



Pennsylvania Gaming Control Board Suitability Hearing

October 23, 2008

Presented by:

Fox Rothschild LLP

Bushkill Group Inc.

Herbert, Rowland & Grubic, Inc.

Textron Financial Corporation

CIT Lending Services Corporation

Innovation Group



Introduction

Applicant meets all of the requirements under the Act to be awarded a Pennsylvania Category 3 Gaming License:

- meets eligibility requirements under §1305
- meets suitability requirements

Gaming floor opening is projected for 6 - 12 months after granting of license.

Slot facility is projected to deliver over 400,000 gamer visits with gross terminal revenue in excess of \$26m per year.



Gina J. Bertucci

Vice President of Marketing

- over 26 years of experience in hospitality marketing
- multiple professional and personal marketing awards for her marketing campaigns
- appointed by the Honorable Edward G. Rendell as a Commissioner of the Delaware Water Gap National Recreation Area Citizens' Advisory Council
- former member of Monroe County Planning Commission
- BA in Economics - Rutgers University



Applicant Profile

- a well-established and locally-owned resort
- situated in the popular Pocono resort area that draws 8.5 million leisure person trips annually with almost 10,000 rooms
- a recognized leader in four-season resort experiences
- offers a wide variety of amenities and entertainment
- provides substantial employee benefits
- maintains a diverse employee and vendor base
- a good community citizen



Company Management

Bushkill Group Inc.

(a wholly owned subsidiary of Resorts Group, Inc.)

W. Andrew Worthington
President & Chief Executive Officer

Kevin P. Lavelle
Vice President
& Chief Financial Officer

Mark S. Turner
Vice President
& Chief Operating Officer

Gina J. Bertucci
Vice President
Marketing

Joshua M. Herschlag
Vice President
Vacation Ownership Marketing

Thomas V. Casale
Vice President
& General Counsel



Company Management

W. Andrew Worthington, President & CEO

- 23 years of legal experience
- 11 years with the company; 9 years as President & CEO

Kevin P. Lavelle, Vice President & CFO

- 28 years of business finance experience
- 20 years with the company; 9 years as Vice President & CFO

Mark S. Turner, Vice President & COO

- 30 years of hotel and resort general management experience
- 13 years with the company; 10 years as Vice President



Company Management

Gina J. Bertucci, Vice President of Marketing

- 26 years of experience in resort, real estate and recreation marketing
- 10 years with the company as Vice President

Joshua M. Herschlag, Vice President of Vacation Ownership Marketing

- 24 years of experience in the resort industry
- 16 years with the company; 10 years as Vice President

Thomas V. Casale, Vice President & General Counsel

- 17 years of legal experience
- 10 years with the company; 9 years as Vice President



Diversity



Winter Fun Center/Snowtubing

18-Hole Par-71 Golf Course

Indoor & Outdoor Pools

Bumper Boats

Horseback Riding

Canoeing/Rafting

Paintball

Game Zone & Fitness Center

Miniature Golf

Outdoor Tennis & Basketball

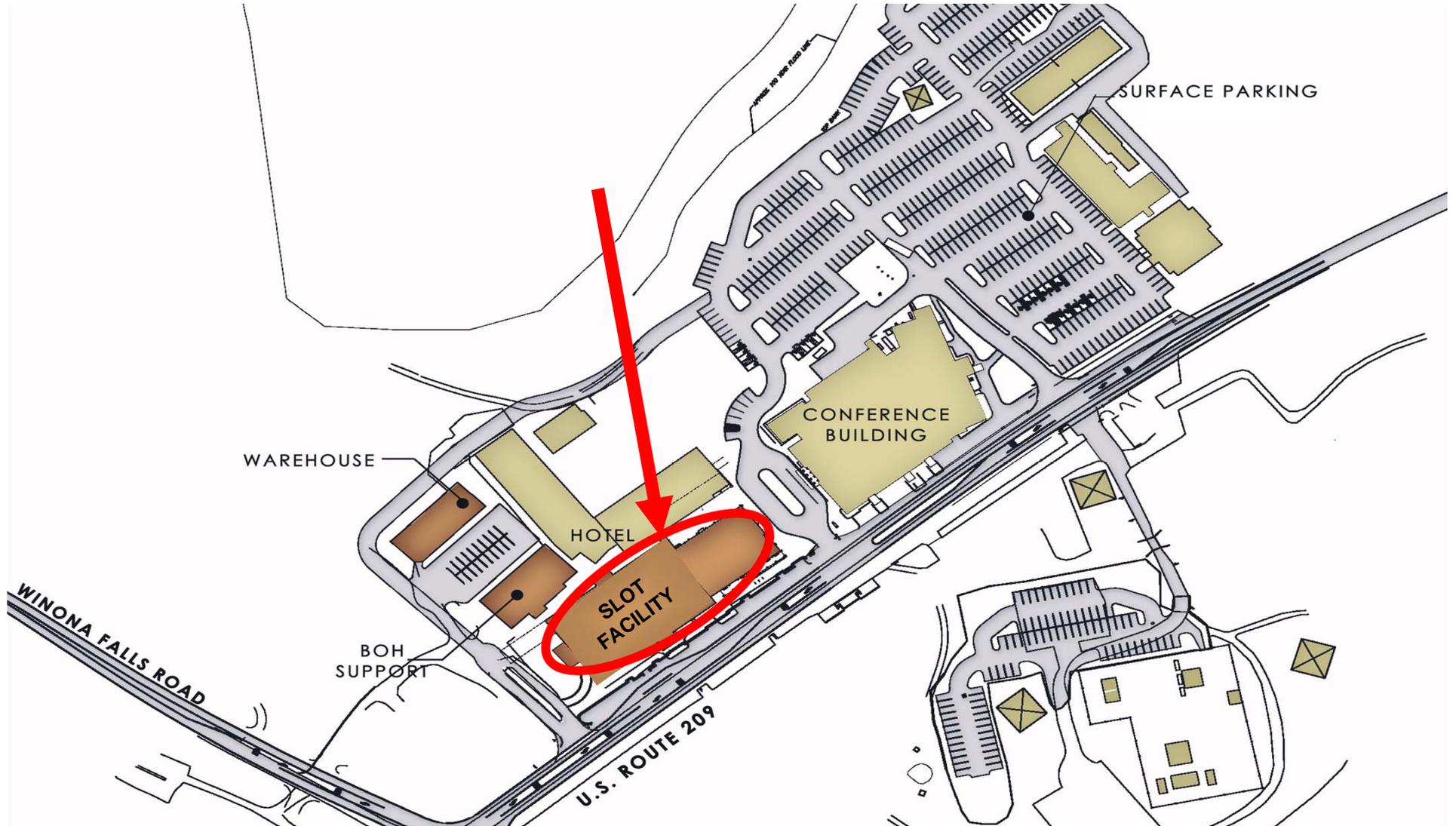


Applicant has a minimum of 275 guest rooms and offers a wide variety of amenities.



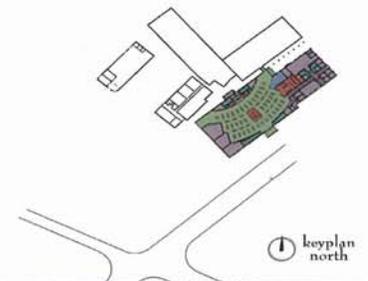


Building to be Converted to Slot Facility





Slot Facility Exterior





Slot Facility Entrance



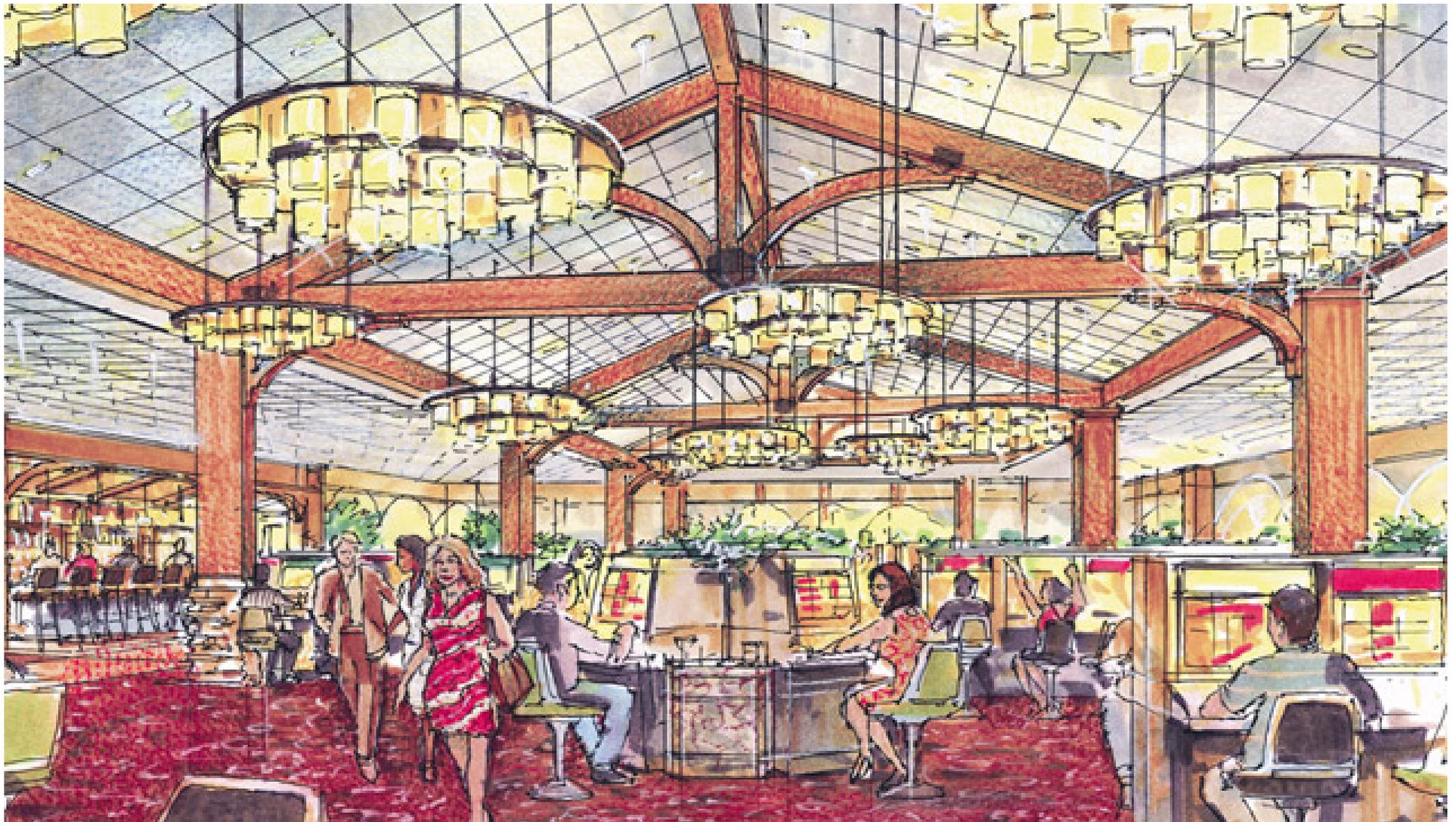


Promenade to Slot Facility



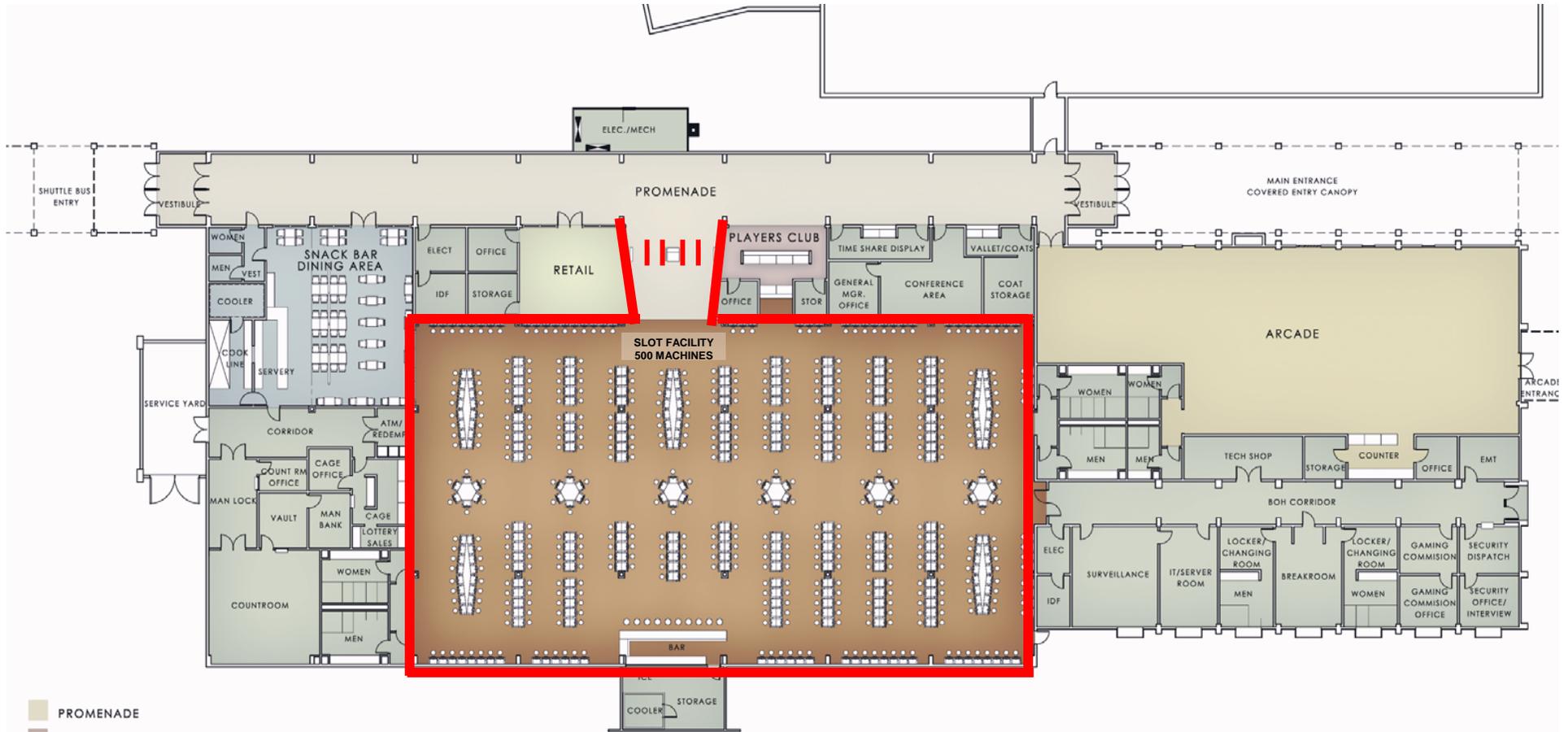


Slot Facility Interior





Slot Facility Floor

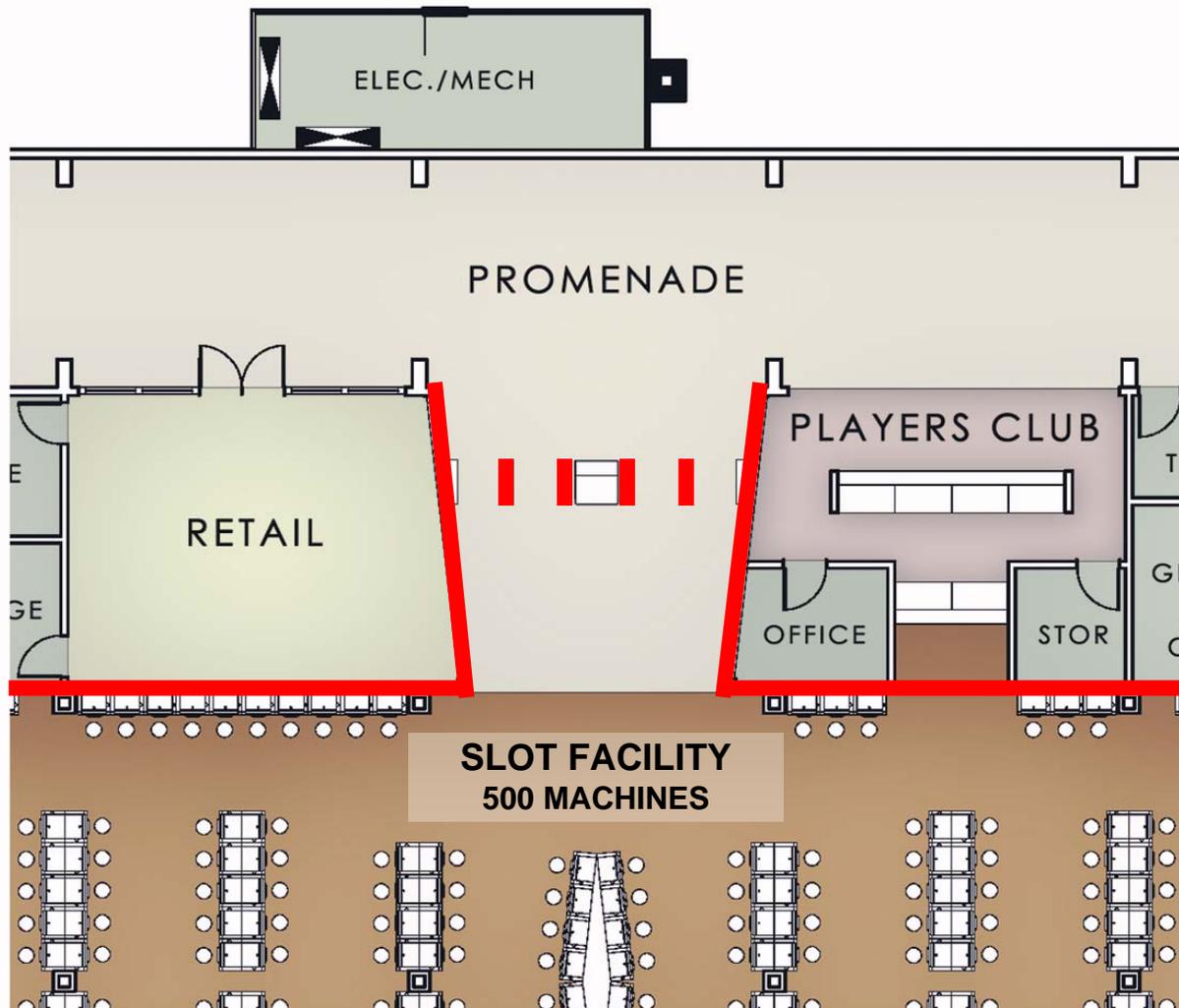


- PROMENADE
- PLAYERS CLUB
- ARCADE
- BACK OF HOUSE
- SNACK BAR
- SLOT FACILITY





Controlled Point of Entry





Responsible Gaming

Applicant is committed to:

- working proactively to address the issue of problem gaming;
- training employees in the necessary aspects of responsible gaming;
- treating persons who request help with problem gaming with confidentiality, courtesy, respect, understanding, and support; and,
- working with PGCB staff to develop and implement a comprehensive responsible gaming plan.

Herbert, Rowland & Grubic, Inc.

Jamie B. Keener, AICP - Shareholder & Regional Manager

- responsible for staff management and financial administration
- provides diverse planning and civil engineering services to County and municipal clients
- provides site engineering and permitting assistance to private clients in the residential, commercial, and institutional markets
- possesses broad-ranging expertise in the areas of planning, stormwater management and land development
- has assisted on many small to large scale land development projects, performing such duties as road layout, parking lot layout, grading, drainage, stormwater management, and permitting
- Bachelors degree in Geography - Bucknell University

Engineering



- founded in 1962
- multi-disciplined staff of engineers with expertise in the areas of transportation, environmental site assessments, civil and water resources, site design, surveying, GIS, and water and wastewater engineering

Land Use & Environmental Resources

- Applicant's slot facility project is an approved use under the Township's Zoning Ordinance.
- Construction of the facility would only require a building permit. All other municipal approvals are in place.
- The proposed plan supports Monroe County's smart growth objectives for open space preservation.
- Storm water management from the expanded parking facilities is currently approved under an existing NPDES permit.
- No adverse impacts on existing environmental features, wetlands or endangered species have been identified.

Infrastructure

Applicant's and Township's infrastructure are sufficient to support the proposed slot facility.

- Current electrical service is sufficient to serve the existing resort and proposed slot facility.
- Applicant's current phone system has sufficient capacity to serve the proposed facility as well as the existing resort.
- Sufficient water and sewer capacity exists to service the proposed slot facility and the existing resort.
- Law enforcement and emergency service levels will continue to exceed service needs with the addition of a slot facility.
- Local public transit service is in place.

Herbert, Rowland & Grubic, Inc.

Stephen J. Shimko, PE - Regional Service Group & Satellite Office Manager

- over 38 years of experience in the design, maintenance and construction of the Pennsylvania State roadway system
- former District Executive for PennDOT with 13 years of experience in design and design supervision
- significant experience in various aspects of highway maintenance with extensive experience in budgeting, work planning, personnel management and labor relations
- Bachelors degree in Civil Engineering - University of Detroit
- Professional Land Surveyors License - Pennsylvania
- Professional Engineer's License - Pennsylvania
- American Society of Highway Engineers

Traffic Impact

The Traffic Impact Study was updated by HRG as of July 2008 and the following conclusions were generated as a result of the study:

- maximum of 1.3% increase in daily traffic through the Marshalls Creek intersection;
- no significant impact on the roadway system would occur as a result of the proposed project;
- no detrimental effect on the surrounding roadway network; and,
- no traffic improvements are necessary.

Slot Facility Financing

Proposed financing offered by our existing lender:

TEXTRON FINANCIAL

Resort Finance

in association with an experienced gaming lender:



TEXTRON FINANCIAL

Resort Finance

Nicholas L. Mecca - Managing Director

- 37 years of banking and credit experience
- over 25 years of timeshare lending experience
- 12 years with Textron Financial
- oversees new product development and Capital Market activities
- responsible for the management of several of the Division's largest accounts
- BA - University of Connecticut; MBA - Bridgeport University

Textron, Inc.

Bell



Bell Helicopter
Lycoming
Textron Systems

Cessna



Cessna

Industrial



E-Z-GO
Greenlee
Jacobsen
Kautex

Finance



Textron Financial
Corporation

- 2007 Revenue: \$13.2 Billion
- 2007 Fortune 500 Ranking: 194
- 2006 Forbes Global 2000 Largest Public Companies Ranking: 731

Textron Financial Corporation

- diversified market leader in specialty niche commercial finance
- 40+ years of industry experience
- seasoned executive management team with an average of 20+ years in the finance business
- over \$11 billion of managed finance receivables
- consistent credit standards and disciplined credit culture
- also provides financing programs for products manufactured and serviced by Textron

TEXTRON FINANCIAL

Resort Finance

- leading provider of financial services to the resort industry
- over 25 years of experience in the resort finance industry
- finance products:
 - timeshare receivable financing
 - construction loans
 - interval inventory loans
 - fractional financing
 - purchase program
 - conduit and securitizations
 - term loans

TEXTRON FINANCIAL

Resort Finance

Relationship with Applicant

- has known the Applicant's management team and the company since the late 1990s
- Textron Financial's client since December 2006
- provided an acquisition loan which facilitated the Applicant's management buyout from its original parent company
- provided the Letter of Credit in support of the Pennsylvania Category 3 Gaming Application
- relationship has performed as agreed with borrowings to the company of over \$30m

CIT

Communications, Media, and Entertainment

Steven K. Reedy, Managing Director

- more than nineteen years of diversified investment banking, credit, lending and risk management experience
- banking career includes experience with Textron Financial, AT&T Capital, FMAC, Merrill Lynch, and CIT
- primary focus has been within gaming segments, commercial real estate, communications, media, and franchise
- Bachelors degree in Accounting and Business Administration - Thiel College; Masters degree in Finance - University of Pittsburgh, Katz School of Business; Series 7 and 63 certified

CIT

- founded in 1908 and celebrating a century of growth
- a leading global commercial and middle market finance company
- deep credit and risk management culture
- offers a comprehensive set of financial products and services
- services clients in more than 50 countries around the world
- more than \$70 billion in managed assets

CIT

Scope and Scale

Important Facts

- Professionals: 70
- Key locations
 - New York
 - New Jersey
 - California
 - Atlanta
 - London
- Typical deal size:
\$10M - \$250M

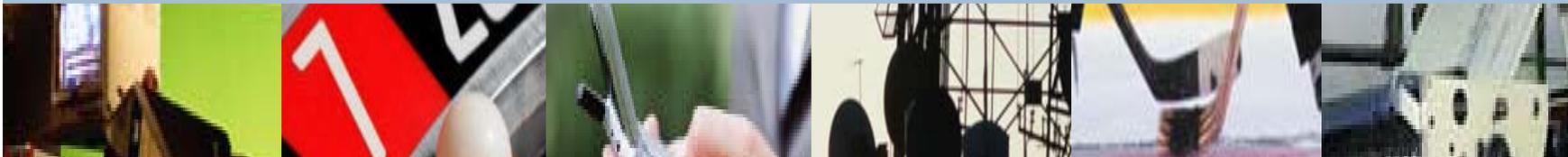
Diverse Solutions Set

- Senior Secured Lending
- Senior Unsecured Lending
- Mezzanine Financing
- Mergers & Acquisitions
- Equity Co-Investments
- Capital Markets
- Real Estate Financing
- Equipment Lending & Leasing
- Commercial Insurance
- Factoring



All Key Segments

- Broadcasting and Publishing
- Communications
- Entertainment
- Gaming
- Information Technology
- Sports



CIT

Gaming & Leisure

- specialized, industry focused group formed in 1993
- \$726m in committed capital
- commercial casinos and casino hotels
- Native American casinos and casino hotels
- slot parlors
- racinos
- card clubs
- cash flow lending
 - acquisitions
 - expansions
 - renovations
 - equipment

CIT

Current Pennsylvania Investments



Stephen J. Szapor, Jr., President

- works with a variety of clients on strategic and financial planning, market research, operational and marketing consulting, and market analysis
- more than 25 years of experience in the gaming industry
- 18 years of experience as CFO, COO and CEO of publicly traded gaming and entertainment companies
- has received a key Gaming License/Finding of Suitability from the states of New Jersey, Mississippi, and Colorado
- recent past Chairman of the Board - Colorado Tourism Office
- Bachelor of Science degree - Villanova University; Graduate Studies - New York University
- Certified Public Accountant

THE INNOVATION GROUP



Innovation Capital
Investment Bankers



*I*NNOVATION
*M*ANAGEMENT
*S*ERVICES





The Innovation Group is the premier provider of consulting, financial analysis and management services for the gaming, hospitality, leisure and entertainment industries for clients throughout the world, such as:

- Wynn Resorts, *Macau*
- Foxwoods Resort Casino
- Seminole Hard Rock Hotel and Casinos
- Caesars Entertainment
- Hilton Hotel Corporation
- Hyatt Hotels
- Starwood Hotels and Resorts Worldwide, Inc.
- Trump Casinos
- Las Vegas Sands Corporation
- Penn National
- Over 70 Native American Tribes
- US and International Governments and Financial Institutions

Gaming Resort Market Assessment

The Innovation Group was retained to conduct an assessment of the applicant's market region to project the number of annual gamer and revenues expected from a variety of market segments, ranging from local population to regional tourists.

A constrained gravity model was used to project gaming activity for the Tri-State area, with primary focus on the Poconos and the surrounding 100-mile radius. Particular attention was paid to drive times to the market center and the location of competitive alternatives in the market.

Competitive Advantages

- Capacity Constraints During Peak times:
 - approximately 900 total units of lodging and 500 slot machines
 - ability to leverage off of existing facility and existing marketing expenditures of \$5m annually
- Fernwood Emphasis:
 - getting right “gamer” profile in front of machines during peak periods
 - filling mid-week through database marketing
 - existing database of over 175,000 names

Market Endurance

- Pocono region is a well-established resort destination.
 - 3.6m people within a 90-minute drive
- 90% of overnight visitors to the resort are from out of state:
 - 40% from New York
 - 34% from Connecticut, Maryland, Virginia, Florida & others
 - 16% from New Jersey
- The nearby Delaware Water Gap National Recreation area is the tenth most visited area in the National Park System, drawing almost 5 million recreational visits to the area each year.
- The facility will benefit from the applicant's existing customer demographics, their years of experience in resort tourism marketing and Innovation Management Services' gaming marketing expertise.

Patronage & Revenues

	2010	2011	2012	2013	2014
Patronage	408,005	390,627	391,748	402,521	412,584
Win Per Position	\$152.50	\$147.16	\$148.92	\$154.51	\$160.30
Gross Terminal Revenue	\$27,829,648	\$26,855,611	\$27,178,307	\$28,197,494	\$29,254,900
Total Gaming Tax	\$14,471,416	\$13,964,918	\$14,132,720	\$14,662,697	\$15,212,548

Report Considerations

- historical accuracy of The Innovation Group studies
- anticipated gaming at Split Rock
- smoking ban in effect
- only 33% is local day-trip market
- 72% of gaming visits from out of state
- 81% of gaming revenues not cannibalized from existing PA facilities

Economic Impact

- Approximately \$2.3m in additional state and local taxes plus \$1.6m in sales, room and employment taxes will be funded by applicant's slot facility operation.
- Applicant's slot facility operation will provide approximately \$9m per year in property tax relief.
- Construction of the facility will generate a projected \$25m for the Pocono region and will support approximately 180 on-site construction jobs.
- Additional economic development opportunities will result from increased tourism and 83 new slot facility jobs will be created.
- Philanthropic efforts will increase due to additional revenues.

INNOVATION MANAGEMENT SERVICES

Stephen J. Szapor, Jr., Co-Founder & Managing Partner

- provides strategic operating and marketing advice and oversees ongoing client relations

Steven M. Rittvo, Co-Founder & Managing Partner

- provides development advisory services on a wide range of casino projects
- his analyses have been sought after by governmental bodies around the world as well as by Wall Street and the investment banking community
- has been qualified in connection with various gaming licenses and has spoken and written extensively on the gaming industry

Ernie D'Ambrosio, Project Manager

- has been involved in the gaming and hospitality industry since 1986
- responsible for pre-opening and ongoing management controls
- holds a valid NJ-CCC key license

SLOT FACILITY MANAGEMENT

*I*NNOVATION
*M*ANAGEMENT
*S*ERVICES

- provides management and advisory services to smaller gaming facilities
- provides turn-key advisory and management services
- offers comprehensive gaming management experience to the facility

INNOVATION MANAGEMENT SERVICES

Pre-Opening Responsibilities

- development of organizational chart, job descriptions, human resources policies and procedures, and personnel recruiting/hiring
- development of internal controls procedures, system selection and management reports in compliance with PGCB requirements
- casino floor layout, slot product selection and vendor negotiations
- development of pre-opening marketing plan and budgets

Post-Opening Responsibilities

- management of daily operations in a manner consistent with industry practices



Conclusion

- Applicant is a well-established resort with a minimum of 275 guest rooms.
- The property offers substantial year-round amenities.
- Project will provide great economic benefits to the Pocono region and to the Commonwealth.
- Applicant is a good corporate citizen.
- The project has been offered favorable financing terms.
- No adverse engineering or traffic impacts.
- Experienced manager - Innovation Management Services
- Clearly meets the requirements for a Category 3 license.