time this evening to speak on  
4 behalf of our project. And let me get right to slide  
5 number three and go to the right of the heart of the  
6 matter, which is the legislative intent. The primary  
7 legislative intent of the Gaming Act was to provide a  
8 significant source of new revenue to the Commonwealth.  
9 On slide four, Bushkill Fernwood's proposal is the  
10 least likely to provide new revenue and most likely to  
11 cannibalize existing revenue. And location is the key  
12 to revenue potential.

13           Just to review, casinos already located  
14 in eastern Pennsylvania, Mohegan Sun and Pocono Downs,  
15 Mount Airy, of course our project the Sands, Parx, the  
16 SugarHouse in Chester with two more potentially  
17 coming, a Category 2 in Philadelphia and a Category 3  
18 in Valley Forge. We thought it was appropriate to do,  
19 again, remind everyone through a graphical  
20 representation of the location of the properties on  
21 the eastern side of Pennsylvania. And in slide seven,  
22 what we do is we overlay the additional projects that  
23 I mentioned previously. The green stars down at the  
24 bottom of the slide to the right represent potentially  
25 Valley Forge and another Philadelphia license. And

1 the red dot represents the potential Bushkill project  
2 up on the top right-hand corner of the slide. And  
3 this overlays the map of all the current casinos in  
4 the Commonwealth, along with the potential new  
5 entrants.

6           On slide number nine, we wanted to  
7 highlight Adams County down at the bottom of the  
8 Commonwealth with the green dot being the proposed  
9 Mason Dixon project.

10           On slide number ten, Bushkill's October  
11 23rd, 2008 presentation. And I wanted to read this, a  
12 constrained gravity model was used to project gaming  
13 activity for the tri-state area with the primary focus  
14 on the Poconos and the surrounding 100-mile radius.  
15 Particular attention was paid to the drive times and  
16 the market center and locations of the competitive  
17 alternatives in the market. Innovations Group  
18 traditionally just uses this basic metric on all of  
19 their evaluations to basically figure out potential  
20 casino revenue. And they did, they used the same  
21 gravity model for a study they did for us as well.

22           On slide 11, in Bushkill's 2000 ---  
23 October 23rd, 2008 presentation, the Innovations Group  
24 was --- it was concluded historically accuracy of the  
25 Innovation Group studies, claims that their reports

1 have been historically accurate. In September of  
2 2003, the Innovation Group did a report for the  
3 Pennsylvania Senate Democratic Appropriations  
4 Committee, and that committee was tasked with  
5 determining the best locations for revenue  
6 maximization in the Commonwealth. September, also in  
7 that study, was to analyze the optimal locations. And  
8 it concluded that there were six locations were chosen  
9 based on the best market potential as revealed in our  
10 gravity demand model.

11           On slide 14, this was the conclusion,  
12 again from the Innovations report, besides downtown  
13 Philadelphia, Shrewsbury near the Maryland border adds  
14 the most revenue. And with respect to Lehigh Valley  
15 and Shrewsbury, the two markets are far enough apart  
16 to have little impact on each other.

17           Continuing on from this Innovation report  
18 from September of '03. Highlighted in the market base  
19 scenario while keeping Shrewsbury, the combination  
20 that maximize statewide revenues was to drop Long  
21 Pond, which is the Poconos 500 site.

22           So, therefore, the Innovation Group  
23 rejected a second Licensee in the Poconos in favor of  
24 a casino on the Maryland border. Bushkill proposes a  
25 third Licensee in the Poconos.

1                   The Mason Dixon Applicant will maximize  
2 revenues consistent with the 2003 Innovation Group  
3 report to the Commonwealth. The proposed Mason Dixon  
4 Resort located near the Pennsylvania Maryland border  
5 would maximize revenue. The Mason Dixon resort would  
6 fulfill the purpose of Section 1102 because it would  
7 draw new business from Maryland and Washington DC.

8                   And again, here on this slide, even with  
9 the Maryland impact, Shrewsbury remains the second  
10 highest value-added facility in the state, second to  
11 Allentown. Shrewsbury was number one until Maryland  
12 added gaming and then the Lehigh Valley/Allentown area  
13 moved up to number one and that was ahead of another  
14 spot in the Poconos.

15                   The impact of Maryland gaming is also  
16 minimized because of table game offerings in  
17 Pennsylvania. This is critical. We've seen this  
18 recently with the introduction of table games and how  
19 important it is to get the full casino amenities. And  
20 Maryland is only slots at the present time.  
21 Bushkill's proposed Fernwood facility will result in  
22 overlapping markets. Bushkill's proposed Fernwood  
23 facility will fall within the market area of Mount  
24 Airy, Mohegan Sun, Pocono Downs and of course the  
25 Sands.

1           To draw some conclusions here, we look at  
2 these maps. This is Mount Airy's market presentation  
3 from its 2006 studies, and it shows in the center  
4 their primary market with the red dot being the center  
5 location. And then its major secondary market which  
6 stretches all the way through the important areas of  
7 New Jersey and New York and then wraps around slightly  
8 to the west.

9           These markets overlap with what Bushkill  
10 identified in its 2010 public input presentation as  
11 its market area to the east. And then if you ---  
12 going back to their presentation, slide 23, although  
13 not part of its geographical presentation, Bushkill  
14 defines a substantial part of its market as New York  
15 and New Jersey. So, what we did in this slide is we  
16 actually took the overlap of both the Mount Airy  
17 presentation along with the Bushkill. And Fernwood  
18 partially depicted of its market to the east in its  
19 2010 presentation, and we overlaid that to Mount  
20 Airy's 2006 competitive market presentation. You can  
21 clearly see the overlap of these markets, especially  
22 as it drives into the northern New Jersey areas.

23           In its December 2006 presentation, at  
24 slide number 74, Mount Airy predicted gross revenues  
25 of a combined \$295 million from its primary and

1 secondary markets respectively, which would overlap  
2 with the Bushkill market. And then you go back and  
3 going back, you can see how this plays out going back  
4 to the previous slide, which was the overlapping  
5 markets and you can see the primary and the secondary  
6 and how that relates to the presentation. And that  
7 really only represents a part of the Bushkill market.

8            Fernwood on its website promotes Mount  
9 Airy. It currently offers 2,500 of the most popular  
10 slots, electronic table games, including poker and  
11 roulette and blackjack, located approximately 30  
12 minutes from Fernwood and it goes --- I won't read the  
13 rest of the slide. Fernwood similarly promoted  
14 Mohegan Sun until very recently on its website. The  
15 Fernwood website states the drive time from the Lehigh  
16 Valley Airport as approximately 45 minutes and from  
17 the Newark Airport as approximately 90 minutes. The  
18 October 2006 Innovation Group report for the Sands  
19 Bethlehem stated New York and Philadelphia were within  
20 90 minutes. The 2006 Innovation Group report also  
21 assumed the existence of Mohegan Sun and a Category 2  
22 facility in the Poconos and it also divided the Sands  
23 Bethlehem into 15 different market segments.  
24 Innovation predicted that gaming revenue for market  
25 segments of central New Jersey, Newark and New York as

1 \$155 million for Sands Bethlehem.

2           Now, I also want to point out that  
3 William Weidner, then CEO of Las Vegas Sands testified  
4 at our licensing hearing for Sands Bethlehem and  
5 emphasized the importance of the New Jersey/New York  
6 markets. Our high value target markets were northern  
7 New Jersey, Southern New York and the Philadelphia  
8 suburbs in that order. Weidner also emphasized the  
9 importance of those markets from the I-78 corridor.  
10 And the importance of that market was emphasized by  
11 Counsel at the 12/19/06 hearing in response to a Board  
12 question.

13           So, we now talk about cannibalized  
14 revenues. Fernwood admits that a significant portion  
15 of its revenues will be cannibalized from existing  
16 Pennsylvania facilities. At slide 42 of its October  
17 2008 presentation, Fernwood states that 81 percent of  
18 its revenues would not be cannibalized or that 19  
19 percent would be cannibalized. On November 8th, 2010,  
20 Christiansen Capital Advisors' report contradicts the  
21 earlier Innovation report by projecting  
22 cannibalization at 11 percent. Sands Bethlehem  
23 believes that the percentage will be much higher based  
24 on the overlap in its market and the markets of  
25 Mohegan Sun and Mount Airy. And regardless of the



1 percentage of cannibalization, we know from the  
2 Innovation Group report in 2003 that there would be no  
3 cannibalization of existing properties if the License  
4 were awarded to Mason Dixon. So, with that, I tried  
5 to move quickly, hopefully staying within my 15  
6 minutes allotted, to let you know the importance of  
7 this issue as it relates to Sands Bethworks. And I  
8 thank you for the time and we are, of course,  
9 available for your questions.

10 CHAIRMAN:

11 Thank you very much. Questions from the  
12 Board?

13 MR. MCCABE:

14 I'll start. I don't know if it's the  
15 hour or what. But can you in a couple sentences  
16 explain what the importance or significance of the  
17 Innovation Group study was? Half this Board wasn't  
18 here in 2006. So, some of this is just totally Greek  
19 to them. So, is it accurate? Are you alleging that  
20 the Innovation Group study was accurate or are you  
21 saying it wasn't accurate?

22 MR. DESALVIO:

23 No. I'm actually suggesting that they  
24 had a very good record of historical accuracy of their  
25 reports. They did their report long before there were

1 any applicants for these Licenses. And their market  
2 study concluded that the best potential location would  
3 be down in the Maryland border for an existing --- for  
4 a new Licensee that wouldn't cannibalize on existing  
5 operators.

6 MR. KRAUS:

7 If I could add to that, Mr. McCabe? We  
8 think the significance of the Innovation 2000 study is  
9 this. It was an independent agent retained by the  
10 Senate Appropriations Committee of the Commonwealth of  
11 Pennsylvania, to offer projections to a legislative  
12 body as to which sites within the Commonwealth would  
13 best maximize revenue. And the two take-aways from  
14 Innovation report are that it, in analyzing whether  
15 the site along the Maryland border was better than the  
16 Long Pond site, it concluded that the site along the  
17 Maryland border was better than the Long Pond site in  
18 the Poconos. It also concluded in a second important  
19 conclusion which we think is still applicable today as  
20 was its first conclusion. The second conclusion was  
21 that a site on the Maryland border would not  
22 cannibalize a site in the Lehigh Valley, which it also  
23 found to be a very important site.

24 And perhaps a third take-away from that  
25 report, when it analyzed in 2003, a prospect of the

1 same number of gaming licenses in Maryland which  
2 eventually became an actuality, it reached the  
3 conclusion that even with the loss of revenue from a  
4 site on the Maryland border, that site would still be  
5 the second best site. The first best site in its  
6 analysis would be the Lehigh Valley area. So, it  
7 predicted in its projections that the Maryland site  
8 would still be a good site even in the advent of  
9 Maryland gaming. And now we think the only thing that  
10 has changed since the advent of the Maryland gaming is  
11 that Pennsylvania has table games which will make  
12 Maryland less competitive than it was --- as was  
13 assumed in the Innovation 2003 report. And Innovation  
14 is the common element between the Fernwood report, the  
15 Sands Bethworks report and the neutral independent  
16 expert retained by the Commonwealth of Pennsylvania to  
17 advise it on legislation.

18 MR. MCCABE:

19 Well, if would have gone by the  
20 Innovation Group report, we would have given the  
21 License to Allentown and not to Sands?

22 MR. DESALVIO:

23 Well, it was using the Allentown as a  
24 generic Lehigh Valley site.

25 MR. MCCABE:

1 Oh, okay. My last question is, you heard  
2 me ask Penn National the question about we've heard  
3 testimony throughout public hearings and that that the  
4 east coast is getting saturated with casinos. Is that  
5 part of your argument too?

6 MR. DESALVIO:

7 Absolutely.

8 MR. MCCABE:

9 And do you believe the east coast is  
10 getting too saturated? Because here you're trying to  
11 make --- trying to suggest that we give it to Mason  
12 Dixon. Why didn't you tell us to give it to the west  
13 side?

14 MR. KRAUS:

15 Well, we're going to --- we simply are  
16 not --- we're not advocating the Mason Dixon. We're  
17 using the Mason Dixon as an example of why you  
18 shouldn't give it to Fernwood. We're not --- we've  
19 emphasized we've taken historical reports given to the  
20 Commonwealth and analyzing them to show that if it  
21 went to Mason Dixon, there wouldn't be cannibalization  
22 from the Poconos. The Poconos Applicant, Fernwood,  
23 admits, depending on which report you look at, 19  
24 percent cannibalization or 11 percent cannibalization.  
25 But we're not urging that the Board pick Mason Dixon

1 over the other Applicants. We're just saying Mason  
2 Dixon, by itself, is a preferred location to Fernwood.  
3 Fernwood is a market churning. You have two casinos in  
4 the Poconos already, Sands Bethworks is right outside.  
5 It's just churning the same business. Mason Dixon  
6 would, just as Innovation predicted in 2003 to the  
7 Senate Appropriations Committee, create new revenue  
8 from the very highly populated area of  
9 Maryland/Washington DC, unlike Fernwood, which has a  
10 very small local population by comparison. And I  
11 think some of the Board's questions have recognized  
12 the problem they have with the small immediate  
13 population in a close drive-time zone as opposed to  
14 the drive-time zone that is populating the amenities  
15 at the resort at present.

16 MR. MCCABE:

17 I said that I didn't have anything else.  
18 But based on your argument, what we heard from  
19 Fernwood was that 84 percent of their customers come  
20 from out of state and they're pulling from New York  
21 and New Jersey, which has 28.2 million people.

22 MR. KRAUS:

23 But there was Board questions which drew  
24 out that that figure needed to be further analyzed.  
25 That was 84 percent of their current resort customers,

1 people coming to play golf, for skiing, tobogganing  
2 and all that sort of stuff. When the Board members  
3 asked, well, what is the percentage of your customers  
4 --- what is the percentage of that 84 that is going to  
5 gamble, they said, well, we'll have to drill down and  
6 take a look at that. I think I heard them say that  
7 they would expect to get 77 percent of their business  
8 within a 50-mile radius, which is a much smaller area.  
9 And the smaller you get, one of the things that Sands  
10 Bethlehem learned is that the local market is very  
11 dominant in the revenue that you can expect. And you  
12 can compare what may happen at Fernwood with their  
13 projections to what the Board had already seen with  
14 the projections of Mount Airy. So, putting another  
15 casino within 30 miles of Mount Airy we think is  
16 churning an additional market, churning existing  
17 revenue in the same market and will not maximize  
18 revenue in the Commonwealth.

19 MR. MCCABE:

20 Thanks, Fred.

21 CHAIRMAN:

22 Commissioner Sojka?

23 MR. SOJKA:

24 If marketing which is one of the most  
25 complicated --- if you tried to model it

1 mathematically, it's a devilishly difficult issue.  
2 And this becomes particularly difficult because you  
3 are really not matching identical components. But  
4 even if you were, let me ask you a hypothetical  
5 question. And that is, why are all the jewelry  
6 dealers of a certain type in the City of New York all  
7 on two blocks by choice? Why are they all there?

8 MR. DESALVIO:

9 Well, as somebody that's --- I've been  
10 into the jewelry district in New York and maybe based  
11 on the size of Manhattan, they're located in a couple  
12 particular blocks.

13 MR. SOJKA:

14 The question is do most of their  
15 customers come from Manhattan?

16 MR. DESALVIO:

17 I don't know.

18 MR. SOJKA:

19 Probably not.

20 MR. DESALVIO:

21 I don't know the answer ---.

22 MR. SOJKA:

23 I'm going to simply go to the --- I'm  
24 going to cut to the chase. You've made a point. We  
25 are as worried about that point as you. We're

1 struggling with this thing, and we're worried about  
2 some of the same things you are. But I'm almost  
3 slightly intellectually annoyed that it's presented in  
4 what I think is a rather simplistic way. And we've  
5 heard it, we understand it. We will weigh it. I  
6 don't think we need to hear it anymore. Okay?

7 MR. DESALVIO:

8 Okay.

9 CHAIRMAN:

10 Commissioner Trujillo?

11 MR. TRUJILLO:

12 Well, maybe a little more. We've had  
13 some conclusions about some financial projections that  
14 are not conclusive. But we've got to ultimately  
15 conclude something. And I'd like to know with respect  
16 to your --- I take your entire argument to be it's  
17 about cannibalization, the number is between 11 and 19  
18 percent, depending on whose numbers you credit. So,  
19 obviously we can't --- we don't have conclusive  
20 numbers about it. But there's no question there will  
21 be some market overlap. And I think obviously  
22 Bushkill's numbers admit that as well. So, you  
23 suggest, Innovation suggests, it's 19 percent or  
24 something along those lines. If the Board concludes  
25 that some cannibalization in order to gain total



1 revenues is okay, and let's say it's \$100 million  
2 gross revenue at Fernwood with 19 percent  
3 cannibalization, and let's say that the Board  
4 concludes that the total revenue gained will offset  
5 the cannibalization, is there any --- and I don't see  
6 that the Board is obligated to say, well, gee, you  
7 know, we need to protect your market or Mohegan Sun's  
8 market or Mount Airy's market. I'm struggling with  
9 the conclusion that you want the Board to draw other  
10 than that there will be some cannibalization. So,  
11 what conclusion should we draw from the  
12 cannibalization argument?

13 MR. DESALVIO:

14 Commissioner, I think the best way to  
15 look at it is to go all the way back to the  
16 legislative intent, and that was to maximize the  
17 revenues.

18 MR. TRUJILLO:

19 I don't see that anywhere in the  
20 legislation, I have to tell you. People keep talking  
21 about maximizing revenue. The word maximize is not in  
22 the legislation. The words significant source of  
23 revenue is in the legislation. And if you go through  
24 all of the preamble as to what the legislative intent  
25 is, the word maximize does not exist.

1                   MR. DESALVIO:

2                   Granted. But to provide a significant  
3 source of new revenue to the Commonwealth, I would  
4 just assume an interpretation of that is to provide  
5 new revenue which would make sense in terms of  
6 locating casinos on bordering states where you could  
7 then bring in additional revenue.

8                   MR. TRUJILLO:

9                   Right.

10                  MR. DESALVIO:

11                  And therefore, it goes back to  
12 Innovation's original study for the Appropriations  
13 Committee which cited casinos who gained the most ---  
14 to provide significant new source of revenue.

15                  MR. TRUJILLO:

16                  And I guess what I'm not understanding  
17 though is if the Board concludes that whatever the  
18 amount of cannibalization, be it 11 or 19 percent or  
19 some other number, is offset by new revenue, we don't  
20 have an issue, do we?

21                  MR. KRAUS:

22                  But I just have to add one thing ---

23                  MR. TRUJILLO:

24                  Sure.

25                  MR. KRAUS:

1           --- to what Bob has said. For the  
2 record, it's Fred Kraus. That's K-R-A-U-S. The other  
3 significance, and the reason why we cited the 2003  
4 Innovation report, is that it was not --- a report not  
5 written as a retained expert, as an advocate for a  
6 particular client. We thought bringing that report to  
7 the attention of the Board would be very useful,  
8 because here was Innovation Group, which has been  
9 involved in casino marketing studies for many, many  
10 years and lots of experience. And they were tasked by  
11 the Senate Appropriations Committee with finding, with  
12 recommending the best revenue potential sites in the  
13 Commonwealth. They went to the Maryland border. They  
14 didn't go to the Poconos.

15           To answer your other question directly,  
16 is that yes, if you concluded that the loss of revenue  
17 to the Sands Bethworks, to Mount Airy, to Mohegan Sun,  
18 if you take that lost revenue, you subtract that lost  
19 revenue from the revenue projections of Fernwood, and  
20 then you compare that net number to the number you  
21 believe would be generated by Mason Dixon and the  
22 other Applicants, then, yes, you could decide to award  
23 it to Fernwood if that netting out yielded a higher  
24 number.

25           Our point is twofold. You have the

1 netting out. Their own experts disagree whether it's  
2 19 or 11 percent. If you look at the Innovation  
3 report from 2003, we didn't cite to it, but there's a  
4 page that talks about a casino at Long Pond, which  
5 they were looking at at the time, would affect another  
6 one of the Applicants, would reduce its revenue from  
7 \$103 to \$85. So, that is a fairly consistent theme.  
8 Okay.

9                   But ultimately it's the net number what  
10 the judgment of the Board is. So, we don't look at  
11 the Innovation Group. And I apologize if the  
12 presentation looks simplistic. We weren't intending  
13 it to be. We were simply trying to put in front of  
14 the Board what we thought was a neutral view of a  
15 party retained by the Commonwealth to offer its best  
16 judgment. And we think that there are a number of  
17 important conclusions that follow from that 2003  
18 report.

19                   MR. TRUJILLO:

20                   Thank you. That's all I have.

21                   MR. SOJKA:

22                   Since I obviously buffed you up a little  
23 bit, and I didn't mean to. I really didn't. First of  
24 all, wasn't the Innovation Group study done on a  
25 virgin map? There were no Licenses issued at that

1 point; right?

2 MR. KRAUS:

3 Correct. They were asked to study two  
4 scenarios. They were given --- here are six Licenses  
5 that are going to be awarded. Your first task is to  
6 tell us what are the two best after those six.  
7 Because they were tasked, when you look at the  
8 Innovation report, with these tracks are going to get  
9 a License. There's going to be a License in  
10 Philadelphia, one in Pittsburgh. Tell us the two best  
11 others. And that's what they did.

12 MR. SOJKA:

13 But again then, every time you add a  
14 License either in the state or out of the state,  
15 doesn't that whole study essentially change or have to  
16 change? Isn't the landscape significantly different  
17 today than when that study was issued?

18 MR. KRAUS:

19 I would say yes and no. The actual  
20 locations of the Licenses were granted were, I think,  
21 substantially identical with their initial task. The  
22 only exception being that there was --- I think if you  
23 look at the language, I think they assumed two in  
24 Philadelphia, one in Pittsburgh, one in each of the  
25 racetracks. And that question was where did the other

1 two go? They offered a judgment. Whether the numbers  
2 may have varied, they assumed in their study that  
3 there would be four slot Licenses in Maryland, three  
4 in the Baltimore area, one in the Western Maryland  
5 area. The reality is three up for grabs in the  
6 Baltimore area, one in western Maryland which nobody's  
7 bid on and one on the eastern shore. So, the  
8 assumptions that they looked at, are pretty close.  
9 Pretty close, yeah.

10 MR. SOJKA:

11 Just as a final point to finish --- to  
12 lead into or --- finish up what Commissioner Trujillo  
13 mentioned, if you take their maximum cannibalization  
14 number, if you can believe these numbers and simply  
15 take the cannibalization out of their number, it still  
16 looks equivalent to Mason Dixon. If you take the  
17 smaller number, if this is correct, it would look like  
18 a bigger number than Mason Dixon.

19 MR. KRAUS:

20 Well, we were --- before we were coming  
21 up here, we were remarking on the remarkable slot win  
22 per unit per day of \$513 and trying to figure out if  
23 we could see that was a world record.

24 MR. SOJKA:

25 Okay. That's valuable, because that was

1 helpful. That's got to be it.

2 CHAIRMAN:

3 Thank you. Commissioner Ginty?

4 MR. GINTY:

5 I guess two questions. What percentage  
6 of your revenues come from the New Jersey and New York  
7 market, approximately?

8 MR. DESALVIO:

9 I'm going to guess, I really should go  
10 back. I don't like guessing on numbers. But if I had  
11 to guess, it's probably in the 25 to 30 percent and  
12 growing substantially now that we got table games.

13 MR. GINTY:

14 And the inverse of that is how much of it  
15 comes from within, say, a 50-mile radius?

16 MR. DESALVIO:

17 Within a 50-mile radius?

18 MR. GINTY:

19 Or whatever you measure it.

20 MR. DESALVIO:

21 I know the local market represents ---  
22 the local meaning --- we view local as about a 25-mile  
23 radius. That's about close to 50 percent of our  
24 business. And then if I'm just going to round some  
25 numbers up, if you were to stretch it out, maybe

1 another 25 percent within 50 miles and another 25  
2 percent within 75 to 100 miles. And that's your  
3 complete package. So, clearly you've got a lot of our  
4 business coming from the New York and north Jersey  
5 area, and then of course the other major market, our  
6 local market.

7 MR. ANGELI:

8 That would be more longitudinal, though.  
9 It wouldn't be circular, it'd be more along the 78  
10 Corridor in through the Lehigh Valley?

11 MR. DESALVIO:

12 Well, much heavier. The population grows  
13 as you move east, so there's more of a skew. Once you  
14 get out of the local market heading east versus  
15 heading west, it's where the action is for us. It's  
16 really the 78 Corridor.

17 MR. ANGELI:

18 Okay.

19 MR. DESALVIO:

20 And it's the north Jersey, New York  
21 market.

22 MR. GINTY:

23 And are you more concerned with the  
24 cannibalization of the New York, New Jersey market or  
25 the more local market?



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MR. DESALVIO:

The New York, New Jersey market.

CHAIRMAN:

Thank you very much.

MR. DESALVIO:

Thank you, everyone.

CHAIRMAN:

Now, I'd like to call up representative of Downs Racing, which is also a contestor in these proceedings. Again, anybody who is a nonlawyer who is going to testify if you'd please stand to be sworn in?

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WITNESSES SWORN EN MASSE

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CHAIRMAN:

Thank you. I'd also ask please before you begin any presentation, to please state your name and spell it for the stenographer. And also, a reminder that you have 15 minutes to do your presentation. Counsel, you may begin.

ATTORNEY STEWART:

Thank you very much. Good evening, Mr. Chairman and Commissioners. My name is Mark Stewart. That's M-A-R-K, S-T-E-W-A-R-T, like Martha. I am Counsel to Mohegan Sun and Pocono Downs. We

1 appreciate the opportunity to be before you and  
2 express our opposition to the Fernwood Application.  
3 We will present Mike Bean, M-I-K-E, B-E-A-N.

4 MR. BEAN:

5 B-E-A.

6 ATTORNEY STEWART:

7 Excuse me. I can't spell Bean.

8 MR. BEAN:

9 Like jelly bean.

10 ATTORNEY STEWART:

11 I'm worse than Dan Quayle. He is the  
12 assistant general manager for Mohegan Sun at Pocono  
13 Downs, and he is our witness tonight, who will explain  
14 our position as to the Application. Also, with us  
15 tonight but not testifying are David Roan, senior  
16 regulatory Counsel with the Mohegan Tribal Gaming  
17 Authority, and Mike Izzo, I-Z-Z-O, who is the chief  
18 financial officer with the Pennsylvania Harness  
19 Horsemen's Association who joined Mohegan Sun in its  
20 Notice to Contest. And with that, I'll turn it over  
21 to Mr. Bean.

22 MR. BEAN:

23 Thank you, Mark. Mr. Chairman,  
24 Commissioners, thank you for the opportunity to speak  
25 today on behalf of Mohegan Sun at Pocono Downs. As

1 Mark stated I'm the assistant general manager at  
2 Mohegan Sun at Pocono Downs. And it's B-E-A-N,  
3 Michael Bean. And on behalf of Mohegan Sun at Pocono  
4 Downs and the Pennsylvania Harness and Horseman's  
5 Association, we respectfully urge the Board to not add  
6 a fourth casino to the already oversaturated northeast  
7 Pennsylvania market. I want to make a point of  
8 clarification. I heard the Fernwood presentation and  
9 you know, I heard the remark that Mohegan Sun at  
10 Pocono Downs does not advertise in the New Jersey, New  
11 York markets. We, in fact, do. I'm not sure exactly  
12 where the confusion lies, but I spoke with our  
13 advertising manager today and we would be happy to  
14 supplement the record with evidence of that, just to  
15 establish that fact, if necessary.

16 I know you've been provided a lot of  
17 information by consultants and analysts on behalf of  
18 the Category 3 Applicants. And what I'd like to do  
19 this evening is focus on factual items that we believe  
20 are most important in telling to the economics or the  
21 economic portion of your decision in this matter. I  
22 have several slides. I've got about five slides that  
23 I'd like to walk you through, just a couple maps and  
24 several points.

25 This first slide shows the existing

1 casinos in Pennsylvania, casinos in nearby states that  
2 may be considered competitive with Pennsylvania  
3 casinos and the proposed locations of each Category 3  
4 Applicant. The circles surrounding the casino  
5 locations show a 30-mile radius, which we believe is  
6 an appropriate --- it is appropriate because it's well  
7 known that when choosing among gambling options,  
8 convenience is the number one factor considered by  
9 customers. Approximately two-thirds of our business  
10 comes from within a 30-mile radius. And I believe  
11 that something similar is probably the case for most  
12 of the existing casinos in Pennsylvania.

13 I'd like to point out that in the  
14 northeastern portion of the state that there are  
15 already, as others have testified is evening, there  
16 are already three casinos that compete for customers,  
17 most particularly in the areas that overlap the 30-  
18 mile radius. In fact, if you look at the extent to  
19 which the proposed Fernwood casino overlaps the  
20 markets of other casinos, it does so more than any  
21 other of the proposed casinos. Adding more gaming  
22 supply to this already saturated market becomes even  
23 more troublesome when viewed in the context of the  
24 current results of the existing casinos in that  
25 market.

1           We believe it is important to put aside  
2 projections in cases like this where there are  
3 concrete facts that can be applied to come to logical  
4 conclusions. Market assessments and projections and  
5 market demands are very useful tools, but sometimes  
6 they're right and sometimes they're wrong. In this  
7 case, you have an existing market and we know exactly  
8 what the supply and demand are.

9           What I'd like to point out in this slide,  
10 are the gaming revenues for the most recent quarter  
11 which is July, August and September of both Mohegan  
12 Sun and Mount Airy. Mount Airy is the lowest revenue  
13 producing casino in the Commonwealth and Mohegan Sun  
14 is by no means in the top five. This isn't a  
15 criticism of our properties, but it's just the fact  
16 that it's important to point out when looking --- when  
17 making fact-based decisions.

18           This slide is zooming to the northeast  
19 portion of the state. And we believe that placing  
20 more supply approximately 15 miles from the lowest  
21 producing casino and 43 miles from Mohegan Sun will  
22 only cannibalize the market of these casinos. And  
23 accordingly, it will not only impact existing casino  
24 operators in the Commonwealth, but it will hinder the  
25 ability of the Commonwealth to generate additional tax

1 revenue with this License.

2           And if you can go back to that, Mark? I  
3 think if you look at this closely, it's important to  
4 point out that it's almost impossible not to  
5 cannibalize this market. And I heard a bit about the  
6 marketing to New Jersey and New York markets, but I  
7 think that no matter where you market, you can market,  
8 you know, 20 miles away or a hundred miles away or 200  
9 miles away, but convenience being the primary factor,  
10 people are going to go to the casino that is the most  
11 convenient to them. And so, you know, if you look at  
12 that Fernwood site, you're going to see that people  
13 within that 40-mile radius will heavily impact both  
14 Mount Airy and Mohegan Sun.

15           In this particular chart, you know, I  
16 want to point out the population numbers within the  
17 30-mile radii of Mohegan Sun and Mount Airy. That  
18 they are among the lowest casinos in the Commonwealth  
19 with about 870,000 for Mohegan Sun and about 1.2  
20 million for Mount Airy. The only other part of the  
21 state that would have such a concentration of gaming  
22 operations is Philadelphia which is an entirely  
23 different market than northeastern Pennsylvania.

24           The gross terminal revenue projections  
25 associated with the Fernwood proposal have increased

1 from \$28.7 million, as provided by the Innovation  
2 Group in 2008, to \$93.6 million, as provided by  
3 Fernwood today. A dramatic spike of over 225 percent.  
4 And we point this out only just to show how  
5 speculative coming to these numbers can be. And you  
6 know, for this reason, we believe the assumptions  
7 associated with Fernwood should be scrutinized.  
8 Similarly, the win-per unit projections should be  
9 scrutinized because the 2008 Innovation Group  
10 projections showed a win-per unit of \$159 in the  
11 stabilized year while the current Fernwood projections  
12 show a very large and whooping \$513 win-per unit.

13           These projections can't be squared with  
14 the facts we have in front of us today. Importantly,  
15 Mount Airy, which has a hotel and markets to New  
16 Jersey and New York has a win-per unit of about \$163  
17 per day, which is the lowest in the Commonwealth and  
18 well below the average of casinos in the Commonwealth.  
19 And that average is about \$235 win-per unit per day.  
20 This clearly shows that there's excess supply relative  
21 to demand in northeastern Pennsylvania. And if there  
22 were access demand in that part of the state, Mount  
23 Airy's win-per unit would be well above the state  
24 average, perhaps thereby indicating a supply and  
25 demand in balance favoring additional supply.

1           In the current situation, we have the  
2 opposite. We have over supply with the prospect of  
3 even more supply 15 miles away from the lowest win-  
4 per-unit casino in the Commonwealth with one of the  
5 lowest population bases. If the revenue numbers that  
6 Fernwood proposal projects are accurate, it would  
7 follow that Mount Airy numbers would be drastically  
8 higher than they are since Mount Airy is located so  
9 close to the proposed Fernwood site. And I can't  
10 emphasize that point enough. Mount Airy is a good  
11 indicator of what the supply and demand is in that  
12 particular portion of the state. It has a hotel, it  
13 has a resort. And clearly, with a win-per unit it has  
14 with 2,500 machines, they're clearly, you know, more  
15 --- they could really clearly absorb more demand.

16           In closing, as I stated previously, we  
17 believe that in certain instances, it's important to  
18 sift through the analysis and projections and apply  
19 real relevant and available data to a situation. And  
20 we believe that this is one of those cases. The  
21 bottom line is adding a fourth casino in northeast  
22 Pennsylvania will not produce significant revenue for  
23 the Commonwealth and will significantly harm three of  
24 Pennsylvania's existing facilities. And we don't  
25 believe that it's in the best interest of Pennsylvania



1 gaming, the Commonwealth or its taxpayers.

2           Before I close, I just want to point out  
3 that we've worked very hard and hand-in-hand with the  
4 PHHA and the Horsemen to revitalize harness racing at  
5 Pocono Downs. And we've had strong success and they  
6 have substantial interest in this matter and will be  
7 adversely impacted by a reduction in slot revenue to  
8 Mohegan Sun at Pocono Downs. And for these --- the  
9 foregoing reasons Downs Racing, LP believes the  
10 Application of the Bushkill Group, Inc. for a Category  
11 3 Slot Machine License should be denied. Thank you.

12           CHAIRMAN:

13           Thank you. Questions from the Board?  
14 Commissioner Sojka?

15           MR. SOJKA:

16           I wasn't going to, but I'll ask one quick  
17 one, because you touched on my favorite subject, and  
18 that is the Horsemen. I'm very concerned, as the  
19 Horsemen would be, about a reduction in slots revenue  
20 because they participate directly in that. But back  
21 to Commissioner Trujillo's point in the last hearing  
22 we had. If we maximize --- forget the word  
23 cannibalize. If somehow, some way, we simply get more  
24 slots play in Pennsylvania, won't those Horsemen  
25 benefit more? It doesn't have to be a place that has

1 a horse track. They get that money. Is that not  
2 correct?

3 MR. BEAN:

4 I believe there's --- I can defer to ---  
5 if it's okay, if I can defer to our CEO.

6 CHAIRMAN:

7 Please stand and be sworn in, sir.

8 -----  
9 MICHAEL IZZO, HAVING FIRST BEEN DULY SWORN, TESTIFIED  
10 AS FOLLOWS:

11 -----

12 CHAIRMAN:

13 And could you please state your name and  
14 spell your name?

15 MR. IZZO:

16 Mike Izzo, I-Z-Z-O. I don't know that  
17 that's a correct answer. It may be. But we haven't  
18 experienced anything at Poconos. But we're  
19 experiencing it at Harrah's. We represent them, too.  
20 And we have seen a decline in our revenue for purses  
21 \$100,000 a week with the opening of SugarHouse. So,  
22 it hasn't made up for what we've lost. Whether all of  
23 them combined do at some point in time, I'm not so  
24 sure of that.

25 MR. SOJKA:

1 Well, again, I'm trying to understand how  
2 the law would --- the revenue for the Horsemen is a  
3 percentage of the slots?

4 MR. IZZO:

5 That's correct.

6 MR. SOJKA:

7 In toto?

8 MR. IZZO:

9 Not in equal percentages, no. It's based  
10 on --- I think we get 18 percent when everything is  
11 done. Okay? With no track paying more than 12  
12 percent of their share. Okay? Is that revenue  
13 generated those places going to make up that 6  
14 percent? I can't tell you that now.

15 ATTORNEY STEWART:

16 And just for clarification, my  
17 understanding is that there's a difference between  
18 essentially where the support is coming from and where  
19 the contributions are coming from. It's 18 percent of  
20 every dollar at Mohegan Sun at Pocono Downs that goes  
21 to support the Pennsylvania Harness Horse Racing  
22 Association, even though the other facilities in  
23 Pennsylvania can contribute to that up to 12 percent.

24 MR. SOJKA:

25 I would simply say that this is an area

1 that is of --- I think of real importance. I'm  
2 hearing you. I'm going to want to get more  
3 clarification. Thank you.

4 CHAIRMAN:

5 Mr. Trujillo?

6 MR. TRUJILLO:

7 I just want to clarify. You, Mr.  
8 Stewart, don't represent Mount Airy; am I correct?

9 ATTORNEY STEWART:

10 Correct. Yeah, I represent Mohegan Sun  
11 at Pocono Downs.

12 MR. TRUJILLO:

13 Because as I look at the map and I hear  
14 your testimony, it would seem to me that Mount Airy  
15 would be the one in here and I don't hear or see Mount  
16 Airy. So, it's difficult for me to draw the same  
17 conclusion that you're asking us to draw on behalf of  
18 Mount Airy. So, I just want to make sure you weren't  
19 representing Mount Airy. That's all I have.

20 CHAIRMAN:

21 Thank you. Other questions? Thank you  
22 very much.

23 ATTORNEY STEWART:

24 Mr. Chairman, can we move --- the  
25 PowerPoint was marked as Exhibit One. We'd move its

1 admission.

2 (Mohegan Sun Exhibit One marked for  
3 identification.)

4 CHAIRMAN:

5 Thank you. And we will accept that.  
6 Bushkill, if you could please come back up and you'll  
7 have 15 minutes to rebut. Again, I will remind all of  
8 you, you are under oath. You have 15 minutes to rebut  
9 any of the comments you heard from the two contestors.  
10 If you don't want to take 15 minutes, that's fine, but  
11 the maximum you have is 15 minutes.

12 ATTORNEY JONES:

13 Thank you. And we will try to be brief.  
14 We heard various points but there was a couple points  
15 that we didn't hear either of the objectors saying.  
16 And that is the population base of 28 million and the  
17 least amount of slot machines per 10,000 adults. That  
18 is key here. We are pulling from 28 million people.  
19 Mr. DeSalvio did say when they started talking about  
20 jewelry stores, that question, based on the size of  
21 Manhattan. That's what we're talking about here, the  
22 population we can pull to, to get them to our resort.  
23 That also talks about the cluster effect,  
24 where you have a group of casinos that we can market  
25 together and help grow business.

1                   Again, Mount Airy was not here tonight.  
2 Mount Airy understands the Poconos. They understand  
3 and have worked with Bushkill and Bushkill has, in  
4 fact, cross-marketed with them.

5                   There is a couple of other points that we  
6 heard from Pocono Downs that a convenience market for  
7 gaming. That's not what Bushkill's about. And that's  
8 not who we're marketing to. We're marketing  
9 --- we are a true resort facility. We are marketing  
10 to our timeshare guests. We have 906 rooms. We're  
11 bringing them in and the gaming will be an addition,  
12 an enhancement. And that's really what we need to  
13 look at here.

14                   It's also important, this is only 500  
15 slot machines, 500 slot machines to 906 rooms. And we  
16 can pull the revenue from that 28 million market.  
17 There's a couple clarification points I have with  
18 respect to Sands, and then I'll ask Steve or Randy if  
19 they have anything else to add. But it's really great  
20 that we heard about the Innovation report from 2003.  
21 But that was all speculation. If you go on that, the  
22 Board should have given the License to Crossroads and  
23 it should have been Maryland and pulling from  
24 Maryland. But that is not what the Board thought at  
25 that point. And things have changed. Things have

1 changed in the economy. Things have changed with  
2 respect to Maryland, in itself, in gaming.

3           You also heard that the Christiansen  
4 Capital report said that there would be 11 percent  
5 cannibalization. That's actually not correct. They  
6 said in the first year when a new facility comes  
7 online, it could be that high. But by the fourth  
8 year, it goes down to zero.

9           You also heard that there would be no  
10 cannibalization of Mason Dixon. That's not correct.  
11 you heard earlier today that that would cannibalize 25  
12 percent from Hollywood Casino. And that would make  
13 the total Mason Dixon revenue even smaller than  
14 Bushkill revenue with even if you take the 11 percent  
15 cannibalization, to do that quick math. I'm not an  
16 accountant, so maybe we'll provide you with that under  
17 a separate cover.

18           Also, you heard some comments about our  
19 84 percent out of market. And that we didn't know how  
20 much we would do casinos --- that the numbers that  
21 were floating around were not correctly stated. We  
22 have 84 percent currently out of market to our  
23 facility. Steve indicated earlier that the gaming out  
24 of market just for that would be 60 to 70 percent.  
25 And again, we have to drill down some on that.

1           But we are not here looking at putting a  
2 Category 2 here. We are looking to do what the  
3 legislature said and that is to add a nice gaming  
4 addition to our resort facility. And with that, I'll  
5 ask Steve.

6                     MR. SNYDER:

7           Thank you, Marie. Mr. Chairman, members  
8 of the Commission. There is two points that I'd like  
9 to address. There was a passing comment that the win-  
10 per device numbers that we proposed would be world  
11 records or --- I must admit I didn't quite catch what  
12 the comment was. I would encourage the Board to do  
13 your homework, to look at the win-per device numbers  
14 that had been generated historically in markets that  
15 are artificially suppressed like the Illinois markets  
16 where facilities are limited to 1,200 gaming  
17 positions. And you will find certainly our facilities  
18 and others in that market in the past have done well  
19 in excess of the numbers that we've projected over 500  
20 games. They've changed with the smoking ban and some  
21 of the other impacts that have occurred in the State  
22 of Illinois. But the ability to achieve those numbers  
23 has been proven time and time again.

24                     Secondly, I must apologize because we are  
25 not in a position to answer specifically the question



1 that this Board raised which is how much of your  
2 projected 2011 revenue do you think, with specificity,  
3 you'll generate from New York and New Jersey? Our  
4 forecasting isn't that good. And I do apologize for  
5 it. But I think it is disingenuous for someone who  
6 does operate today a facility to not be able to answer  
7 with specificity how much of their revenue currently  
8 comes from New York and New Jersey. And I would ask  
9 you to ask yourselves why was that answer not  
10 forthcoming with a little bit more certainty than we  
11 were able to provide as it related to 2011 projections  
12 when you asked a straightforward question, which is  
13 what have you done to date. Thank you.

14 MR. WORTHINGTON:

15 Nothing further.

16 ATTORNEY JONES:

17 That's it.

18 CHAIRMAN:

19 Questions from the Board? Mr. Ginty?

20 MR. GINTY:

21 I believe it was Mr. Lassinger (phonetic)  
22 that testified earlier. And he made the statement and  
23 he used the Greenbriar as an example, that the  
24 introduction of gaming into resorts is not workable if  
25 you rely purely on guests --- I'm certainly

1 paraphrasing. But if you rely on the guests that  
2 attend that resort, that gaming is not viable. Call  
3 area, you got to look outside to that 30 to 50-mile  
4 radius. Do you agree with --- Mr. Snyder, you're the  
5 expert. Do you agree with that statement?

6 MR. SNYDER:

7 I did hear Mr. Lassinger's comment  
8 earlier today. And I just feel strongly that the  
9 Greenbriar is a very unique set of circumstances.  
10 There are not gaming patrons that go to West Virginia  
11 and spend \$400 or \$500 per night, which is what the  
12 Greenbriar historically is averaging in terms of ADRs  
13 for the purpose of gaming. And Mr. Johnson and the  
14 investment that Mr. Johnson has made in the Greenbriar  
15 has not been successful because I don't believe he had  
16 the background in terms of gaming. He's doing  
17 \$100,000 in some months, \$200,000 in other months in  
18 terms of gaming revenue, casino revenue, out of his  
19 facility. Again, because we've been, as a company,  
20 asked in the past to look at the Greenbriar.

21 The Greenbriar is an extremely high-end  
22 resort that has catered to the Washington community as  
23 a pretty significant feeder market for that facility  
24 and has not catered historically to a demographic that  
25 has shown a great propensity to gaming. If that

1 demographic does spend \$400 or \$500 a night, does have  
2 a propensity to game, I would suggest to this Board,  
3 they are much more likely to get on an airplane in  
4 Dulles --- at Dulles and fly to Las Vegas and spend  
5 that kind of money in Las Vegas with many more options  
6 than they would be to spend that money going to a  
7 resort at the Greenbriar in White Sulphur Springs,  
8 West Virginia. That facility was unique, that  
9 facility had a very long history behind it and gaming  
10 at that facility has not been proven to be the amenity  
11 that certain investors thought it would be.

12 MR. GINTY:

13 Let me ask the question then. Would  
14 gaming be viable for Fernwood if you were to limit it  
15 only to hotel and villa guests?

16 MR. SNYDER:

17 We, as a company, would not be  
18 comfortable advancing a \$55 million loan if gaming at  
19 Fernwood was limited strictly to an overnight guest as  
20 originally drafted or as originally contemplated. No.  
21 I would certainly agree with Mr. Lassinger's  
22 suggestion or his conclusion.

23 MR. WORTHINGTON:

24 Can I forward that answer as well? I  
25 agree with that as well. I mean, part of the reason

1 that we're here is we want to attract people to the  
2 resort who will buy a timeshare. And by allowing  
3 non-owners and non-overnight guests to come over to  
4 sample our amenities, game at our facility and tour  
5 for a timeshare, it works for us. And the de minimis  
6 at \$10 or \$25, we were interested because it will  
7 attract people to our resort who will be come owners.  
8 I mean, that's why we're here.

9 MR. GINTY:

10 You could solve that very easily by  
11 giving them an overnight stay in one of the villas?

12 MR. WORTHINGTON:

13 We could. And I love to have gaming at  
14 the resort if it were guests only, but I would not  
15 take out a loan of \$55 million to build a 500-seat  
16 facility. The population on the resort is going to be  
17 great, a lot of people are going to be gaming. But  
18 part of the attraction is the fact that we can bring  
19 people to the resort.

20 MR. TRUJILLO:

21 Mr. Chairman?

22 CHAIRMAN:

23 Yes.

24 MR. TRUJILLO:

25 I'm sorry.

1                   CHAIRMAN:

2                   Commissioner Trujillo?

3                   MR. TRUJILLO:

4                   I do have one follow-up in that there was  
5 some issue with respect to your original, I guess,  
6 2006 projections on --- and I understand the caution  
7 as to what to look for in terms of gross revenues as  
8 opposed to, you know, win-per unit. But the  
9 difference between the original projection and your  
10 current projections are significant. And if you could  
11 address that, it would be helpful.

12                   MR. WORTHINGTON:

13                   Sure. I think that table games has made  
14 a big difference. I think that the biggest difference  
15 is probably Penn National knows what the Pennsylvania  
16 market --- how the Pennsylvania market operates now.  
17 It was speculation for Innovation Group in 2003 and  
18 again in 2006.

19                   CHAIRMAN:

20                   Okay. Thank you. Thank you. At this  
21 time, I'd like to call up our CEC and his staff to  
22 provide us with the position of the various Bureaus in  
23 the Gaming Control Board on this Application. Mr.  
24 Federico, there are some seats over here at the other  
25 end of the table, if that's easier to get to.

1                   ATTORNEY HIGGINS:

2                   Chairman Fajt, members of the Board, my  
3 name is Katie Higgins, H-I-G-G-I-N-S, Assistant  
4 Enforcement Counsel. At this time the OEC would call  
5 Albert Federico to provide testimony. Mr. Federico,  
6 can you please state your full name for the record,  
7 spelling your last?

8                   CHAIRMAN:

9                   I'll just add for the record, all of you  
10 are still sworn in from your prior hearings, so we're  
11 fine with that.

12                   MR. FEDERICO:

13                   Albert Federico, F-E-D-E-R-I-C-O.

14                   ATTORNEY HIGGINS:

15                   Mr. Federico, how are you currently  
16 employed?

17                   MR. FEDERICO:

18                   I am the senior project manager with  
19 McCormick Taylor Engineers & Planners.

20                   ATTORNEY HIGGINS:

21                   Did you have an opportunity to review  
22 traffic impact studies for Category 3 Applicants?

23                   MR. FEDERICO:

24                   Yes, I did.

25                   ATTORNEY HIGGINS:

1           Can you go through the traffic impact  
2 study review that you completed for Bushkill?

3           MR. FEDERICO:

4           Yes. We were retained to review the  
5 traffic impact study submitted as part of the impact  
6 assessment report. This review included conformance  
7 with applicable standards, validation of data and  
8 analytical methodology. We reviewed a report last  
9 updated by HRG in July of 2008. I would note that  
10 PennDOT released new guidelines for the preparation of  
11 traffic impact studies in 2009. So, when reviewing  
12 the report submitted with this impact assessment  
13 against the current standards, there were a number of  
14 inconsistencies with what we consider current  
15 guidelines. We issued a preliminary review in the end  
16 September and a more detailed review in the end of  
17 October. We received a response letter from the  
18 Applicant in late October which we did review but had  
19 not issued another letter on.

20           The study that was submitted included one  
21 external intersection to the site, the intersection of  
22 209 and Winona Falls Road and River Road, and  
23 evaluation of three existing access points. The study  
24 evaluated weekday morning and evening peak periods,  
25 which typically you would expect for a gaming facility

1 in evaluation of a Saturday peak, because that's  
2 typically the highest traffic generation for this type  
3 of facility. Additionally, because of the age of the  
4 study, the study was using 2005 data. Again, with the  
5 new guidelines, you would typically expect data that  
6 is two years old. With the response that was provided  
7 by the Applicant's engineer, they had completed some  
8 more recent counts and believe that the older counts  
9 were higher and therefore, provided a more  
10 conservative analysis.

11           The trip generation estimates for the  
12 gaming component were based on a market study that was  
13 completed for the Applicant. In this case, it  
14 appeared to rely a great deal on the traffic being  
15 almost exclusively patrons, existing patrons, of the  
16 facility and projected the peak external traffic  
17 generation was 40 trips during the evening peak, which  
18 may be a reasonable assumption if you are assuming  
19 that all the gaming is being used by, again, people  
20 that are already onsite for other amenities. But it  
21 is definitely significantly lower than the studies ---  
22 other gaming studies that we reviewed, which utilize a  
23 higher estimate.

24           The study identified with one external  
25 intersection, 209 and Winona Falls, would operate in



1 an acceptable manner. It did identify that there  
2 would be what would be considered excessive delay from  
3 the eastern site access. However, no improvements  
4 were recommended as part of this study.

5           So, in conclusion, we do believe because  
6 of the nature, even though they were only looking at  
7 one external intersection, considering this area, the  
8 study area was appropriate. We would continue to note  
9 that the volumes that were used were based on older  
10 data. And that the trip generation estimates were  
11 what we would consider that to be relatively low for  
12 this type of use. Thank you.

13           ATTORNEY HIGGINS:

14           The OEC does not have any further  
15 questions for Mr. Federico.

16           CHAIRMAN:

17           Any questions from the Board for Mr.  
18 Federico?

19           MR. SOJKA:

20           Just the obvious one, and that is, given  
21 the shortcomings in that study, as a professional who  
22 worries about traffic issues, do you see that adding  
23 this facility is going to significantly impact in a  
24 negative way the traffic flow in that area?

25           MR. FEDERICO:

1 I believe that additional improvements to  
2 the site access over and above what is currently  
3 proposed would warrant consideration. I don't believe  
4 that considering the lower volumes in this region that  
5 you're going to see gridlock created by the, you know,  
6 development of gaming at this site. I do think that  
7 there would be, as I indicated, what we would  
8 typically consider unacceptable operations for the  
9 driveway that would primarily be used by the gaming  
10 patrons.

11 MR. SOJKA:

12 Thank you.

13 CHAIRMAN:

14 Thank you. Continue.

15 ATTORNEY HIGGINS:

16 The OEC would ask the traffic impact  
17 study be admitted into the official record in this  
18 matter.

19 CHAIRMAN:

20 So noted.

21 ATTORNEY HIGGINS:

22 At this time, the Board staff members  
23 will be making statements. First will be Susan  
24 Hensel, the Director of the Bureau of Licensing.

25 MS. HENSEL:

1                   Thank you, Chairman Fajt and members of  
2 the Board. At this point in time, based on the  
3 materials and information in the Application and the  
4 cooperation received from the Applicant, the Bureau of  
5 Licensing is not aware of any suitability issues that  
6 would preclude licensure of Bushkill Group, Inc. as a  
7 Category 3 Slot Machine Operator.

8                   CHAIRMAN:

9                   Thank you. Any questions for Susan?  
10 Please continue.

11                   ATTORNEY HIGGINS:

12                   Next would be Richard O'Neil, Supervisor  
13 of the Financial Investigations Unit of the BIE.

14                   MR. O'NEIL:

15                   Chairman Fajt, members of the Board. In  
16 preparing the FIU report, the Applications of the  
17 Applicant and its intermediaries, subsidiaries,  
18 holding companies and management company were fully  
19 reviewed. This included any organizational documents,  
20 operating debt and management agreements, financial  
21 statements and any other contracts or agreements of  
22 the various entities. In this case, Bushkill Group,  
23 Inc. and its related entities provided all the  
24 authorizations, contracts and agreements necessary to  
25 conduct the investigation. It also provided clear and

1 convincing evidence to make the determination of its  
2 financial suitability, integrity and responsibility,  
3 and the ability of this Applicant to maintain  
4 operational viability and maintain a steady level of  
5 growth.

6           At this time, based on the information  
7 contained in the Application and other related  
8 documents and the financial suitability analysis  
9 performed, Financial Investigations Unit did not find  
10 anything material which would preclude Bushkill Group,  
11 Inc. from obtaining a Category 3 License.

12           CHAIRMAN:

13           Thank you.

14           ATTORNEY HIGGINS:

15           The OEC has reviewed all the documents  
16 submitted by the Applicant, including the  
17 certification receipt pertaining to the million dollar  
18 bond requirement as set forth in Section 1316 of the  
19 Act. The OEC on behalf of the BIE finds that there  
20 are no reasons to preclude suitability in this matter.

21           Thank you.

22           CHAIRMAN:

23           Any final questions from the Board? Does  
24 Bushkill have any final comments?

25           ATTORNEY JONES:

1 Yes, I do have a few.

2 CHAIRMAN:

3 Thank you, Katie, Rich, Susan, Cyrus.

4 ATTORNEY JONES:

5 While they're pulling the PowerPoint back  
6 up, one administrative matter. I'd like to move the  
7 PowerPoint presentation into evidence.

8 CHAIRMAN:

9 So noted and we will accept that.

10 ATTORNEY JONES:

11 First with respect to the traffic reports  
12 that you just heard, any improvements that will be  
13 required by the Township, Bushkill will make. But you  
14 did hear from the Township Solicitor earlier today  
15 that there --- they have no traffic issues. But of  
16 course, any onsite improvements that we need to do to  
17 make our guests happier would be appropriate and they  
18 do that in the normal course of business.

19 Bushkill has clearly established it  
20 exceeds both the eligibility and suitability  
21 requirements under the Act to hold a Category 3 Gaming  
22 License. It is clearly a well-established resort  
23 hotel that has been operating since 1921 and has 906  
24 guest rooms and numerous onsite amenities. It is not  
25 proposing a mini Category 2 License. Bushkill also

1 meets the requirement that it is over 15 miles from  
2 another facility.

3           Most importantly, regardless of what you  
4 heard this morning and what you will hear tomorrow  
5 from the other Applicants, we would ask the Board to  
6 keep the following in mind. When viewing the market  
7 area within a 100-mile radius around the Bushkill  
8 location, there are in excess of 20 million people  
9 representing the largest single market in the country.  
10 We also see that there are currently only 12.3 slot  
11 machines per every 10,000 adults in that market.

12           You will continue to hear from the other  
13 Applicants that their respective markets provide the  
14 best opportunity for the Commonwealth. However, the  
15 facts tell a different tale. For the Holiday Inn  
16 looking at the same 100-mile radius, we see population  
17 half the size of Bushkill's and a slightly more  
18 generous slot machine availability. For Mason Dixon,  
19 we see a population smaller still with appreciably  
20 more slot machines for every 10,000 adults. For  
21 Nemaquin, we see a 100-mile population slightly over  
22 4.5 million people which reflects its extremely remote  
23 location and a slot machine availability ratio of  
24 almost 400 percent greater than Bushkill's.

25           We are sure you will continue to hear

1 about saturation and cannibalization, as our fellow  
2 Applicants desperately seek to overcome the fact that  
3 Bushkill's location will be fed by a market two to six  
4 times greater than their respective locations and that  
5 Bushkill's market is the most underserved of all the  
6 Applicants with the fewest available slot machines per  
7 10,000 adults.

8           As to revenue, Bushkill and Penn National  
9 have clearly shown that the projected revenue is  
10 solidly based on the enormous size of the market in  
11 which it is located and the resort's unmatched guest  
12 capacity and visitation.

13           Over the course of these two days of  
14 hearings, you have heard and will hear the various  
15 numbers from hired experts. Here you have heard the  
16 revenue numbers from a proven operator, Penn National.

17    In this Commonwealth alone Penn National's  
18 projections have been 99 percent accurate when others  
19 have missed the mark. Quite simply, Penn National has  
20 shown that a gaming facility at Bushkill has the  
21 greatest revenue potential of any of the Category 3  
22 Applicants. And that revenue will not be pulled from  
23 existing facilities but from New York and New Jersey.

24           The other Applicants may attempt to  
25 overcome facts with opinion, but the facts will remain

1 unchanged. Bushkill is serving a market of over 28  
2 million people with 84 percent visitors already from  
3 out of state and projections by Penn National, a  
4 proven successful operator throughout the country.  
5 We'd like to again thank the Board for the opportunity  
6 to present before you.

7 CHAIRMAN:

8 My fellow Board members are going to kill  
9 me, but I have one burning --- I have one burning  
10 question. I mean, I hear all this, the 28 million,  
11 the lowest number of slot machines per 10,000 people.  
12 What is Mount Airy doing wrong?

13 MR. WORTHINGTON:

14 We're not going to answer that. We can't  
15 answer that. We're not involved in their marketing.  
16 We're not involved in their property at all. We don't  
17 have any basis on which ---.

18 CHAIRMAN:

19 That's a legitimate question. I mean,  
20 they are within, you know, 15 miles of you, 20 miles  
21 of you. Same demographic. They don't have the number  
22 of rooms, granted, but they have 200 versus 900.  
23 And you know, you're asking us to take a leap of faith  
24 based on, you know, the presentation we heard today.  
25 And that is a question that is burning in my mind.



1                   MR. WORTHINGTON:

2                   I think we can only speak to what Penn  
3 had shown us here today with respect to our property.  
4 And I'm not sure you can infer anything to that, to  
5 Mount Airy. But from our side, we have a massive  
6 number of rooms. We have probably the largest, if not  
7 the largest then one of the largest, current marketing  
8 machines in the Pocono Mountains. And we have only  
9 500 machines. And I think that's what really raises  
10 the bar on our revenue projections is we're doing it  
11 with a fifth of the machines.

12                   MR. ANGELI:

13                   If Mount Airy only had 500 machines, then  
14 their numbers would probably be similar to what we see  
15 in the projections.

16                   MR. WORTHINGTON:

17                   We'll do that math for you.

18                   MR. ANGELI:

19                   That's what it is.

20                   CHAIRMAN:

21                   Okay. I believe that concludes the  
22 hearing. Bushkill has until November 29th to file any  
23 post-hearing memoranda of law or brief with the OHA.  
24 We will begin tomorrow's hearing at 10:00 a.m. here in  
25 the State Museum, where we'll hear from Nemaquin and

1 the Penn Harris Applications. May I have a motion to  
2 adjourn?

3 MR. COY:

4 So moved.

5 MR. MCCABE:

6 Second.

7 CHAIRMAN:

8 The meeting is adjourned. Thank you.

9 \* \* \* \* \*

10 HEARING CONCLUDED AT 8:30 P.M.

11 \* \* \* \* \*

12  
13  
14  
15  
16 CERTIFICATE

17 I hereby certify that the foregoing  
18 proceedings, public input hearing held before the  
19 Pennsylvania Gaming Control Board, was reported by me  
20 on 11/16/2010 and that I Sarah Wendorf read this  
21 transcript and that I attest that this transcript is a  
22 true and accurate record of the proceeding.

23  
24  
25 