

PENNSYLVANIA GAMING CONTROL BOARD  
CATEGORY 3 SUITABILITY HEARING  
BUSHKILL GROUP, INCORPORATED

THURSDAY, OCTOBER 23, 2008, 1:38 P.M.

STATE MUSEUM AUDITORIUM  
HARRISBURG, PENNSYLVANIA

BEFORE:

MARY DiGIACOMO COLINS, CHAIRMAN  
RAYMOND S. ANGELI  
JEFFREY W. COY  
JAMES B. GINTY  
KENNETH T. McCABE  
SANFORD RIVERS  
GARY A. SOJKA

APPEARANCES:

OFFICE OF CHIEF COUNSEL  
BY: DOUG SHERMAN, ESQUIRE

OFFICE OF ENFORCEMENT COUNSEL  
BY: CYRUS PITRE, ESQUIRE

FOR - PENNSYLVANIA GAMING CONTROL BOARD

FOX ROTHSCHILD  
BY: MARIE JONES, ESQUIRE  
MARIEL J. GILETTO, ESQUIRE

FOR - BUSHKILL GROUP, INC.

HILLARY M. HAZLETT, REPORTER  
NOTARY PUBLIC

	I N D E X	
	WITNESS	PAGE
1		
2	WITNESS	PAGE
3	Frank Donaghue	5
4	Doug Sherman	7
5	Al Frederico	9
6	Marie Jones	10
7	Gina Bertucci	13
8	Jamie Keener	18
9	Stephen Shimko	21
10	Nicholas Mecca	26
11	Steven Reedy	29
12	Steven Szapor	31
13	Andrew Worthington	41
14	James Talerico	58
15	Cyrus Pitre	59
16	Susan Hensel	59
17		
18		
19		
20		
21		
22		
23		
24		
25		

1 CHAIRMAN DiGIACOMO COLINS: We will now convene the  
2 Category 3 Suitability Hearing.

3 All right. Are you ready?

4 MS. JONES: Yes.

5 CHAIRMAN DiGIACOMO COLINS: All right. I'll  
6 call to order this Category 3 Suitability Hearing for  
7 the Bushkill Group, Inc.

8 As I indicated, yesterday, we held the  
9 Suitability Hearing for Valley Forge Convention Center  
10 Partners, LP and the Category 3 licenses are for  
11 facilities to be located in well-established resort  
12 hotels.

13 The authority for these licenses is found at  
14 Section 1305 of the Pennsylvania Racehorse Development  
15 and Gaming Act.

16 There are two Applicants for the two available  
17 licenses. We will consider and evaluate both Applicants  
18 and then will have the task of exercising our  
19 discretionary authority to decide whether the Board  
20 believes awarding each of these licenses will best serve  
21 the Commonwealth and the public's interest as outlined  
22 in the Act.

23 The purpose of these proceedings today is to  
24 provide the Bushkill Group with a final hearing to  
25 introduce testimony and evidence to prove to the Board's

1 satisfaction that they are suitable, as well as to  
2 convince the Board that the Applicant should be selected  
3 for an available license.

4 In addition, this hearing will provide an  
5 opportunity for the Applicants to answer any questions  
6 that the Board may have relating to the application.

7 It is noteworthy that the Board previously  
8 heard testimony and received evidence on the issue of  
9 whether the Bushkill Group has met all of the Act's  
10 eligibility criteria.

11 The evidence previously received including  
12 testimony and briefs are before the Board in the record;  
13 and therefore, we do anticipate a repeat of that  
14 investigation today.

15 The public has previously had an opportunity to  
16 be heard with respect to this Applicant during the  
17 Public Input Hearing and also through written comments  
18 and correspondence.

19 All of the public testimony and comments will  
20 be taken into consideration by the Board when  
21 deliberating on this Applicant.

22 Suitability factors that the Board will take  
23 into consideration when reviewing these applications, as  
24 well as with all Applicants, are defined in Section 1325  
25 of the Act.

1           Upon conclusion of the two hearings, the Board  
2 will take the matter of awarding these Category 3  
3 licenses under advisement.

4           As required by the Act, the decision of the  
5 Board will not be forthcoming on those Applicants until  
6 such time as the Board has had the opportunity to  
7 deliberate and to determine eligibility and suitability  
8 of the award of the license consistent with the public  
9 interest.

10           Like all Applicants, the application has  
11 undergone an extensive review by the staff. This  
12 hearing is to provide a final opportunity for the  
13 Applicant to demonstrate to the Board's satisfaction,  
14 not only that it is suitable for the license but that it  
15 should receive one of the available licenses.

16           Now, all of those who are going to testify  
17 today, would you rise please so that you can be sworn.

18           (Witnesses sworn en masse.)

19           CHAIRMAN DiGIACOMO COLINS: I will ask Frank  
20 Donaghue to please address the application review by the  
21 staff.

22           MR. DONAGHUE: Okay. Thank you, Chairman.  
23 Good afternoon members of the Board. The application of  
24 the Bushkill Group, Incorporated was filed with the  
25 Pennsylvania Gaming Control Board on June 28th, 2007.

1     Thereafter, on October 17th, 2007, the Board conducted  
2     an Eligibility Hearing regarding this Applicant but  
3     deferred deciding on the issues of eligibility until  
4     such time that the Applicant was before the Board and  
5     presented its case as to suitability.

6             A Public Input Hearing was then held in Monroe  
7     County, Pennsylvania on April 30th, 2008, during which  
8     time the Bushkill Group made a presentation concerning  
9     its project; including oral testimony and the submission  
10    of documentary exhibits.

11            During the course of that hearing, speakers  
12    other than the Applicant presented their support for or  
13    opposition to the proposed project. This hearing was  
14    recorded and transcribed.

15            Additionally, the Pennsylvania Gaming Control  
16    Board placed materials submitted by the Bushkill Group  
17    on its website to allow greater public access to the  
18    information concerning the proposal, the projections,  
19    the studies, and all materials presented to the Board.

20            These documents included local impact reports.  
21    The dissemination of this information permitted the  
22    Board's receipt of written submissions both in support  
23    of and opposition to the project.

24            As of the deadline for submission of the  
25    written comments the Board received 148 submissions;

1 including 144 letters in support of the project and 4  
2 opposed to the project.

3 It is noteworthy, however, that one of the four  
4 letters opposing the project contains approximately 200  
5 signatures.

6 In addition, the Bureau of Licensing and the  
7 Bureau of Investigations and Enforcement and Financial  
8 Suitability Task Force has undertaken a review of the  
9 application consistent with the mandates of the Act.

10 The result of this licensing and investigative  
11 phase of the application process is the creation of a  
12 suitability report, which summarizes the findings of the  
13 Bureaus relating to the Act's eligibility and  
14 suitability requirements.

15 Further, in the application, Bushkill submitted  
16 a traffic study. The Pennsylvania Gaming Control Board  
17 retained the firm of McCormick-Taylor to review the  
18 study and issue a report.

19 Mr. Al Frederico of McCormick-Taylor is here  
20 today to present his findings.

21 At this time, I would like to turn over the  
22 proceedings to Doug Sherman, Acting Chief Counsel to  
23 discuss stipulations and exhibits for the record.

24 MR. SHERMAN: Thank you. The Bushkill Group,  
25 Incorporated, and the Office of Chief Counsel have

1 entered into a stipulation procedure employed by the  
2 Bureau of Licensing, Bureau of Investigation and  
3 Enforcement and the Financial Suitability Task Force.  
4 This stipulation has been marked as Exhibit 8.

5           The culmination of the work described in the  
6 stipulation has resulted in an evidentiary record, which  
7 includes the full application, the local impact  
8 statements, traffic studies, the transcript of the  
9 Public Input and Eligibility Hearings, the written  
10 comments presented to and received by the Board, the  
11 suitability report, a stipulated testimony memoranda,  
12 and other documents filed of record.

13           As noted, the parties have also entered into a  
14 stipulation that each of the above-referenced items,  
15 which are identified and offered as Exhibit 1 through 10  
16 are to be admitted into the record as a stipulated  
17 evidentiary record for the Board's consideration.

18           In addition, the transcript of these  
19 proceedings and any other evidence submitted and  
20 admitted as exhibits in connection with the Applicant's  
21 licensing hearing today would likewise be part of the  
22 record for the Board's review and consideration. Thank  
23 you.

24           CHAIRMAN DiGIACOMO COLINS: Very good. In  
25 light of this stipulation regarding Exhibits 1 through

1 10 as to the admissibility, those exhibits are accepted  
2 into the record.

3 They will also be accepted with the usual  
4 caveat regarding the Confidentiality and Proprietary  
5 Information Protective Provisions of the Act and our  
6 Regulations.

7 Mr. Donaghue.

8 MR. DONAGHUE: Okay. At this time, I would  
9 like to call upon Mr. Al Frederico, the Pennsylvania  
10 Gaming Control Board's retained traffic consultant, to  
11 give his report on the traffic study.

12 MR. FREDERICO: Good afternoon.

13 CHAIRMAN DiGIACOMO COLINS: Good afternoon.

14 MR. FREDERICO: My name is Al Frederico. I'm a  
15 professional traffic engineer with the firm  
16 McCormick-Taylor. We were asked to review the traffic  
17 impact study information submitted on behalf of the  
18 Applicant.

19 This review looked at an initial traffic study  
20 submitted to the Board. The study was dated June of  
21 2007.

22 Following the review of that material, we were  
23 provided with an additional study dated July of 2008 as  
24 well as supplemental correspondence from the Applicant.

25 The results of the study indicate that the

1 proposed application -- the proposed addition of gaming  
2 facilities to the existing resort will not have a  
3 significant impact on traffic on the public roadways and  
4 the immediate vicinity of the development.

5           There were some minor technical concerns raised  
6 with the study. However, they are not considered  
7 significant.

8           The only issue we would consider outstanding  
9 would be that we do have some concerns about how traffic  
10 exiting the site under peak periods particularly during  
11 the weekends might operate.

12           However, that is something that appears can be  
13 monitored and addressed at a later date if it does  
14 appear that there is a problem there.

15           CHAIRMAN DiGIACOMO COLINS: Very good. Thank  
16 you.

17           Any questions?

18           Very good.

19           MR. FREDERICO: Thank you very much.

20           CHAIRMAN DiGIACOMO COLINS: Thank you.

21           All right. Let me turn to the Applicant now.  
22 Would you like to make your presentation, please?

23           MS. JONES: Yes. Good afternoon, Chairman  
24 Colins, Board members. Marie Jones and Mariel Giletto  
25 from Fox Rothschild here on behalf of the Bushkill

1 Group.

2 We would like to first thank the Board for  
3 their hard work and professionalism in the processing of  
4 the Bushkill application. We greatly appreciate their  
5 efforts.

6 From the Bushkill Group with me today is Andy  
7 Worthington, President and Chief Executive Officer; Gina  
8 Bertucci, Vice President of Marketing; Kevin Lavelle,  
9 Vice President and Chief Financial Officer; Holly  
10 Freeman, Director of Special Projects; Bruce Flinn, New  
11 Media Director.

12 Also with us today from Herbert, Rowland &  
13 Grubic is Jamie Keener and Stephen Shimko, who you will  
14 hear from.

15 From Textron Financial is Nicholas Mecca, Rich  
16 Marquard. From CIT Lending Services is Steven Reed and  
17 Ashley Nissenbaum and from Innovation Group, Steven  
18 Szapor and Ernest D'Ambrosio. And no, you will not be  
19 hearing from everyone I just announced.

20 Bushkill is pleased to be here today to present  
21 to you how they clearly meet the suitability  
22 requirements under the Act to hold a Category 3 Gaming  
23 License.

24 Bushkill has previously established through  
25 testimony and documentary evidence that it meets the

1 requirements of Section 1305 of the Act as it is a  
2 well-established resort hotel with a minimum of 275  
3 rooms under Bushkill's ownership.

4           Bushkill also previously established that its  
5 licensed facility as defined in the Board's regulations  
6 is over 15 miles from another licensed facility.

7           We have also heard during the Public Input  
8 Hearing and subsequent filings the overwhelming public  
9 support for the Bushkill project and that it has full  
10 support from local township authorities.

11           Bushkill is very excited about the project and  
12 anticipates that a gaming floor could be open 6 to 12  
13 months after the granting of a final, nonappealable  
14 license.

15           As you will hear during Bushkill's testimony,  
16 the Bushkill slot facility is projected to deliver over  
17 400 gamer visits with gross terminal revenue in excess  
18 of \$26 million per year.

19           As the Board has heard from Andy Worthington on  
20 a number of occasions, we have asked Gina Bertucci, a  
21 shareholder and Vice President of Marketing, to present  
22 to the Board the initial suitability presentation.  
23 Mr. Worthington will address the Board with the  
24 questions at the end of the presentation.

25           By way of background, Miss Bertucci received

1 her bachelor's degree in economics from Rutgers  
2 University and has over 26 years of experience in  
3 hospitality marketing.

4 She has won multiple professional and personal  
5 awards for her marketing campaigns. Miss Bertucci was  
6 appointed by Governor Rendell as a commissioner to the  
7 Delaware Water Gap National Recreation Area Citizen's  
8 Advisory Council. She is also a former member of the  
9 Monroe County Planning Commission.

10 Gina?

11 MS. BERTUCCI: Thank you, Attorney Jones.

12 Chairman Colins, members of the Pennsylvania  
13 Gaming Control Board, I appreciate you giving us this  
14 opportunity to present before you.

15 I'm here today to revisit with you the merits  
16 of our application and the particulars about Fernwood  
17 Hotel and Resort.

18 We are a well-established and locally owned  
19 Pocono Mountain property that is a recognized leader in  
20 four-season resort experiences.

21 In figures released this month by the Pocono  
22 Mountain Visitor's Bureau, the four-county Pocono region  
23 delivers 8.5 million leisure-person trips annually with  
24 almost 10,000 available rooms.

25 Our substantial list of employee benefits makes

1 us an employer of choice with a diverse employee  
2 representation. Through our volunteering and financial  
3 support of many nonprofit organizations, we are also  
4 proud of our reputation as good community citizens.

5 The Bushkill Group is a wholly owned subsidiary  
6 of Resorts Group, Inc. As a management team, we have  
7 worked together for over ten years and bring decades of  
8 experience into the successful operation of our  
9 business.

10 Andrew Worthington is president and CEO. Kevin  
11 Lavelle is Vice President and CFO, and Mark Turner is  
12 Vice President and COO, Joshua Hershlock is Vice  
13 President of Vacation Ownership Marketing, and Thomas  
14 Cassale is Vice President and General Counsel; and as  
15 indicated earlier, I am the Vice President of Marketing.

16 Fernwood Hotel and Resort would be nothing  
17 without its employees; and as an operating resort, we  
18 maintain a talented and dedicated staff of over 500 with  
19 an ethnic mix that reflects our cultural diversity and  
20 the diversity of our metropolitan New York and New  
21 Jersey base.

22 We are committed to hiring practices that have  
23 helped us create this culturally diverse team and have  
24 had success using a variety of traditional and  
25 non-traditional recruiting tools.

1           We place advertising but also work with  
2 vocational and work-study programs, internships and host  
3 regular job fairs to attract potential employees.

4           With our Diversity Committee, we will continue  
5 to explore ways to enrich understanding of diversity in  
6 the workforce and will expand our list of vendors to  
7 increase suppliers from minority and women-owned  
8 businesses wherever possible.

9           What do these employees do? They help us  
10 deliver exceptional vacation and meeting experiences to  
11 our guests.

12           On our 440 acres, we accommodate 200,000  
13 overnight guests annually and offer a long list of  
14 resort amenities including a winter fun center where we  
15 entertain 20,000 snow tube visits, horseback riding, an  
16 18 hole par 71 golf course with 18,000 annual rounds,  
17 indoor and outdoor pools, bumper boats, canoeing and  
18 rafting, paint ball, fitness centers, a game zone  
19 arcade, miniature golf, outdoor tennis, basketball,  
20 60,000 square feet of meeting space, live entertainment,  
21 daily scheduled resort activities, and four restaurants  
22 combined with our banquet facilities serving  
23 approximately 150,000 covers annually.

24           We anticipate no negative impact from the  
25 smoking ban because we have been a smoke-free resort

1 since early this year, prior to the Pennsylvania  
2 enactment of the ban.

3 The majority of our customer base originates in  
4 states that have already enacted smoking bans and our  
5 marketing assessment report uses the no-smoking  
6 assumption when deriving its game or visitation numbers.

7 The red arrow placed on our resort map  
8 indicates the proposed site for the slots facility.  
9 This is an enlargement of that site, which is located  
10 adjacent to our guest rooms, conference building,  
11 check-in and restaurants.

12 As indicated in our application, it will be  
13 constructed within the footprint of the existing event  
14 center and is appropriately zoned for that use.

15 These artist's renderings reflect proposed  
16 design and floor plans and show the front elevation, the  
17 entrance, the promenade to the gaming entry point, and  
18 the gaming floor.

19 In order to comply with the legislation and the  
20 requirements restricting access to only eligible resort  
21 guests, the gaming floor will have only one point of  
22 entry for customers.

23 Through that restricted access point, we will  
24 control eligible customer play, identifying those who  
25 have met the resort transaction and age requirements and

1 those that are self-excluded or problem gamers. In  
2 addition, we will implement a strict policy preventing  
3 non-slot employee access.

4 We are committed to working proactively to  
5 train employees about problem gaming and its associated  
6 issues.

7 We will treat persons who request help with  
8 confidentiality, courtesy, respect, and understanding.  
9 We will continue to work with the Gaming Control Board  
10 in addressing any identified deficiencies as we develop  
11 and implement our comprehensive plan for responsible  
12 gaming.

13 Chairman Colins, members of the Board, thank  
14 you for your time and consideration of our application.

15 MS. JONES: Thank you. We would next like to  
16 ask representatives from HRG to address engineering,  
17 environmental, and traffic impacts.

18 First, we have Jamie Keener, who is a  
19 shareholder and regional manager of HRG. Mr. Keener  
20 received his bachelor's degree from Bucknell University  
21 and has over 20 years of extensive experience in land  
22 use, planning, including writing ordinances and  
23 infrastructure feasibility reports and assisting in the  
24 development of water and sewer feasibility reports to  
25 address the needs of private and public entities. He

1 has also worked on several PennDOT projects and he is  
2 certified by the American Institute of Certified  
3 Planners.

4 MR. KEENER: Thank you, Attorney Jones.  
5 Chairman Colins, members of the Board, good afternoon.

6 I would like to thank the Board for the  
7 opportunity to present our testimony on behalf of the  
8 Bushkill Group.

9 HRG has been performing various planning,  
10 engineering, and environmental services at the Fernwood  
11 Resort for several years.

12 I will speak to land use, planning, and general  
13 infrastructure issues. The resort is located in the  
14 Resort Commercial Zoning District and in accordance with  
15 the Middle Smithfield Township, Monroe County Zoning  
16 Ordinance, the Fernwood Casino is a permitted use.

17 The intent of the Resort Commercial Zoning  
18 District is to provide for a mix of commercial, resort,  
19 residential, and other compatible uses to promote  
20 unified and coordinated development.

21 Within a Resort Commercial District, the zoning  
22 ordinance provides for a resort complex overlay, which  
23 is defined as a coordinated development that includes  
24 overnight lodging, time-share dwellings, a ski area, or  
25 a similar large outdoor recreation facility as a

1 principal use, as well as other outdoor recreation and  
2 dining facilities.

3           The Fernwood Resort was approved by the Middle  
4 Smithfield Township as a resort complex October the  
5 11th, 2005.

6           Since the slot facility will occupy the  
7 existing event center, land development approvals are  
8 not required.

9           Construction of the facility will only require  
10 a building permit. It is our opinion that all other  
11 municipal approvals are in place including a prior land  
12 development approval that covers the addition of parking  
13 spaces to serve the proposed gaming facility.

14           Also, storm water management to control runoff  
15 from additional parking facilities is currently approved  
16 under an existing NPDS permit.

17           The proposed project also supports Monroe  
18 County Smart Growth Objectives for open space  
19 preservation in that it is being developed in existing  
20 facilities within or adjacent to existing developed  
21 areas and existing infrastructure.

22           No adverse impacts on existing environmental  
23 features, wetlands, or endangered species have been  
24 identified.

25           Regarding infrastructure, the current

1 electrical service and phone systems have sufficient  
2 capacity to serve the existing resort and the proposed  
3 slot facility.

4 Also, sufficient water and sewer capacity exist  
5 to serve the existing resort and the proposed slot  
6 facility.

7 Sewer service will be provided by the Middle  
8 Smithfield Municipal Authority at the existing plant  
9 adjacent to Fernwood. Water service will be provided by  
10 the existing permitted Fernwood Community Water System.

11 We anticipate that law enforcement and  
12 emergency service levels will continue to exceed needs  
13 even with the addition of the slot facility.

14 Fernwood currently employs its own security  
15 force and a fire department substation is located on the  
16 resort complex.

17 Finally, local public transit service is in  
18 place. The Monroe County Transit Authority, of which I  
19 am a former Board member, has recently expanded service  
20 to include a route to the Fernwood Resort area.

21 Thank you again for the opportunity to testify  
22 before this Board.

23 CHAIRMAN DiGIACOMO COLINS: Okay.

24 MS. JONES: Thank you. Next, we're going to  
25 have Stephen Shimko, who is the Regional Service Group

1 and Satellite Office Manager of HRG. He received his  
2 bachelor's degree in civil engineering from the  
3 University of Detroit and is a professional engineer  
4 licensed by the Commonwealth of Pennsylvania.

5 Mr. Shimko has over 38 years of experience in  
6 the transportation industry including being involved in  
7 the design, maintenance, and construction of the  
8 Pennsylvania State Roadway System.

9 Mr. Shimko recently served as a District  
10 Executive for PennDOT in District 40; and in this  
11 capacity, he had full responsibility for planning,  
12 directing, controlling, and administrating all design  
13 and maintenance construction activities for the area.

14 His experience includes spending approximately  
15 13 years designing and supervising the roadways for  
16 PennDOT and private consultants.

17 Mr. Shimko?

18 MR. SHIMKO: Okay. Thank you, Attorney Jones.  
19 Good afternoon, Chairman Colins and members of the  
20 Board.

21 I am responsible and in charge of a staff of  
22 traffic professionals at HRG who are involved in the  
23 traffic analysis necessary to support the Category 3  
24 license application by the Bushkill Group.

25 HRG completed a traffic study in June of 2007,

1 which was subsequently revised in July of 2008. The  
2 nature of this license dictates that a significant  
3 number of gaming customers come from existing resort  
4 clientele; and for the purpose of our study, this  
5 represents 42 percent of the generated trips.

6 The traffic study included data collection,  
7 which involved automatic machine counts and individuals  
8 manually counting intersection movements in all legs of  
9 the following intersections.

10 Route 209 and Winona Falls Road, which is a  
11 signalized intersection southwest of the resort complex,  
12 Route 209 and Fernwood's main entrance, which is an  
13 unsignalized intersection but has an existing pedestrian  
14 signal in close proximity, Route 209 and Fernwood's East  
15 Drive, which is unsignalized and Route 209 and  
16 Fernwood's service entrance, which is also unsignalized.

17 Standard traffic methodologies were used to  
18 determine traffic conditions before and after the  
19 development of the casino.

20 The analysis included the current year and the  
21 design year, which is ten years out. The intersections  
22 were analyzed under existing traffic and with the  
23 projected traffic growth from the casino.

24 We analyzed midweek a.m. and p.m. peak hours  
25 for the casino, which are standard measuring practice.

1 The midweek casino peak and the adjacent roadway peaks  
2 overlap.

3 The trips predicted to be generated by this use  
4 are as follows: The a.m. peak hour volumes for the  
5 casino were 20 vehicles, for the employees supporting  
6 the casino, 28, and for the bistro, which is a part of  
7 the casino, 6, for a total of 54 additional a.m. peak  
8 hour trips.

9 In the p.m. peak hour, these volumes were for  
10 the casino 40, the employees 42, and the bistro 5, for a  
11 total of 87.

12 To summarize our analysis during the a.m. peak  
13 hour, there are 54 additional vehicles. This represents  
14 a 3 percent increase in traffic, and there is no  
15 significant impact on the traffic on Route 209.

16 During the p.m. peak hours, there are 87  
17 additional vehicles, which represent a 4 percent  
18 increase in traffic; and again, there is no significant  
19 impact on the traffic operation of Route 209.

20 As you have heard earlier, we had received --  
21 we have reviewed comment letters that were submitted by  
22 McCormick-Taylor that was referenced by Mr. Frederico  
23 and we feel confident that our responses have addressed  
24 the issues raised.

25 There are two comments that Mr. Frederico

1 alluded to and these were the Saturday midday counts and  
2 the level of service of the east driveway. Just for the  
3 purpose of getting some of that information into the  
4 record, I would just like to read some excerpts of our  
5 responses to both of those. Even though they become a  
6 little bit technical, I think it is necessary to do so.

7           With regard to our Saturday midday peaks, upon  
8 reviewing the updated final traffic impact study dated  
9 July 2008, you will notice that there is limited or no  
10 impact to either of the midweek peak hours evaluated.

11           Due to the operating nature of a casino in  
12 general and specifically the small scale nature of the  
13 casino operation in question, it is not predicted to  
14 have a significant impact during the Saturday peak hour.

15           It is likely that the Saturday midday peak of  
16 the casino trips would be more closely correlated to the  
17 check-in time of the hotel, which is 4:00 p.m. than with  
18 the adjacent roadway midday peak which is historically  
19 in the 11:00 a.m. to 1:00 p.m. time frame.

20           As a result, much of the anticipated traffic  
21 will occur outside the peak hours of the adjacent  
22 roadway and therefore have limited impacts on the  
23 existing roadway system.

24           It is therefore our opinion that the Saturday  
25 midday peak is not a necessary peak to evaluate in this

1 instance.

2           With respect to the east driveway, the  
3 northbound leg of the Fernwood east driveway is  
4 predicted to experience a delay that's only 2.6 seconds  
5 over the threshold from a Level of Service D, which is  
6 deemed to be acceptable to a Level of Service E, which  
7 is unacceptable. This condition is only predicted to  
8 occur during the p.m. peak hour with development and is  
9 predicted to be only 6.9 seconds longer than the 2008  
10 peak hour delay without development for a ten-year  
11 horizon.

12           The added delay will be insignificant in that a  
13 typical driver will not perceive the difference between  
14 Level of Service D and E in this circumstance.

15           These level of services were analyzed using the  
16 highly conservative traffic volumes, which were  
17 recognized by McCormick-Taylor.

18           Since the level of service drops occur only on  
19 the private approach and does not affect the overall  
20 intersection level of service, PennDOT would not require  
21 mitigation for this intersection.

22           The Bushkill Group will continue to monitor  
23 traffic patterns and demands and mitigate any traffic  
24 needs as they become appropriate. Thank you.

25           MS. JONES: Thank you, Mr. Shimko.

1           I would next like to introduce to the Board  
2 Nicholas Mecca from Textron Financial to discuss  
3 Bushkill Group's current financing and Steven Reedy from  
4 CIT Lending Services, Corp., to discuss the project  
5 financing.

6           Mr. Mecca is a Managing Director of Textron  
7 Financial. He has 37 years of banking and credit  
8 experience, a vast majority of that in the time-share  
9 lending area. He has been with Textron Financial for  
10 over 12 years and oversees new product development and  
11 capital market activities. He is responsible for the  
12 management of several of the division's largest  
13 accounts.

14           Mr. Mecca received his bachelor's degree from  
15 the University of Connecticut and MBA from Bridgeport  
16 University.

17           Mr. Mecca?

18           MR. MECCA: Chairman Colins, members of the  
19 Board, good afternoon. Textron Financial Corporation is  
20 a wholly owned subsidiary of Textron, Inc.; and while  
21 you may not recognize the name Textron Inc., I'm sure  
22 you'll recognize some of the subsidiaries that it owns.  
23 It owns Bell Helicopter, Cessna Aircraft. Some of the  
24 industrial companies that it owns that you might  
25 recognize are E-Z-Go golf carts. They produce Jacobson

1 Equipment and of course, it owns the finance operation  
2 under which I am employed.

3 The revenue for Textron, Inc., during 2007  
4 exceeded \$13 billion. It ranked 194 within the Fortune  
5 500 rankings. It operates globally throughout the world  
6 and has an excess of, like, 35,000 employees.

7 The financial corporation for Textron, Inc. was  
8 started 40-plus years ago. It was started to finance  
9 and the sale of products sold by its parent company.

10 It has grown to become a diversified market  
11 leader in speciality niche finance and commercial  
12 finance projects.

13 It has now over \$11 billion of managed  
14 receivables under its control. The executive team has  
15 an average of 20-plus years in the finance business and,  
16 over time, it has developed a disciplined credit culture  
17 and very consistent credit standards.

18 It still provides financing programs for  
19 products that were manufactured and serviced by Textron  
20 and sold to the ultimate consumers.

21 The resort finance division was started in 1991  
22 and that has grown to become a leading provider of  
23 financial services to the resort industry; and within  
24 that division, we have about \$2 billion in managed  
25 receivables.

1           The management team has over 25 years of  
2 industry experience. Some of the products that we  
3 provide to our customers, time-share receivable  
4 financing, construction loans, inventory financing,  
5 fractional product financing.

6           We provide purchase programs for consumer  
7 receivables and we have developed, over time, conduits  
8 and securitizations for our customers. Of course, we  
9 do some term lending also.

10           I have personally known the Applicant's  
11 management team and the company since the late 1990s.  
12 Their relationship with Textron Financial, their formal  
13 relationship started in December of 2006 when we  
14 provided them with the acquisition loan that facilitated  
15 their management buyout from their parent company.

16           In addition to that, we provided the letter of  
17 credit and support for the Pennsylvania Category 3  
18 Gaming Application, which I am sure you are familiar  
19 with.

20           The relationship over time has performed as  
21 agreed and our borrowings have reached a high point  
22 exceeding \$30 million.

23           I just want to say I continue to hold the  
24 management in high regard and really have confidence in  
25 their ability to operate their resort operation. Thank

1 you.

2 MS. JONES: Thank you, Mr. Mecca.

3 Next, we are going to ask Steven Reedy, who is  
4 a managing director of CIT Lending and has more than 19  
5 years of diversified investment banking, credit lending,  
6 and risk management experience.

7 His banking career includes experience with  
8 Textron, who you just heard from, AT&T Capital, FMAC  
9 Merrill Lynch, and CIT.

10 His primary focus has been with gaming  
11 segments, commercial real estate, communication media  
12 and franchise.

13 He received his bachelor's degree in accounting  
14 and business administration from Thiel College and his  
15 master's degree in financing from the University of  
16 Pittsburgh.

17 Mr. Reedy?

18 MR. REEDY: Thank you, Attorney Jones.

19 Good afternoon, Chairman Colins and members of  
20 the Board. CIT is a finance company that has been in  
21 business for over a hundred years.

22 We are publically traded and a leading global  
23 commercial and middle market finance company. We offer  
24 a competitive set of financial products and services to  
25 clients in more than 50 countries. We currently manage

1 assets in excess of \$70 billion.

2           The group that I am employed with is  
3 Communications Media and Entertainment of which gaming  
4 is one subsector. We currently employ 70 employees in  
5 key locations located in New York, New Jersey,  
6 California, Atlanta, and London.

7           Our typical deal sizes range from as small as  
8 \$10 million to as high as \$250 million. We offer  
9 financing throughout each stack of a capital structure  
10 ranging from senior secured lending to equity  
11 investments in certain circumstances.

12           The Gaming and Leisure Team at CIT was founded  
13 in 1993. We currently have \$726 million of capital  
14 committed to the gaming industry. We finance commercial  
15 casinos, casino hotels, Native American casinos and  
16 casino hotels, slot parlors, racinos, and card clubs.

17           Our cash flow lending activities are involved  
18 with acquisition financing, expansion financing,  
19 renovations, and equipment financing.

20           CIT currently is invested in four casinos in  
21 the State of Pennsylvania, which I have personally been  
22 involved with. We are a lender to the Meadows, Presque  
23 Isle Downs, Philadelphia Park, and Mohegan Sun.

24           Textron Financial and CIT have issued  
25 indicative terms and conditions to the Bushkill Group

1 with respect to the proposed casino financing.

2 The proposed transaction is consistent with  
3 others that we have completed. I am confident in the  
4 borrower's proposed business plan and that of the  
5 Bushkill Group and look forward to continuing our due  
6 diligence. Thank you.

7 MS. JONES: Thank you.

8 Our last witness is Steven Szapor, President of  
9 the Innovation Group, which I know the Board is familiar  
10 with the Innovation Group. He will discuss the economic  
11 and market analysis report.

12 Mr. Szapor has over 25 years of experience in  
13 the gaming industry and has 18 years of experience as  
14 COO and CEO of publicly traded gaming and entertainment  
15 companies.

16 Mr. Szapor has been licensed by a number of  
17 gaming jurisdictions and is the recent Past Chairman of  
18 the Board of Colorado Tourism Office.

19 He received his bachelor's of science degree  
20 from Villanova University and did graduate studies at  
21 New York University. He is also a Certified Public  
22 Accountant.

23 MR. SZAPOR: Thank you, Attorney Jones. Good  
24 afternoon, Chairman Colins and members of the Board.

25 I am here to represent the Innovation Group of

1 companies. Currently, we are five companies that  
2 provide a variety of consulting and advisory services to  
3 the gaming and leisure industries.

4 They include project development, feasibility  
5 related work, management services, and marketing  
6 services.

7 Our relationship with the Bushkill Group and  
8 its management team not only includes having completed  
9 the fees ability study and the economic impact study but  
10 we also have entered into an arrangement with them where  
11 we would be providing preopening and postopening  
12 management services to augment their existing management  
13 team.

14 Our core business, the Innovation Group  
15 specializes in feasibility studies and economic impact  
16 studies.

17 Our client lists includes those listed on the  
18 slide here, and they include all the major gaming and  
19 leisure in both hotel and gaming sector as well as over  
20 70 Native American tribes and numerous US and  
21 international governments and financial institutions.

22 We were engaged by the Bushkill Group to  
23 conduct an assessment of the Applicant's market region  
24 to project a number of annual game and revenues expected  
25 from a variety of market segments ranging from not only

1 the local population but to regional tourist.

2 We conduct over 200 of these type of studies a  
3 year and we base our models upon data that we collect in  
4 a variety of sources, primary market research that we  
5 perform on consumers throughout the year and we feel  
6 pretty comfortable about the results of our study.

7 In this situation, we use a gravity model to  
8 project the gaming activity for the tri-state area with  
9 the primary focus on the Poconos and the surrounding  
10 100-mile radius or the 90-minute drive time.

11 We believe that Fernwood will enjoy several  
12 competitive advantages. First of all, there is  
13 approximately 900 total units of lodging and only 500  
14 slot machines. That is a capacity constraint ratio that  
15 we see as being very favorable to them.

16 We believe that they have the ability to  
17 leverage all the existing facility that is already in  
18 place and the existing and marketing expenditures of  
19 which they spend about five million annually and now are  
20 marketing the resort and the time-share.

21 In this situation, we really believe that  
22 Fernwoods' emphasis is really going to be about getting  
23 the right people and the right gaming profile in front  
24 of the machines during peak periods because of the  
25 capacity constraint situation and second, filling a

1 midweek business.

2           We believe that they have a head start because  
3 they already have a database of over 175,000 names of  
4 people that come to the resort now and participate in  
5 activities.

6           From a marketing endurance perspective, we know  
7 the Pocono region is well established as a resort  
8 destination. There are 3.6 million people within a 90  
9 minute drive.

10           There is also a significant amount of hotel  
11 rooms, campgrounds, and second homes in the region,  
12 which offer additional demands.

13           Over 90 percent of the overnight visitors to  
14 the resort currently are from out of state, and we have  
15 the breakdown there.

16           We also know that the nearby Delaware Water Gap  
17 National Recreational area is the 10th most visited area  
18 in the National Park system and it draws over five  
19 million people annually.

20           The facility will benefit from being within 90  
21 minutes of 3.6 million people, having a database already  
22 established of over 175,000 people, and the experience  
23 of the management team augmented by what we believe is  
24 the experience of the Innovation Management Services.

25           The next slide is just a summary of some of the

1 forecasted patronage and revenues and win-per-unit  
2 positions for the facility for the first five years.  
3 Again, with gross terminal revenue approximating \$28  
4 million and producing \$13 to \$14 million of gaming tax  
5 annually.

6 A couple of things about our report that I  
7 think needs to be considered. One is the historical  
8 accuracy of our studies.

9 We have gone back internally and looked at all  
10 of the studies we have done over the last decade and  
11 monitored how facilities have actually performed  
12 compared to our results.

13 We are proud to say that, for the most part,  
14 our studies are very accurate. We tend to be a little  
15 bit conservative; and in this case, I think that holds  
16 up.

17 I also want to point out that the recent report  
18 we did for them on these numbers of anticipated gaming  
19 at Split Rock. We know the recent developments there  
20 and know that is not likely to happen. There is  
21 probably some upside potential to these numbers also.

22 Our report was done assuming a smoking ban was  
23 in effect. Again, the results, I think there are a  
24 couple of things that are unique to this situation.

25 One is we anticipate that only about a third of

1 the business is going to come from the local day trip  
2 market. This is really bringing the people from further  
3 away and really tending to those who are staying in the  
4 Fernwood Resort today and the nearby hotels.

5 72 percent of the gaming visits are expected to  
6 be from out of state. I think, lastly, about 80 percent  
7 of all of the gaming revenues are not expected to be  
8 cannibalized by existing Pennsylvania facilities. In  
9 other words, we see that as induced new revenue.

10 We also completed the economic impact study,  
11 and there are a lot of numbers here. I'm not sure I  
12 need to read them all; but the economic impact study  
13 said that there will be approximately \$2.3 million in  
14 additional state and local tax plus \$1.6 million in  
15 additional sales, room, and employment taxes.

16 Applicant slot facility operation will provide  
17 approximately nine million per year in property tax  
18 relief and create about 180 jobs during the construction  
19 period and between 80 or 90 jobs on an ongoing basis  
20 once it is opened.

21 I want to next to turn to Innovation Management  
22 Services and Innovation Management Services is a firm  
23 that several of my partners and I formed.

24 We saw a need in the gaming industry  
25 particularly for small organizations and smaller

1 projects that didn't have expertise. We're going to  
2 either open or develop gaming operations.

3 We have started this firm, myself along with my  
4 partner Steve Ritfo and Ernie D'Ambrosio. We really  
5 wanted to leverage off of the strengths and the  
6 experience of the key people in our organization such as  
7 myself.

8 Attorney Jones went through a little bit of my  
9 background. I have been in senior executive positions.  
10 I have been CFO, CEO, COO of public gaming companies in  
11 Atlantic City and Nevada and in Colorado.

12 I have a financial background but also a  
13 marketing background. I have taught tourism and resort  
14 marketing at Denver University. I'm the recent Past  
15 Chair of the Colorado Tourism Office Board of Directors  
16 so I think we bring a lot of experience to the table.

17 My partner Ernie behind me has, before getting  
18 on the consulting side, spent almost 20 years in  
19 Atlantic City on the cage financial side of the business  
20 and the marketing side of the business. Many people  
21 know my partner Steve Ritfo, who co-founded the firm  
22 with me. You know he provides a variety of advisory  
23 services all over the world in the gaming industry.

24 We had done the feasibility study and the  
25 economic impact study and gotten to know the Bushkill

1 team. We saw an opportunity here. We really liked the  
2 deal and were able to sit down with Andy and his team  
3 and work out an arrangement where we would come in and  
4 provide preopening and postopening management services.

5 We do that currently in a couple of situations  
6 in Nevada and with Native American facilities; and in  
7 this situation, I think we really offer a compliment to  
8 their existing team in terms of what is already in place  
9 and then bringing our capabilities to the team.

10 Again, just basically on a preopening basis, we  
11 will be responsible for developing HR policies and  
12 procedures, job descriptions, and work on personnel  
13 recruiting and hiring and, more importantly, training.

14 We will be working with the development of  
15 internal control procedures, which we have a lot of  
16 experience in selecting systems and developing the  
17 management reports for compliance with the PGCB.

18 We will help design the casino floor layout,  
19 select the slot product, and work with vendors on  
20 negotiating those terms and then develop a comprehensive  
21 preopening plan and budgets.

22 Again, on a postopening basis, we will actively  
23 manage the operations on a day-to-day basis in a manner  
24 consistent with industry practices.

25 Our goal is to maximize revenue and

1 profitability and also create an operating environment  
2 that adheres to the existing Fernwood diversity policies  
3 and the proposed problem gaming programs. Thank you for  
4 your time.

5 MS. JONES: Thank you, Mr. Szapor.

6 In conclusion, the Bushkill Group has shown  
7 through prior testimony and testimony today that it is a  
8 well-established hotel with year-round amenities and a  
9 minimum of 275 guest rooms.

10 It is also located further than 15 lineal miles  
11 from another licensed facility. You have heard  
12 testimony today as to the positive economic impact on  
13 the Pocono region and the Commonwealth based on the slot  
14 facility at Bushkill and that it will have a minimum  
15 effect on other facilities with 81 percent of revenue  
16 coming from new gamers.

17 You have heard from CIT that they are working  
18 with Bushkill on the financing package for the facility.  
19 You have also heard from HRG that there are no adverse  
20 impacts on the community or traffic roadways as a result  
21 of this project.

22 Bushkill has also retained a great management  
23 team with extensive experience, the Innovation  
24 Management Services that will assist in the running of  
25 this facility. Bushkill clearly meets the criteria in

1 the Act for a Category 3 license.

2 We would like to, again, thank the Board for  
3 this opportunity to present to you and are happy to  
4 address any questions you may have. Thank you.

5 CHAIRMAN DiGIACOMO COLINS: Very good. Thank  
6 you.

7 Are there any questions?

8 Let me go first to Chief Enforcement Counsel.

9 MR. PITRE: I have no questions, Chairman  
10 Colins.

11 CHAIRMAN DiGIACOMO COLINS: Chief Counsel?

12 MR. SHERMAN: I have no questions.

13 CHAIRMAN DiGIACOMO COLINS: All right.  
14 Commissioner Ginty?

15 COMMISSIONER GINTY: I have a question for  
16 Cyrus.

17 Cyrus, in the exhibits here, I note that there  
18 were letters sent earlier this year to Former  
19 Commissioner Miller of the Pennsylvania State Police and  
20 to current Attorney General Corbett asking for any  
21 information they might have relating to concerns about  
22 the Applicants in this case.

23 Have we received anything from either the  
24 Attorney General or the State Police?

25 MR. PITRE: We have not received anything

1 indicating that there were concerns with regard to any  
2 of these Applicants.

3 COMMISSIONER GINTY: And I forgot to ask this  
4 yesterday but I assume the same was true with Valley  
5 Forge Applicants?

6 MR. PITRE: Yes, the same is true with Valley  
7 Forge.

8 COMMISSIONER GINTY: Thank you.

9 CHAIRMAN DiGIACOMO COLINS: Commissioner Sojka,  
10 any questions?

11 COMMISSIONER SOJKA: Yes. Madame Chair, I have  
12 several items, one of more importance.

13 You mentioned you have meeting facilities. Are  
14 there ever conventions or large gatherings held in which  
15 people do not stay in hotel rooms?

16 MR. WORTHINGTON: We occasionally will hold  
17 festivals, that sort of thing. We do a Scottish-Irish  
18 festival, a chicken wing-off, job fairs, things of that  
19 nature.

20 Yesterday, and I think I recall where you are  
21 going with this, sometimes, we are the party that hosts.  
22 If there is a fee to be collected, there will be shows  
23 and things like that. Sometimes we collect the fee.  
24 Sometimes we will just rent the hall to a vendor and  
25 they will collect the fee.

1           At this point, we are a little bit in the dark  
2 about how we would move forward with using those fees  
3 for the purposes of satisfying the \$10 amenity fee.

4           Obviously, on the conservative side, the only  
5 thing we are sure of when we charge someone \$10 to use  
6 our amenities but we are not so clear on the other model  
7 where the hall is rented out.

8           COMMISSIONER SOJKA: What we see happening here  
9 is there could be some bulges in the traffic related to  
10 those. I realize this is a speculation.

11           Could you speculate that having the gaming  
12 facility would add to that bulge in traffic over what  
13 you have now or be about the same?

14           MR. WORTHINGTON: I hope it adds to it.

15           COMMISSIONER SOJKA: This ones borders on the  
16 flippant but has some substance. You are a traditional  
17 resort in the way most of us think of it and I imagine  
18 persons utilizing the facilities of the resort, let's  
19 say they are swimming and they get the urge to do some  
20 gaming and they come down your nice walkway to the  
21 single entry point and ask to be admitted. Have you  
22 gotten to the point where you are worrying about what --  
23 how they have got to be clothed, how they -- how they  
24 demonstrate that they really are in your hotel? Do they  
25 have to have ID because you're not going to have it in

1 your swimming suit and so on?

2 MR. WORTHINGTON: We have certainly never  
3 discussed how they were clothed, not to my knowledge  
4 anyway, so you are ahead of the curve on that one,  
5 Commissioner.

6 With respect to identification, we absolutely  
7 discussed that. We believe that we will need a card so  
8 that our owners and overnight guests will prove a couple  
9 of things.

10 One, that they are, in fact, guests of the  
11 hotel. And two, that they have met all of the other  
12 requirements, such as age and that they are not  
13 self-excluded and that sort of thing.

14 We do believe that the single point of entry  
15 whether it is a visual check by a security person or a  
16 visual check along with some sort of entry of the card  
17 into the system, we are not quite there yet. But we  
18 believe they will be thoroughly checked.

19 We expect that anyone who has spent the  
20 appropriate \$10, who is not an owner or an overnight  
21 guest will have the opportunity to stop at the Players  
22 Club, which is on the outside of the casino floor and  
23 present proper identification to make sure they are of  
24 proper age and present their receipt for the amenity  
25 that they used and then obtain a Player's Card that

1 would be good for the appropriate period as set forth in  
2 the legislation.

3           COMMISSIONER SOJKA: Sounds like you are about  
4 where you ought to be on that. The final thing I need  
5 to mention, it is a less a question and more a comment.  
6 I am sorry to be the one to present it.

7           You are aware with all of the discussions we  
8 had earlier with that 15-mile rule and various  
9 definitions that we might face, door to door or casino  
10 floor to casino floor or shortest driving distance or  
11 property line to property line, we thought we had that  
12 defined.

13           You should know that we have recently been  
14 challenged by a group of Legislators and that there is  
15 -- it's not going to happen easily; but it is  
16 conceivable that they could get that redefined from  
17 property line to property line for reasons that I won't  
18 go into.

19           Should that be the case, you are aware that you  
20 would not be suitable for consideration. I thought you  
21 should be aware of that. It is not the doing of this  
22 Board. It is outside our control, but you should be  
23 aware that that is going on.

24           MR. WORTHINGTON: Thank you, Commissioner.

25           COMMISSIONER RIVERS: Madame Chairman, just

1 several questions.

2           Can you talk about your peak occupancy times  
3 during the year in terms of when do you have the most  
4 people there, the number of people that you have, the  
5 number of stays, the numbers of the nights that they  
6 stay in the facilities?

7           MR. WORTHINGTON: Certainly. Obviously, our  
8 peak coincides with when schools are out of session. If  
9 I were suggest to you that the busiest day on our resort  
10 might be President's Day; but historically, the  
11 summertime is our busiest season. Our occupancy in the  
12 weekends runs at 100 percent. We do not have any rooms  
13 on the weekends in the summer and most holiday weekends.

14           Weeks in the summer are substantially more  
15 occupied than weeks when school is in session. We  
16 experience a very low time because we are mostly at this  
17 point a family resort.

18           So most of our guests have children in school  
19 or most of our owners. So fortunately, New Jersey and  
20 New York school vacation times are different than  
21 Pennsylvania.

22           So a lot of times, we will get busier on an --  
23 what would seem like an odd week to me. It would mean  
24 that the schools are out of session.

25           As to specific numbers, I think Gina Bertucci

1 could answer you on occupancy rates better than I could.

2 MS. BERTUCCI: Overall, our annualized  
3 occupancy rate -- is that the number we are looking for  
4 or --

5 COMMISSIONER RIVERS: Yeah.

6 MS. BERTUCCI: In our villas, we are running at  
7 about 60 percent occupancy and our hotel, we are running  
8 at about 43 percent occupancy. That smooths the whole  
9 season, the whole year.

10 I would suggest that a lot of what we are  
11 anticipating in the arrival of this license is it allows  
12 midweek visitation to the hotel and to our property in  
13 general.

14 COMMISSIONER RIVERS: Given the fluctuation of  
15 people coming in and people leaving and you made  
16 reference to the number of employees that you would be  
17 hiring, will the number of employees be -- is that a  
18 study state situation or will that also fluctuate based  
19 on the particular season?

20 MS. BERTUCCI: There is not a fluctuation. We  
21 are a year-round resort; and really, the number that I  
22 gave you, while there is some fluctuation in the summer  
23 months that we have all of our outdoor pools open or we  
24 have some facility that is seasonal, it smooths because  
25 in the winter months we have our snow-tubing park and in

1 the summer months, we have our pools and that number of  
2 500 now will go up from there. So if that answers your  
3 question.

4 COMMISSIONER RIVERS: My final question, have  
5 you done any type of economic impact or evaluation of  
6 the typical guests who partakes in your facility?

7 MS. BERTUCCI: I'm going to speak for  
8 Innovation Group. I worked with them on the study in  
9 the initial form of this. When we started many years  
10 ago putting the whole study together, we did do a lot of  
11 surveying and hired surveying companies to give us the  
12 overlay.

13 Not only did we do our own outbound surveying  
14 to find out what are the propensities of our current  
15 guests, what was their interest in coming to a facility  
16 that is now expanded with a slot facility.

17 So not only did we do that but we also  
18 referenced -- there are some studies out there on the  
19 time-share side that gave us a very good demographic  
20 analysis of what our current time-share owner looks like  
21 and their propensity to game as well. We use both of  
22 those sources to overlay that.

23 COMMISSIONER RIVERS: And in the process of  
24 doing all that of that, did you query them as to how  
25 interested in gaming they might be?

1 MS. BERTUCCI: Indeed. That was one of the  
2 questions. Not only are they interested in gaming but  
3 what type of gaming. The slots were significant for  
4 them.

5 COMMISSIONER RIVERS: Do you find that -- that  
6 being slots a more family-oriented type of entertainment  
7 as opposed to the table games?

8 MS. BERTUCCI: Again, I think we are in the  
9 position that we see it is an amenity. We did not take  
10 that questionnaire to the next level of saying A or B.

11 We indicated that we knew that that is what we  
12 were asking them about, and they really had a propensity  
13 to consider it as an additional amenity to a property  
14 that already has a very long list of amenities.

15 COMMISSIONER RIVERS: Thank you.

16 MS. BERTUCCI: You're welcome.

17 COMMISSIONER GINTY: Can I ask one question  
18 while you are there?

19 MS. BERTUCCI: Sure.

20 COMMISSIONER GINTY: I think way back when you  
21 mentioned it, but what is your average length of stay  
22 for a guest?

23 MS. BERTUCCI: When we smooth that, it is about  
24 2.3 to 2.4 percent.

25 COMMISSIONER GINTY: Thank you.

1 MS. BERTUCCI: Nights. Sorry.

2 COMMISSIONER McCABE: Yes. From the  
3 information that I have reviewed, it appears to me that  
4 you have 212 hotel rooms and 436 right-to-use  
5 time-shares.

6 Can you explain how -- to the Board, how you  
7 propose to make available 275 rooms a night available,  
8 365 days a year.

9 MR. WORTHINGTON: Certainly; and again, some of  
10 this answer may be incomplete only because we are not  
11 clear from Board and Board staff what the requirements  
12 for the time-share rooms are going to be.

13 We are in a little bit different situation than  
14 the other time-share Applicant was in that we maintain a  
15 substantial developer-owned inventory.

16 If the Board were to require that the right to  
17 use time-share not be burdened with the license of right  
18 to use by another individual, we would have sufficient  
19 inventory available to provide 275 rooms 365 days a  
20 year.

21 I recall from prior hearings, Split Rock then  
22 advanced a theory that since the time-share was right to  
23 use, title never passed; and therefore, selling a  
24 license to an owner for a right to use the time-share  
25 for a set week every year for a term of years was not,

1 in fact, the giving up of ownership of that unit.

2 I like that theory a lot; but if you don't like  
3 that theory, then I can assure you that we have  
4 sufficient inventory that is developed to always allow  
5 for 275 room nights 365 days a year.

6 If you tell us that that inventory is  
7 non-negotiable and non-salable, it will be taken off of  
8 our sale roster and will be maintained for the use of --  
9 they will be considered hotel rooms only.

10 COMMISSIONER McCABE: Thank you.

11 CHAIRMAN DiGIACOMO COLINS: Commissioner Coy?

12 COMMISSIONER COY: No questions.

13 CHAIRMAN DiGIACOMO COLINS: Commissioner  
14 Angeli?

15 COMMISSIONER ANGELI: I got a little confused  
16 on one of the questions. I will go back to it. I want  
17 to go back to the transportation issue first.

18 As I looked in the booklet, there were several  
19 PennDOT projects that had phases that were completed.  
20 Is there one that is not completed yet?

21 MR. WORTHINGTON: That is correct. All of the  
22 work in front of the hotel has been completed. Most of  
23 the ancillary intersections along the Marshalls Creek  
24 Bypass project have been completed; but the main part of  
25 the project, which is the bypass itself has not been

1 completed.

2           It was taken off PennDOT's list and they are  
3 working hard to get it back on or in some form or  
4 another. We are not aware of what the final form will  
5 take.

6           The Marshalls Creek intersection is something  
7 this resort has lived with since its inception in the  
8 '20s. The intersection is not great; but as you saw  
9 from HRG's report, it is the increase in traffic into  
10 that intersection as a result of this casino is a little  
11 bit over 1.3 percent.

12           Our owners and guests are used to the fact that  
13 they are going to have to wait ten minutes at the  
14 Marshalls Creek light on their way home at the end of  
15 the weekend.

16           COMMISSIONER ANGELI: If the flea market is not  
17 going on?

18           MR. WORTHINGTON: That is correct. I heard the  
19 flea market might be sold but that is pure speculation.

20           COMMISSIONER ANGELI: I'm not sure I completely  
21 understand the development ownership of the time-shares.  
22 Just to get through all of that, if there are those  
23 people who are -- those people who own time-shares are  
24 letting them -- letting someone else rent them, will the  
25 people who are renting them be allowed to partake in the

1 casino events?

2 MR. WORTHINGTON: We collect some portion of  
3 that fee as manager if they are renting them through us.  
4 We have a rental program; and under those circumstances,  
5 I would suggest that since we are collecting a fee for  
6 them to stay on the property, that it is, yes.

7 If -- I don't know the answer to the second  
8 half at this point, Commissioner. If you owned a  
9 time-share with us and allowed your brother-in-law to  
10 come stay for a week, would he be allowed to game? I  
11 would suggest, you paid the fee and he is there, I would  
12 say yes; but those are the things we anticipate  
13 answering, I think, with Board staff as we go further  
14 along in this process.

15 COMMISSIONER ANGELI: I just mentioned that as  
16 a control factor.

17 MR. WORTHINGTON: Sure.

18 COMMISSIONER ANGELI: There will be some issues  
19 as we go down the road with this.

20 MR. WORTHINGTON: Sure. We do know who is on  
21 the property. If you have rented your -- you need to  
22 present identification at the time of check in.

23 So if it is your unit and you have allowed  
24 someone else to use it, we are going to know who that  
25 other person is and whether or not they are excluded for

1 age or other reasons.

2 COMMISSIONER ANGELI: Okay. Do you have an  
3 average wage level that you are going to be paying for  
4 the people you are going to be hiring?

5 MR. WORTHINGTON: I don't -- I don't believe  
6 that we have set that level yet.

7 COMMISSIONER ANGELI: Do you expect -- where do  
8 you expect most of your new employees to come from?

9 MR. WORTHINGTON: I hope that our new employees  
10 will be from the local area. I expect that given Monroe  
11 County's historically high unemployment rate that we  
12 will be able to hire a lot of local people for these  
13 jobs.

14 I'm not always sure that they will be hired  
15 directly for the casino jobs. We have obviously seen a  
16 lot of interest from our current employees to switch to  
17 casino jobs.

18 If we can accommodate them in the slots-related  
19 positions, then we will have the position they just  
20 vacated open for another local person.

21 COMMISSIONER ANGELI: I noticed and maybe we  
22 have corrected this from the compulsive gaming plan,  
23 there seems to be a shortfall here that we need to work  
24 on.

25 MR. WORTHINGTON: That is correct and we are

1 committed to doing that.

2 COMMISSIONER ANGELI: No further questions.

3 Thank you.

4 CHAIRMAN DiGIACOMO COLINS: How many new jobs  
5 do you anticipate this license would bring?

6 MR. WORTHINGTON: We expect 250 on the  
7 construction side. On the slots facility side, after it  
8 is operational, we expect 83. We also expect occupancy  
9 to go up at that point and that will require additional  
10 workers in the -- on our traditional side.

11 CHAIRMAN DiGIACOMO COLINS: Okay. I have some  
12 questions, I think it would be more for Mr. Szapor from  
13 Innovation Group regarding the revenue figures.

14 I forget the precise number of new revenue that  
15 would be generated. It was on the slide. Was it 26  
16 million?

17 MR. SZAPOR: Between 26 and 27 million, yes.

18 CHAIRMAN DiGIACOMO COLINS: And of the 26, 27  
19 million, you indicated that 81 percent would not be  
20 cannibalized, that would mean 19 percent would be  
21 attributed to cannibalized revenue and you said from  
22 other existing PA facilities?

23 MR. SZAPOR: Correct.

24 CHAIRMAN DiGIACOMO COLINS: That being the  
25 case, the math would be, what, 21 million -- around \$21

1 million in new revenue?

2 MR. SZAPOR: 21, 22.

3 CHAIRMAN DiGIACOMO COLINS: Okay. And the  
4 existing facilities that you took into consideration,  
5 that would lose some revenue to this. What were the  
6 facilities?

7 MR. SZAPOR: Well, they would primarily be the  
8 ones in that area, Mount Airy, Mohegan Sun.

9 CHAIRMAN DiGIACOMO COLINS: Okay. And did you  
10 attribute 50/50 to each?

11 MR. SZAPOR: To be honest with you, I would  
12 have to go back and have someone look in the model where  
13 they came from. I don't know how that revenue was split  
14 out.

15 CHAIRMAN DiGIACOMO COLINS: Okay. So you  
16 didn't work out what percentage of their revenue that  
17 would equal?

18 MR. SZAPOR: Correct. We worked it out. I do  
19 not have the information with me.

20 CHAIRMAN DiGIACOMO COLINS: Okay. Do you think  
21 that is just -- in your experience, you have had lots of  
22 years in gaming and you're a consultant.

23 In your experience, is the cannibalization of  
24 revenue to a slight degree of nearby facilities  
25 commonplace, expected?

1           MR. SZAPOR: In competitive markets where there  
2 is more than one facility, yes. I think in this  
3 situation, again, because there is so much of the  
4 revenue coming from people staying at the resort, that  
5 is why a substantial amount of it is new business.

6           Either it is the people staying there now who  
7 are going to gamble or people who are looking at getting  
8 away to the Poconos or spending the night in gambling.

9           So that percentage could be lower or higher in  
10 different jurisdictions; but I think in this situation,  
11 to have 80 percent of it new business, is a positive.

12           CHAIRMAN DiGIACOMO COLINS: Okay. And did you  
13 look at this new business in terms of it -- the  
14 possibility of it having a positive impact on other  
15 Pennsylvania facilities, the neighboring facilities?  
16 Did you evaluate it in those terms?

17           MR. SZAPOR: You know, the way we did it in  
18 terms of the model, we looked at how much it grew the  
19 overall pie, the overall market.

20           You know, there is a theory that more casinos  
21 in an area create a cluster effect. People do like to  
22 visit different casinos on occasion. In most markets,  
23 it is like 2 or 2.2 casinos on a visit.

24           A lot of that is when they are strung along the  
25 strip or along a boardwalk; but even in other

1 jurisdictions where they are spread out like in southern  
2 California, for example, people will visit one facility  
3 for a couple hours and then drive 15, 20 minutes, a half  
4 hour to another one just to gain a new experience.  
5 There could be some kind of positive impact from the  
6 clustering effect. We didn't quantify that in our  
7 report.

8 CHAIRMAN DiGIACOMO COLINS: Can it be  
9 quantified?

10 MR. SZAPOR: Yes, it can. I mean, I think we  
11 would have to go back and look at our models and see  
12 what the overall impact is on some of those situations.

13 In our models, unfortunately, there is a number  
14 of different parts moving in and out. You have  
15 Philadelphia casinos potentially opening up in our  
16 models several years down the road. You have New York  
17 Aqueduct and other facilities.

18 It is not just a static situation. We would  
19 have to go back and rework the numbers a little bit and  
20 see how that would fall out.

21 CHAIRMAN DiGIACOMO COLINS: Okay. I think that  
22 is all I have.

23 Anything else?

24 No?

25 Okay. Thank you very much.

1           Now, let me ask our staff now to proceed and to  
2 present your findings.

3           MR. DONAGHUE: First, we're going to hear from  
4 Jim Talerico. He is the supervisor of the Financial  
5 Investigations Unit. He will be providing a statement  
6 on the conclusions of the Financial Suitability Task  
7 Force.

8           Then we will be hearing from Cyrus Pitre,  
9 followed by Susan Hensel.

10          MR. TALERICO: Thank you, Mr. Donaghue.

11          Chairman Colins, members of the Board, I am  
12 here to provide a statement based on the work performed  
13 concurrently by BIE's Financial Investigation Unit and  
14 staff from PricewaterhouseCoopers referred jointly as  
15 the Financial Suitability Task Force.

16          At this time, based upon the information  
17 contained in the application and the financial  
18 suitability analysis performed, the Financial  
19 Suitability Task Force did not find anything material  
20 which would preclude Bushkill Group, Incorporated from  
21 obtaining a Category 3 License.

22          CHAIRMAN DiGIACOMO COLINS: I should have asked  
23 this to CIT of the lenders. Is there a finite term to  
24 the agreements, the commitments?

25          MR. PITRE: There is no commitment agreement.

1                   CHAIRMAN DiGIACOMO COLINS:  What do we have  
2 here then?

3                   MR. PITRE:  Miss Jones, do you want to address  
4 that?

5                   MS. JONES:  We have a term sheet.

6                   CHAIRMAN DiGIACOMO COLINS:  I'm sorry.  What?

7                   MS. JONES:  We have a term sheet.

8                   CHAIRMAN DiGIACOMO COLINS:  A term sheet.  
9 Okay.

10                  Go on.

11                  MR. PITRE:  The Office of Enforcement Counsel  
12 on behalf of the Bureau of Investigation and Enforcement  
13 finds that there are no reasons to preclude suitability  
14 in this instance.

15                  MS. HENSEL:  At this time, based on the  
16 materials and information in the application and the  
17 cooperation received from the Applicant, the Bureau of  
18 Licensing is not aware of any issues that would preclude  
19 licensure of Bushkill Group regarding suitability as a  
20 Category 3 slot operator.

21                  CHAIRMAN DiGIACOMO COLINS:  Do we have any  
22 other questions for -- I have questions for CIT.

23                  Do you have some questions.

24                  COMMISSIONER ANGELI:  I have a follow-up  
25 question.  When we had the first round of this, you

1 weren't an Applicant. As we came into the second round,  
2 what changed your mind?

3 MR. WORTHINGTON: A couple of different things.  
4 When gaming originally came into Pennsylvania, we were  
5 owned by the Rank Group, which was a British  
6 corporation, which owned Hard Rock.

7 When we first started working on this project,  
8 we were looking at one of the larger facilities and  
9 doing it as a Hard Rock. Through various issues with  
10 Rank interested in selling Hard Rock and selling our  
11 business, we did not apply in the initial round.

12 An additional factor was our understanding that  
13 our competition was more specifically suited for the  
14 license than we were with respect to the 500-seat  
15 licenses when we decided to move to that license.

16 Subsequently, those two Applicants sold out and  
17 Rank sold the business to us. We dusted off all of the  
18 work we had done and came back in. It was all the  
19 intent of the management team of Bushkill to file.

20 There were circumstances beyond our control  
21 since we were not the owners of the business in the  
22 original period.

23 COMMISSIONER ANGELI: Thank you.

24 CHAIRMAN DiGIACOMO COLINS: I have some  
25 questions for CIT. I don't want to make you sad by

1 bringing this up.

2 In lieu of the state of the economy now, can  
3 you tell me, tell us on the record, what, if any, impact  
4 this is going to have on this term sheet that you have?

5 I mean, are you confident that you will go  
6 forward with the terms agreed to that are on the term  
7 sheet in view of the present state of the financial  
8 world, you know, the credit world?

9 MR. REEDY: Well, there is no arguing that  
10 there is an -- a tremendous amount of stress in the  
11 financial marketplace right now.

12 We, at CIT, continue to be a supporter of the  
13 Bushkill Group business plan. You know, I can't  
14 quantify for you because we have not completed our due  
15 diligence, the impact of the financial turmoil on that  
16 term sheet; but that term sheet was well thoughtout by  
17 two financial institutions.

18 We believe that the project will be a success  
19 and we remain committed to completing our due diligence.  
20 So right now, at this time, I can't provide you with  
21 much more than that.

22 CHAIRMAN DiGIACOMO COLINS: Okay. Okay. Thank  
23 you very much. We appreciate it.

24 Mr. Donaghue?

25 MR. DONAGHUE: No other presentations from

1 staff.

2 CHAIRMAN DiGIACOMO COLINS: Do you want to make  
3 an argument, a closing statement?

4 MS. JONES: We have already made our conclusion  
5 and thank the Board and move our PowerPoint presentation  
6 into evidence.

7 MR. PITRE: No objection.

8 CHAIRMAN DiGIACOMO COLINS: Any objection?  
9 Then it is accepted into evidence.

10 If there are no additional items, that  
11 concludes the hearing.

12 Bushkill Group will have until October 30th to  
13 file a posthearing memorandum of law, a brief with the  
14 Office of Hearings and Appeals.

15 May I have a motion to close the record and to  
16 adjourn the hearing?

17 COMMISSIONER McCABE: So moved.

18 COMMISSIONER ANGELI: Second.

19 CHAIRMAN DiGIACOMO COLINS: All in favor?

20 COMMISSIONERS: Aye.

21 CHAIRMAN DiGIACOMO COLINS: Thank you. The  
22 hearing is adjourned.

23 (The meeting concluded at 3:18 p.m.)

24

25

1           I hereby certify that the proceedings and  
2 evidence are contained fully and accurately in the notes  
3 taken by me on the within proceedings and that this is a  
4 correct transcript of the same.

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Hillary M. Hazlett, Reporter  
Notary Public

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