Market Estimates

Given the pre-opening status or brief operating history of existing gaming venues within the immediate market area, it was not relevant to calibrate the model to existing conditions. Rather, the model was based largely on our understanding of the accessibility and likely amenity mix for new facilities in the market, and the existing source of revenues for casinos already in operation. The average win per visit estimates are based upon proprietary and public information in market areas with comparable incomes and demographic profiles.

In estimating potential local market gaming revenue, gaming participation rates and win estimates were made for each of the eleven market areas, as outlined in the tables below. Relative attractiveness factors were applied for each of the competitive venues in the market, taking into consideration access issues from each of the markets to each of the existing and proposed venues, particularly with respect to natural barriers (mountains, rivers), which can make travel times considerably different than would be evident from simple linear distances. Consideration also had to be given to the expected level of exclusivity imposed upon day-trip entry to resort-scale gaming venues, as gamers would not be able to visit the Fernwood casino with the gaming as the sole purpose of visitation.

In theory, no local market gaming participation should be considered since persons going to the facility for the sole purpose of gaming would need to be turned away. However, as gamers generally patronize some non-gaming amenity anyway when visiting casinos, it is reasonable to be inclusive of the local market, though it is recognized the patronage of non-gaming amenities *prior to* attendance of the casino would be a requirement, and not necessarily an attractive one for all gamers. Guests who stay overnight will be considered in the overnight demand segment, and should not be considered here to avoid double-counting. However, patrons of the golf course, the snow-tubing hill and banquet functions may be permitted, and many of these guests would likely be from the local area. As these amenities will not be considered independently in this analysis in terms of the incremental demand that they could generate, estimating the local market potential for a resort-scale casino is warranted.

Local Market Potential

When gamers consider venues in the region, Fernwood will be at a disadvantage in this segment with respect to being a constrained resort-scale development, as compared to other facilities which will be larger and therefore have a stronger drawing power for persons with a primary intention to participate in gaming. It is also expected that the other casinos would have substantially larger marketing budgets, as the revenue potential for an eastern Pennsylvania slot facility with 6 to 10 times as many slots as Fernwood would likely be a significant multiple of Fernwood's. Gaming regulations will also restrict to some degree the ability for local market gamers to be able to patronize the casino without being resort guests in some manner or form. Partially offsetting this effect will be the wide range of amenities at Fernwood and the fact that many gamers tend to take advantage of such amenities in conjunction with gaming. As a result, it should be expected that the local patron market segment would be a relatively small component of the facility's gaming patronage.

Gaming participation rates for each of the eleven defined market areas in the region will depend on the quantity and accessibility of casinos within a day-trip distance of the market area centers or where the population masses are located within the defined markets. As mentioned above, it is assumed that the slot facility at Fernwood would be operational by mid-2008 (with the first full year being 2009), and the competitive facilities in the region are also all expected to be in permanent venues, with the exception of the two Philadelphia stand-alone facilities and two Catskills resort facilities, all likely to open in 2010. Additionally, in 2009 it is assumed that Sands BethWorks will not yet be at their proposed maximum build-out size due to a required short probationary period where they will be limited to 3,000 devices. By 2011 it is assumed that all of the slot facilities in the commonwealth will offer the most optimal quantity per their venue, or as estimated above, approximately 26,000 devices spread between the seven regional Pennsylvania competitors. In the table below, market gaming factors are presented for each of the eleven defined market areas for 2009, as well as for a stabilized market in 2011.

Projected Regional Gaming Market Participation Rate Factors

	2009		2011	
	Propensity	Frequency	Propensity	Frequency
Primary Middle	40.0%	11.0	40.0%	11.0
Primary East	38.0%	10.0	39.0%	11.0
Primary West	42.5%	11.5	42.5%	11.5
Secondary East	35.0%	9.5	39.0%	10.5
Secondary West	38.0%	10.0	38.0%	10.0
Tertiary East	32.5%	8.0	35.0%	8.5
Tertiary West	40.0%	11.0	40.0%	11.0
Outer South	36.0%	9.0	37.5%	10.0
Outer West	34.0%	8.3	35.0%	8.5
Outer North	25.0%	5.5	30.0%	6.5
NYC*	24.0%	5.3	25.0%	5.5

* Not including propensity to game in Connecticut

Based on the market demographics and the gravity model inputs, it is projected that the provision of slots at Fernwood as an entertainment amenity could attract an estimated 143 thousand local market patron visits to the resort in the first full year of operations (2009), and could generate $9.42 million in gaming revenues. The Primary East, Primary Center and Secondary East market areas are expected to be the main sources of local market gaming win, accounting for approximately 80% of the revenues, however this will likely be a much smaller component of total win once tourism is factored in. Pennsylvanians are expected to comprise approximately 45.7% of the local gaming market patronage for the casino, though for tourist market segments this will be a considerably smaller percentage, as New Yorkers and New Jersey residents comprise the vast majority of tourists to the Poconos, both as day-trippers and overnight guests. The share of local market revenues attributable to Pennsylvanians is projected to be approximately 43.2%, lower than the projected share of patronage due to the assumption of lower average gaming budgets than non-residents.

The local market revenue and patronage projections are provided in the following table.

Estimated Fernwood Casino Local Market Gaming Revenues and Patronage, 2009

	Gamer Visits	Gaming Revenue
Primary Middle	44,500	$2,776,811
Primary East	25,576	$1,621,508
Primary West	1,833	$108,883
Secondary East	47,793	$3,147,174
Secondary West	1,874	$109,467
Tertiary East	7,618	$622,797
Tertiary West	4,541	$269,753
Outer South	537	$38,573
Outer West	690	$39,285
Outer North	1,457	$104,603
NYC	6,295	$577,566
Total Win	**142,716**	**$9,416,420**

	% of Patronage	% of Revenues
PA	45.7%	43.2%
NY	4.9%	6.0%
NJ	49.4%	50.8%

The market is expected to stabilize, but include greater competition by 2011. As a result, while gaming participation rates in the region will likely increase as a result of additional choices and more proximate venues for some of the population, and average gaming expenditures per visit may increase slightly due to increased incomes and inflation, the revenue potential at Fernwood could potentially decline slightly. It is projected that the slots at Fernwood could attract an estimated 138 thousand local market patron visits to the resort in 2011, and could generate $9.27 million in gaming revenues. The share of gaming revenues and patronage coming from Pennsylvania residents in this model increases from 2009 as a result of the expected opening of Catskills resorts, with Pennsylvanians projected to account for 46.9% of patronage and 44.5% of local market win.

The local market revenue and patronage projections for 2011 are provided in the following table.

Estimated Fernwood Casino Local Market Gaming Revenues and Patronage, 2011

	Gamer Visits	Gaming Revenue
Primary Middle	45,902	$2,919,383
Primary East	24,925	$1,585,202
Primary West	1,905	$121,159
Secondary East	44,178	$2,966,577
Secondary West	1,815	$108,189
Tertiary East	7,125	$593,192
Tertiary West	4,201	$254,551
Outer South	504	$36,886
Outer West	630	$36,576
Outer North	875	$64,057
NYC	6,242	$582,067
Total Win	**138,302**	**$9,267,839**

	% of Patronage	% of Revenues
PA	46.9%	44.5%
NY	3.7%	4.7%
NJ	49.4%	50.8%

Tourism Win

Potential tourist gamer visitation and gaming win for Fernwood has numerous sources, each of which need to be considered separately. Several of these segments will not be impacted significantly by the presence of other gaming facilities in the Pocono region, though others may.

- Second-home residents
- Existing hotel and alternative accommodation demand nearby Fernwood
- Existing day-trippers to the Poconos
- Existing hotel demand at Fernwood
- Existing timeshare ownership at Fernwood
- Potential incremental hotel demand at Fernwood
  - Shift in market share as a result of having the ability to offer the gaming amenity
  - Growth in demand for visitation to the region
- Demand for ancillary amenities at Fernwood and capture by casino

Second Home Visitation

The Pocono region is popular with regional residents as a place to own a second home. This is apparent given that an estimated 40% of visitors to the Poconos stay in private homes when coming to the area for leisure vacations, despite a broad selection of hotels, inns and motels to choose from located throughout the region. The mountains, lakes and rivers provide recreation throughout the year, though according to the Pocono Mountains

Vacation Bureau, the summer is generally the most popular time for visitation, accounting for nearly half of annual visitation to the region.

According to the 2000 Census, there were 67,581 housing units in Monroe County, of which 14,705, or 21.8%, were defined as being for seasonal, occasional or recreational use. In 1990 there were 54,823 housing units in the county, of which 14,935 were defined as being for seasonal, occasional or recreational use. As the retired segment of the population increases to grow, many of the seasonal homes are being turned into year-round residences, explaining the slight dropoff in seasonal units, despite the more than 2% annual increase in housing stock.

Unlike Monroe County, which has the relatively major city of Stroudsburg to support a high year-round residency, home ownership in Pike County is far more frequently for recreational use. According to the 2000 Census, there were 34,681 housing units in Pike County, of which 15,350, or 44.3%, were defined as being for seasonal, occasional or recreational use. The housing stock in Pike County did not increase as rapidly as in Monroe County during the 1990's, as there were 30,852 total units in 1990, of which 18,369, nearly 60%, were defined as being for seasonal, occasional or recreational use.

In Middle Smithfield Township, where Fernwood is located, there were 11,495 housing units in 2000, of which 28% were for seasonal use.

The level of second home ownership may be expected to remain flat, or slowly decline from 2000 through the end of the decade. In 2000 there were a total of 30,055 seasonal-use residences in the two-county area. It is assumed that by 2009 this total will stabilize at approximately 30,000. As with the local permanent population, the majority of the residents in the region would find Mount Airy to be more proximate, and Mount Airy or BethWorks would be preferred due to the lack of necessity to be also a patron or the resort's non-gaming amenities in order to participate in gaming.

It is projected that the Fernwood slot facility could generate approximately 13,500 annual visits from the second-home market, resulting in approximately $931,500 thousand in gaming win in 2009. Assuming a 1.5% annual inflation factor, this total would increase to $958,500 thousand by 2011. There is no expected impact from the competitive landscape that would impact the participation rate or capture rate between these years for this market segment.

Estimated Fernwood Casino Second Home Resident Gaming Revenues and Patronage, 2009-2011

Seasonal Homes	Adults	Propensity	Frequency	Capture Rate	Gamer Visits
30,000	2	37.5%	6	10%	13,500
Gamer Visits	Win/Visit 2009	Gaming Win 2009	Win/Visit 2009	Gaming Win 2009	
13,500	$69.00	$931,500	$71.00	$958,500	

Demand from Nearby Hotels and Resorts

The Innovation Group collected data from Smith Travel Research (STR) to determine regional demand for overnight accommodations. A total of 74 properties are present in the Stroudsburg/Pocono region, accounting for a total of approximately 6,000 rooms. Smith Travel Research collects data from 48% of the room supply in the market, which is a sufficient size to demonstrate market performance. It should be noted, however, that many of these rooms are at small, budget hotels, as most of the upscale properties are privately owned and do not contribute to their research reports. Moreover, of the properties covered in their research, only 9 are within 15 miles of Fernwood, with the majority serving the Stroudsburg area. Nevertheless, the variations in demand depict the historical fluctuation of tourism to the region in general.

Hotel occupancy rates in the region have remained relatively flat for the past seven years, ranging from 51% to 54.4%. For properties in closer proximity to Fernwood, it is believed that occupancy rates have been closer to 60%, taking advantage of the proximity to most of the tourist attractions in the region. In total, the region generated approximately 1.1 million room nights of demand in 2006, down from over 1.4 million in 2000, but consistent with the average since 2003. The following table demonstrates the annual average occupancy rates and annual room demand for the broad region, as calculated by Smith Travel Research.

Regional Hotel Room Demand

Year	Occupancy Rate	Room Nights of Demand
2000	54.4%	1,431,938
2001	52.8%	1,317,801
2002	53.8%	1,201,448
2003	52.5%	1,127,125
2004	51.9%	1,112,222
2005	52.7%	1,099,875
2006	51.0%	1,111,370

Source: Smith Travel Research

The most proximate hotels and resorts to Fernwood are of mid- to upper-level caliber, and could be considered as competitive properties. These properties have historically had occupancy rates 10% above the regional average, which included many economy hotels such as the Days Inn and Super 8 chains. According to STR there are 21 properties of this higher caliber (not all of which provide operating data to STR), providing 2,623 guest rooms in total, or approximately 125 rooms per property, within 15 miles of Fernwood. Approximately half of these rooms are located at properties along or accessed via the Route 209 corridor, such that patronage of a gaming facility at Fernwood could be easily accommodated.

It is assumed that a base 57.5% occupancy rate can be maintained for the 21 proximate properties by 2009, with some of the room demand diverted to Fernwood, and some cannibalized by Mount Airy Lodge as a result of its reopening. For the remaining hotel guests at properties on Route 209, it could be expected that approximately 7.5% would patronize a Fernwood casino, while an estimated 1.5% of patrons of other nearby hotels would visit the Fernwood casino.

In total, it is projected that patrons of other hotels in the market could generate 17,603 gamer visits to the Fernwood slot facility in 2009, remaining stable through 2011. This demand is projected to result in $1.0 million in annual gaming win in 2009, increasing to $1.04 million by 2011, as demonstrated in the tables below.

Estimated Fernwood Slot Patronage from Guests of Nearby Hotels

	Rooms	Occupancy %	Room Nights Demanded	Adults/Room	Adult Nights/Year	Adults
On/Near 209	1,365	57.5%	286,479	1.9	544,310	181,437
Other < 15 miles	1,258	57.5%	264,023	1.9	501,644	167,215
Total	**2,623**	**57.5%**	**550,502**	**1.9**	**1,045,954**	**348,651**

Estimated Fernwood Revenues from Guests of Nearby Hotels, 2009

	Adults/Year	Propensity	Frequency	Gamer Visits	Win/Visit	Gaming Win
On/Near 209	181,437	7.5%	1.1	14,969	$56.50	$845,749
Other < 15 miles	167,215	1.5%	1.05	2,634	$59.00	$155,406
Total	348,651			**17,603**		**$1,001,155**

Estimated Fernwood Revenues from Guests of Nearby Hotels, 2011

	Adults/Year	Propensity	Frequency	Gamer Visits	Win/Visit	Gaming Win
On/Near 209	181,437	7.5%	1.1	14,969	$58.50	$875,687
Other < 15 miles	167,215	1.5%	1.05	2,634	$61.00	$160,674
Total	348,651			**17,603**		**$1,036,361**

These projections may be viewed as conservative, as there are actually 75 properties in the Poconos/Stroudsburg region in total, with over 6,000 rooms. However, many of these hotels are either a significant distance from Fernwood such that they would generate a small amount of visitation, or they are of limited service, and may have guests with limited budgets. Nevertheless, some incremental visitation and gaming win could result from guests of these additional properties.

Existing Pocono Day-Trip Market

Day trip visitors to the Pocono region could provide some incremental patronage to the casino assuming the resort offers a broad array of attractive amenities that would qualify patrons for access to the casino. The Pocono region currently generates approximately the same quantity of day-trip visitation as it does overnight visitation, with a large percentage of the population coming from regions where casino gaming is not available. The summer is the peak visitation season, accounting for approximately 45% of annual tourism to the Pocono region. Winter is also a popular season for visitation, with numerous ski areas located throughout the Pocono region including several within close proximity to Fernwood. Fernwood also offers a snowtubing hill as popular winter activity.

If the casino can capture 0.33% of this visitation, a total of 9,900 casino visits could be generated. A casino could expect a lower average win per visit for these patrons than for overnight gamers or local patrons coming to Fernwood for the primary purpose of gaming due to the likely shorter duration of gaming visit. A win per visit of $40 may be assumed on average for this segment, which would yield $396 thousand in gaming win in 2009. Assuming an increase in expenditure of 1% per year, the total could increase to $404 thousand by 2011.

Existing Hotel and Villa Rental Demand at Fernwood

Fernwood currently consists of both hotel units and timeshare units, with timeshare units being used both by owners of the units and transient rental demand for tourists. The resort currently offers 110 guest rooms in the hotel, but can increase the total to 212 using currently unutilized room stock. Additionally, the property offers 576 timeshare units with sufficient total room stock to meet the statutory requirement. An additional 208 timeshare units have been approved but not yet developed for future growth. Timeshare units are available for rental when not reserved by owners.

On average during the past six years, tourists have demanded approximately 17,000 hotel rooms, or approximately 47 rooms per night. The average room supply has varied during the past several years, though maintenance and upgrades to wings has put the average in the 100-130 room range, such that occupancy rates generally range from the high 30% range to mid 40% range as an annual average. Hotel rooms on average have historically consisted of approximately 2.5 adults, with an average length of stay of 2.3 nights. In 2005 this equated to approximately 18,478 adult visitors for the hotel.

The addition of a casino to Fernwood should extend the average stay by 0.05 nights, or the equivalent of 1 in 20 guests staying an extra day. Assuming a base of 17,000 annual room nights demanded, an additional 850 room nights of demand or 2,125 person-nights should result.

Fernwood generated 36,000 occupied rented villa nights in 2005, up from an average of approximately 32,000 per year during the early part of the decade. Rented villas have an average occupancy of approximately 3.75 adults, with an average visitor length of stay of 2.4 nights. This average length of stay should increase slightly (to 2.5 nights) as gaming is added as an amenity, yielding more adult room nights demanded. Villa rental demand therefore amounted to approximately 56,250 adults for the year.

Considering only the base demand from resort guests that are not timeshare owners, the following estimate of potential gaming demand is provided. In total, it is projected that the base hotel and villa rental patrons will generate 36,799 gamer visits per year, resulting in $2.61 million in gaming win in 2009. By 2011 it is estimated that revenues from this segment will increase to $2.66 million, with no impact on gaming visitation, as gamers are not expected to be diverted to other gaming facilities in the region due to the ease of accessibility from guest rooms and villas to the casino.

Base Hotel and Villa Rental Gaming Demand

	adult room nights/year	length of stay	adults/year
hotel guests	48,321	2.35	20,562
villa renters	140,625	2.5	56,250
total	**188,946**		**76,812**

Base Hotel and Villa Rental Gaming Revenue Potential, 2009-2011

	adults/year	propensity	frequency	gamer visits	win/visit	gaming win
hotel guests	20,562	42.5%	1.25	10,924	$67.00	$731,908
villa renters	56,250	40%	1.15	25,875	$72.50	$1,875,938
Total (2009)	**76,812**			**36,799**	**$70.87**	**$2,607,846**
hotel guests	20,562	42.5%	1.25	10,924	$68.50	$748,294
villa renters	56,250	40%	1.15	25,875	$74.00	$1,914,750
Total (2011)	76,812			**36,799**	**$72.37**	**$2,663,044**

Existing Villa Owner Demand at Fernwood

Fernwood's timeshare villa owners control 18,600 weeks of stock per year currently, and generally come for between five and six days per week owned. Historically, owners have utilized their units at a rate of approximately 50%, being a combined factor of staying less than seven days on average per visit, and the non-utilization of the annual allotments by some owners. In 2004 this amounted to approximately 66,000 unit nights occupied by timeshare owners. The average number of adults in the owner-occupied units has been slightly higher than that of the villa renters, with an average of 4.25 adults, such that approximately 280,500 annual adult person-nights of demand are currently generated, or 51,000 unique adults each year.

The addition of gaming as an amenity to the resort should increase the utilization rate by owners, with the utilization rate projected to increase to 55%, or 71,610 unit nights occupied. Assuming the average number of adults per room and length of stay remains constant, the owned units would attract 55,335 adults per year. It is projected that the casino could capture 55% of these adults for half of the nights of their vacation visit, such that the casino could generate 83,694 gamer visits from this market segment. Based on an average win per visit of approximately $75 per year, this would yield annual gaming revenues in the range of $6.24 million to $6.36 million per year from this market segment.

Base Villa Owner Gaming Demand

	annual units used	adults per room	adult room nights/year	length of stay	adults/year	
	71,610	4.25	304,343	5.5	55,335	
Year	adults/year	propensity	frequency	gamer visits	win/visit	gaming win
2009	**55,335**	**55%**	**2.75**	**83,694**	**$74.50**	**$6,235,217**
2011	**55,335**	**55%**	**2.75**	**83,694**	**$76.00**	**$6,360,758**

Incremental Hotel and Villa Rental Demand at Fernwood

The addition of gaming as an amenity at Fernwood should make the resort more attractive to many vacationers, and should thereby increase the demand for hotel rooms. Fernwood would be one of only two resorts in the Pocono region that would offer slots as an amenity, which should increase the popularity of staying at Fernwood relative to other resorts either in the region or in other Tri-State area vacation destinations. In order to determine the incremental visitation that may occur, it is necessary to estimate the impact that gaming has on the accommodation decision process.

Yankelovich Partners publishes a comprehensive and widely used annual travel industry survey that tracks the decision-making process of vacationers throughout the country. In the 2005 survey, 26% of respondents considered "Being able to gamble" as an attribute that is either extremely or very desirable. This percentage varied widely across demographic lines, however, with young, low income, non-white males being most likely to find accommodations where one can gamble as highly attractive (not necessarily that combination, but each of those segments of the age, race and income categories yielded the most favorable responses). However, the propensity for even the least interested demographic segments is still close to the total sample average.

Total sample	26%			
Gender	Male	Female		
Male	25%	27%		
Age	Echo-Boomers	Xers	**Boomers**	**Matures**
	34%	27%	**23%**	**25%**
Annual Household Income	<$30k	$30-$49.9k	**$50k+**	$100k+
	34%	31%	**23%**	21%
Ethnicity	White	Non-White*	African-American	
	24%	39%	50%	

Source: YPB&R/Yankelovich Partners National Leisure Travel Monitor 2005
Echo-Boomers: adults born after 1979; Xers: adults born 1965-1978; Boomers: adults born 1946-1964.
*African-American, Hispanic, Native American, Asian, etc.

In 2004 Fernwood's operator compiled profile demographics of timeshare owners at the Resort. The average age of a timeshare owner was 55 (Mature or Boomer comprise the vast majority), and had an annual household income of $77,000. The average length of timeshare ownership was more than 10 years, and many owned more than one property. As can be seen from the table above, considering the income and age statistics for the timeshare owners, 23% of adults in these represented groups would find gaming a very attractive attribute in selecting a vacation spot, just below the national average.

Tourists currently visiting other hotels in the region could be expected to have a similar demographic mix, and many may be willing to change hotels once slot facilities become available at nearby alternatives. This should be true if a slot facility is offered at Fernwood, but should also hold true with respect for generating demand for Mount Airy Lodge, such that diverted hotel demand would be split between the two properties.

Incremental hotel demand should be expected in terms of a capture rate from existing tourists at the 21 comparable properties' 2,600 available rooms, as well as from overnight stays as induced by regional gamer visitation. It is estimated that 2.0% of the Route 209 hotel demand will be diverted to stay at Fernwood with a resort-scale slot facility, and 1.5% of demand for hotels elsewhere within a 15-mile radius will be diverted to Fernwood. Note that above it was estimated that the occupancy rates at these hotels would decline from approximately 61% to 57.5% as a result of slots being offered as an amenity at Fernwood and Mount Airy Lodge, or approximately 33,500 total room nights of demand diverted. It is projected that incremental room demand at Fernwood as captured from other area hotels should amount to 10,279 rooms per year, which would reflect approximately 30% of that total, with Mount Airy Lodge attaining the majority balance (70%). Assuming 2.3 adults per occupied room, this would reflect a total of 23,643 adults. These guests should be expected to generate 19,505 annual visits to the Fernwood casino, yielding approximately $1.41 million to $1.44 million per year in gaming win. These calculations are presented in the following tables.

Projected Incremental Hotel and Villa Demand from Diverted Pocono Tourists

	Total Market Rooms	Base Room Demand	Diverted Rooms	Incremental Room Demand	Adults/Room	Adults
On/Near 209	1,365	303,917	2.00%	6,078	2.3	13,979
Other < 15 miles	1,258	280,094	1.50%	4,201	2.3	9,663
Total	2,623	584,011		10,279		23,643

Projected Gaming Revenues from Incremental Hotel and Villa Demand from Diverted Tourists, 2009

Adults	Propensity	Frequency	Gamer Visit	Win/Visit	Gaming Win
23,643	**0.75**	**1.1**	**19,505**	**$72.50**	**$1,414,126**

Projected Gaming Revenues from Incremental Hotel and Villa Demand from Diverted Tourists, 2011

Adults	Propensity	Frequency	Gamer Visit	Win/Visit	Gaming Win
23,643	**0.75**	**1.1**	**19,505**	**$74.00**	**$1,443,383**

Incremental room demand should also be expected from local market gamers that choose to stay overnight at Fernwood, as this would be one of the ways in which a gamer would be defined as a resort patron. It is projected that an additional $878 thousand in gaming win will be generated by local gamers staying overnight in 2009, declining slightly to $844 thousand in 2011 as some additional gaming properties open or expand in the broader market area. In order to make these calculations, it is assumed that each overnight gamer will have a gaming budget 60% greater than day-trippers from their respective home zip code areas. Higher gaming budgets for these guests would result from the ability to visit the casino both during the evening and morning of their stay, and the assumption that the typical casino visit will be longer than the average for day trip patrons. This would reflect incremental demand for 10,353 rooms in 2009, or approximately 28 rooms demanded per night, declining to 9,701 room nights in 2011, or 27 rooms demanded per night. The following tables present these calculations:

Incremental Gaming Demand from Local Market Overnight Guests, 2009

	Local Gamer Visits	Overnight Capture	Gamers/Room	Rooms Demanded	Incremental Gaming Revenue/Room	Incremental Revenues
Primary Middle	44,500	0.10%	1.9	23	$71.14	$1,636
Primary East	25,576	0.15%	1.9	20	$72.28	$1,446
Primary West	1,833	0.20%	1.9	2	$67.72	$135
Secondary East	47,793	17.5%	1.9	4,402	$75.07	$330,454
Secondary West	1,874	7.5%	1.9	74	$66.58	$4,927
Tertiary East	7,618	40.0%	1.9	1,604	$93.20	$149,485
Tertiary West	4,541	33.3%	1.9	796	$67.72	$53,902
Outer South	537	65.0%	1.9	184	$81.85	$15,061
Outer West	690	50.0%	1.9	182	$64.87	$11,806
Outer North	1,457	65.0%	1.9	498	$81.85	$40,762
NYC	6,295	77.5%	1.9	2,568	$104.60	$268,600
Total Win	**142,716**			**10,353**		**$878,213**

Incremental Gaming Demand from Local Market Overnight Guests, 2011

	Local Gamer Visits	Overnight Capture	Gamers/Room	Rooms Demanded	Incremental Gaming Revenue/Room	Incremental Revenues
Primary Middle	45,902	0.10%	1.9	24	$72.50	$1,740
Primary East	24,925	0.15%	1.9	20	$72.50	$1,450
Primary West	1,905	0.20%	1.9	2	$72.50	$145
Secondary East	44,178	17.5%	1.9	4,069	$76.55	$311,486
Secondary West	1,815	7.5%	1.9	72	$67.94	$4,892
Tertiary East	7,125	40.0%	1.9	1,500	$94.91	$142,358
Tertiary West	4,201	33.3%	1.9	736	$69.08	$50,846
Outer South	504	66.7%	1.9	177	$83.45	$14,770
Outer West	630	50.0%	1.9	166	$66.23	$10,995
Outer North	875	66.7%	1.9	307	$83.45	$25,619
NYC	6,242	80.0%	1.9	2,628	$106.31	$279,370
Total Win	**138,302**			**9,701**		**$843,670**

Finally, some expansion of the base hotel and villa rental should be expected as a result of induced visitation to the Poconos that would otherwise have accrued to another destination. It should be expected that the resort could increase annual visitation by 22.5% by adding gaming as an amenity in 2009, declining to a 20% in 2011 based on the assumption that the Catskill resorts will have returned as gaming resort destinations. As noted above, the resort generates approximately 171,000 adult room nights of demand (RND) per year. As a result, the incremental tourists should be able to generate approximately $2.78 million in incremental gaming revenues in 2009, generating 16,728 additional rooms of demand. A decline to $2.54 million in gaming win and 14,870 rooms demanded should be expected for 2011.

Incremental Tourist Demand for Hotel from Regional Vacations that Would Have Otherwise Visited Destinations outside the Pocono Region, 2009

Current Adult RND	Growth	Incremental Adult RND	Adults/Room	Total Rooms	
171,000	22.5%	38,475	2.3	16,728	
Incremental Adult RND	Propensity	Frequency	Gamer Visits	Win/Visit	Gaming Win
38,475	**0.75**	**1.1**	**31,742**	**$87.50**	**$2,777,414**

Incremental Tourist Demand for Hotel from Regional Vacations that Would Have Otherwise Visited Destinations outside the Pocono Region, 2011

Current Adult RND	Growth	Incremental Adult RND	Adults/Room	Total Rooms	
171,000	20%	34,200	2.3	14,870	
Incremental Adult RND	Propensity	Frequency	Gamer Visits	Win/Visit	Gaming Win
34,200	**0.75**	**1.1**	**28,215**	**$90**	**$2,539,350**

Entertainment Intercept at Fernwood

The casino should be able to attract patrons of amenities and attractions at Fernwood, including golfers, event patrons, and winter sports activity patrons. Most of the recreational activity patronage would be considered elsewhere in the report as being tourists to the Poconos, regional residents, or guests of Fernwood, however large events at the facility and those promoted by Fernwood at the Mountain Laurel Center should provide for significant incremental demand on those days.

Fernwood presents frequent events throughout the year, and Resorts Group reports that approximately 6,000 tickets per year are sold, not including the in-house non-ticketed events. This equates to approximately 500 guests for a major event each month. There are also several events throughout the year that are festival-style events that do not require tickets, which attract regional visitors and tourists in the Poconos. For the ticketed events, it is estimated that 40% of guests are patrons of the hotel and villas.

Assuming the casino can capture 33% of the Fernwood event patrons that are not overnight guests of Fernwood, the casino would generate an additional 1,080 annual gamer visits. A similar figure could be expected as a capture from the golf course, which generates approximately 17,000 rounds of golf per year. Combined, the casino could expect to generate between 3,000 and 3,500 gamer visits per year from these segments. Given that these patrons would be participating in several events, a low win per visit could be expected, as a comparatively short gamer visit would likely occur. As a result, gaming win of $120 to $140 thousand per year should be expected from these visitors. Annual variations should not be significant for this market segment.

Additionally, it is expected that Fernwood would promote 40 events per year at the Mountain Laurel Center for the Performing Arts, at an average ticket price of $50. The facility has 2,500 reserved seats and a 7,500 seat capacity lawn area, and it is anticipated that ticket demand for the shows will be at 75% of capacity, or 7,500 tickets per show. This would amount to 300,000 event patrons for year. Given that the Mountain Laurel Center for the Performing Arts is not on the grounds of Fernwood, and concert crowds are generally younger than the slot-playing demographic, a capture rate of 7.5% would appear appropriate. As a result, the incremental gaming win potential from the event center is projected to be $900 thousand, based on an average win per visit of $50. Combined with patrons of the on-site entertainment, the total gaming revenue potential from this market is projected to be approximately $1.30 million in 2009. Growth of 1% per year would bring this total to $1.33 million by 2011.

Revenue and Patronage Summary

The gaming market assessment considers the gaming revenues and patronage from both the local and tourist market, and provides for a total of ten different potential components of demand.

Based on our market segment calculations, it is estimated that the slot facility could generate approximately 400 thousand gamer visits in 2009, yielding approximately $26.9 million in gaming win in the first full year of operation. Patronage would likely decline by approximately 5% in 2010, and rebound to approximately 392 thousand by 2011. Similarly, gaming revenues are projected to decline in 2010, but could approach the 2009 total again in 2011 based on higher win per gamer averages, and increase thereafter at an average annual rate of 3.75% per year. The following table summarizes these projections.

Gaming Patronage and Revenue Summary, 2009-2011

	2009 Projections		2011 Projections	
Market Segment	**Gamer Visits**	**Gaming Win**	**Gamer Visits**	**Gaming Win**
Local Market	142,716	$9,416,422	138,302	$9,267,839
Local Market Overnight Incremental	19,671	$818,340	18,432	$818,340
Seasonal Resident	13,500	$931,500	13,500	$958,500
Regional Hotel	17,603	$1,001,155	17,603	$1,036,361
Regional Day-trippers	9,900	$396,000	9,900	$403,960
Base Fernwood Hotel/Villa Rental Demand	36,799	$2,607,846	36,799	$2,663,044
Base Fernwood Villa Ownership	83,694	$6,235,217	83,694	$6,360,758
Pocono Region Hotel Diverted Hotel/Villa Rental	19,505	$1,414,126	19,505	$1,443,383
New Pocono Region Visitor Hotel/Villa Rental	31,742	$2,777,414	28,215	$2,539,350
Entertainment Intercept	25,750	$1,303,750	25,750	$1,329,955
Total	**400,880**	**$26,901,768**	**391,700**	**$26,821,490**

The following table presents the estimated out-of-state component of patronage and win for each market segment. It is projected that over 70% of both the gaming revenues and patronage will come from out of state visitors. These estimates are based on the results of the gravity models, the Pocono Mountains Region Leisure Travel Profile compiled by D.K. Shifflet and Associates, and proprietary data from Resorts Group regarding the source of the resort's existing patronage.

Out of State Component of Revenues and Patronage, 2009

Market Segment	Gamer Visits	Gaming Win
Local Market	77,507	$5,343,968
Local Market Overnight Incremental	16,189	$747,630
Seasonal Resident	7,425	$512,325
Regional Hotel	13,730	$780,901
Regional Day-trippers	6,732	$269,280
Base Fernwood Hotel/Villa Rental Demand	32,015	$2,268,826
Base Fernwood Villa Ownership	72,814	$5,424,639
Pocono Region Hotel Diverted Hotel/Villa Rental	15,214	$1,103,018
New Pocono Region Visitor Hotel/Villa Rental	27,615	$2,416,350
Entertainment Intercept	14,163	$717,063
Total	**283,404**	**$19,583,998**
% of Total Patronage and Revenues	**70.7%**	**72.8%**

Out of State Component of Revenues and Patronage, 2011

Market Segment	Gamer Visits	Gaming Win
Local Market	73,410	$5,140,621
Local Market Overnight Incremental	15,318	$724,853
Seasonal Resident	7,425	$527,175
Regional Hotel	13,730	$808,361
Regional Day-trippers	6,732	$274,693
Base Fernwood Hotel/Villa Rental Demand	32,015	$2,316,848
Base Fernwood Villa Ownership	72,814	$5,533,860
Pocono Region Hotel Diverted Hotel/Villa Rental	15,214	$1,125,839
New Pocono Region Visitor Hotel/Villa Rental	24,547	$2,209,235
Entertainment Intercept	14,163	$731,475
Total	**275,368**	**$19,392,959**
% of Total Patronage and Revenues	**70.3%**	**72.3%**

Based on the projections made above, a resort-scale slot facility with 500 gaming devices could potentially attain a win per machine per day in the range of $143 to $157 during the first five years of operation. This average would be considered relatively low for most competitive gaming markets, however it should be noted that much of the demand will be seasonal, such that the average would likely be significantly higher during the peak summer weekends. The concept of "turns per day" is used to illustrate this issue, defined as the number of patrons per day for each gaming position. As can be seen from the table below, a summer weekend day in 2009 would likely generate demand from an average of 2,774 gamer visits, which would mean the average gaming device would be utilized by 5.55 unique gamers during the course of the day. This is a high average, but should not result in a capacity constrained situation assuming peaking characteristics are successfully controlled by casino management via marketing programs, when necessary, to encourage visitation during non-peak hours of the week. Annualized, the casino would only attain an average of 2.2 turns per day in the first full year of operation, however.

	Visits 2009	Visits 2011	Assumptions
LOCALS	**162,386**	**156,734**	
Locals Peak Week	3,435	3,316	peak week reflects 1.1x the annual average week
Locals Peak Weekend Day	756	729	Saturdays = 22% of weekly visitation
TOURISTS	**238,493**	**234,966**	
Tourists Peak Week	7,338	7,230	Summer = 40% of annual visitation
Tourists Peak Weekend Day	2,018	1,988	Saturday = 27.5% of weekly visitation
Average Total Peak Weekend Day	2,774	2,718	
Turns Per Peak Day	5.55	5.44	
Average Turns Per Day	2.20	2.15	

Pro Forma

The statement of prospective Earnings before Interest, Depreciation & Taxes ("EBITDA") for the proposed project follows this section of the report. The prospective financial statement is based upon operating characteristics of similar facilities in other jurisdictions and takes into consideration existing and assumed future market dynamics. As noted above, it is assumed that the slot facility will open mid-year in 2008, with the first full year of operations being in 2009. It should be understood that the timetable for development is a function of the award date, with an earlier award date resulting in a faster timetable, and a later award date resulting in a more extended timetable. The revenue forecast for 2008 therefore reflects an estimated 6 months of operation, taking into consideration the 2009 revenue forecast made in this report, the typical ramp-up period that new gaming operations undergo during initial or probationary periods, and the advantages of opening prior to some of the regional competition. Additionally, it is noted that regional hotel occupancy rates from July-December are generally 12-14% higher than the period from January to June, suggesting that the revenue potential could well exceed 50% of a full-year's estimate.

Revenues

Gross Gaming Revenues

The assumptions with regard to gaming revenues are contained in detail in the Gaming Market Analysis section of this report. A total of 500 devices are assumed for the casino.

Other Revenues

It is estimated that the average gaming patron will spend $0.75 on non-gaming convenience activities in the casino, such as ATM's, pay-phones, and valet services. This total does not include food and beverage revenues or room revenues, as these will be departments outside of the gaming operations. While there may be some food and beverage venues within the gaming facility, no assumptions were made as to the distribution of gamer visits to those venues relative to those located elsewhere in the resort complex.

Revenue growth for the facility is projected at 3.75% from 2011 to 2013 as the operation matures and stabilizes. No capacity constraints are envisioned during this period, such that the patronage and revenue growth potential should remain relatively strong.

	2008 (half year)	2009	2010	2011	2012	2013
Revenues	$13,988,920	$26,901,768	$26,217,471	$26,821,490	$27,827,295	$28,870,819
Patronage	210,462	400,880	386,406	391,700	402,864	414,446

Expenses

Gaming Taxes

Gaming tax expenses include a 34% tax funding local property tax relief, a 5% State tax, a 4% local tax, and a 9% tax to support a horsemen's fund.

Slot Department

Slot department expenses include payroll, maintenance, training, and other expenses associated with operating the slot department. Labor costs assume that providing excellent customer service will be a part of the facility's operating philosophy and positioning. In addition a slot participation fee is forecast. This payment is made to slot manufacturers for allowing certain type games that are licensed to be played at the facility.

Cage & Count Rooms

Staffing has been estimated to provide better than adequate service to the guests of the casino. The Casino Cage function is responsible for accounting of all transactions related to the gaming operation. Cashiers are responsible for making change and the redemption of tokens, coin or tickets. The banks in the casino cage are responsible for accounting for all tokens and ticket that are issued and redeemed. The cashier's bank will reconcile the cashier's banks needed at redemption windows or booths. The count rooms are responsible for the collecting and counting of the day's drop.

General and Administrative

General & administrative expenses include all administrative salaries and wages for the casino and were based upon an analysis of estimated positions and wage rates. Included in this figure are the General Manager and support staff, finance and accounting. The expenses for Valet service also fall under this category. The department also includes expenses such as supplies, travel and entertainment, outside audit fees, insurance costs, uniforms, and miscellaneous professional and other fees. Human resource expenses are also included in this segment, and include company training related expenses, advertising and recruiting expenses and benefit administration costs.

Information Systems

Costs for each of these departments have been estimated based upon estimated staffing levels. Information systems expenses include the cost to maintain and monitor the cost of the accounting and player tracking/marketing systems, as well as the comping of hotel and food & beverage components.

Maintenance and Engineering

Maintenance expenses are based upon estimates for maintaining the casino facility and the surrounding grounds. This figure includes the costs of cleaning the facility on a daily basis and assumes that a full contingent of workers is on staff as well as an allocation for maintenance agreements for services typically not handled in-house such as elevator and escalator services. This figure assumes that management will have an ongoing capital expenditure policy for reserving sufficient funds for capital expenditure items. In addition, this category includes all utilities, outside contract work, and equipment rental.

Marketing

Marketing expenses include all of the costs to staff the marketing department for the casino including the slot club, as well as all advertising and promotional costs. Overall marketing costs are estimated to equate to approximately 10.25% of total gaming revenues. This total would be incremental to any marketing efforts made by the Fernwood Resort for general resort marketing. This average is necessary in order to successfully operate in a competitive market, and reflects the expectation that aggressive advertising will be needed in a broad market area, including several metropolitan markets in which media may be relatively expensive.

It was assumed that the facility will have a slot club program that includes a cash back program based upon coin-in. Cash back has been estimated at 1.0% of total slot revenue.

Security/Surveillance

Security and surveillance costs reflect the payroll and other expenses associated with the operation of the facility based upon comparable operations in other locations. The costs include outside services such as state and local police support for traffic congestion during peak periods and special events.

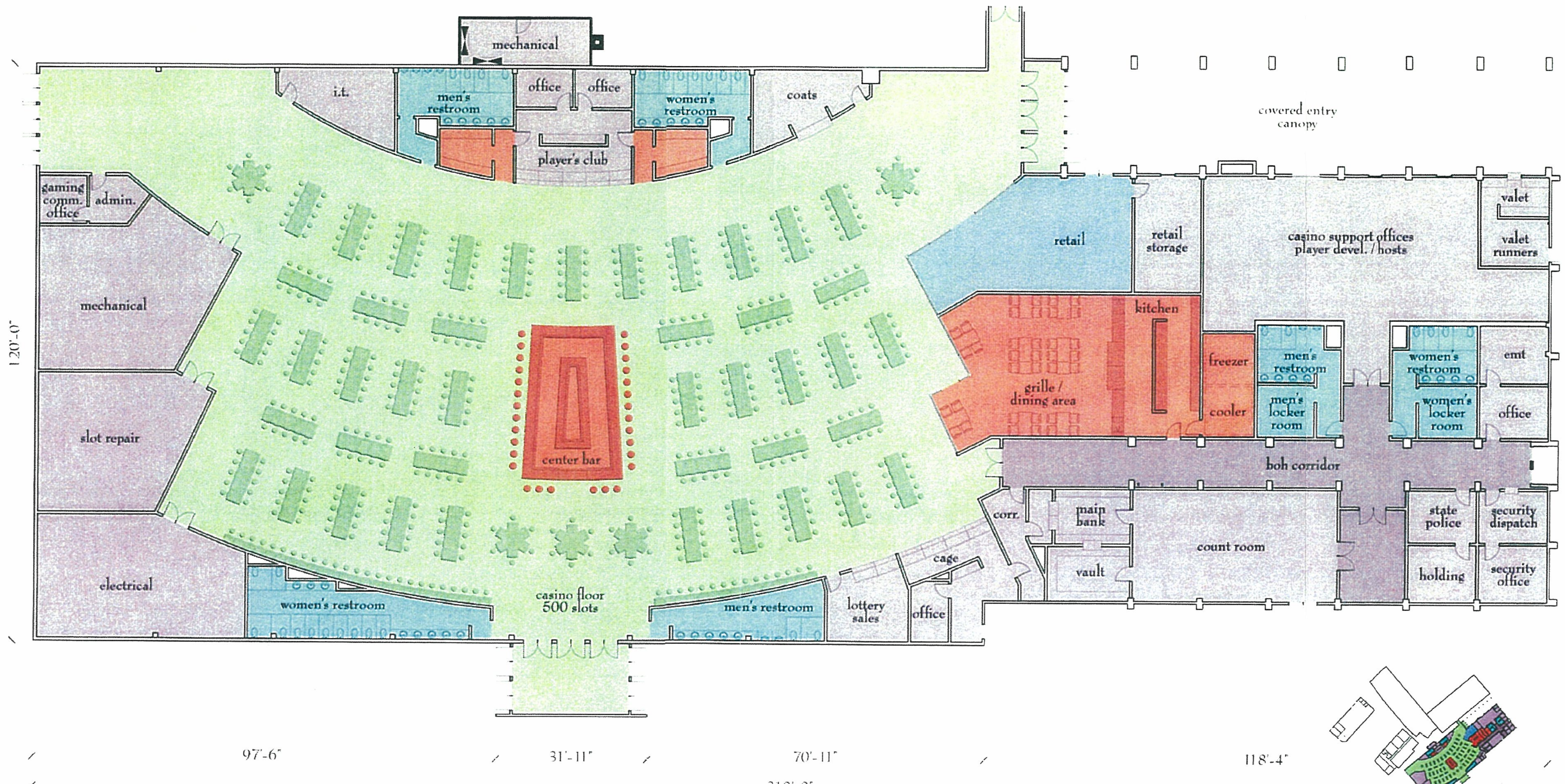
Fernwood Resort Casino - Gaming Operation Only

	2008 (half year)	2009	2010	2011	2012	2013
REVENUES:						
Slot Revenues	$13,988,920	$26,901,768	$26,217,471	$26,821,490	$27,827,295	$28,870,819
Gross Gaming Revenues	**$13,988,920**	**$26,901,768**	**$26,217,471**	**$26,821,490**	**$27,827,295**	**$28,870,819**
Other	$157,846	$300,660	$289,805	$293,775	$302,148	$310,834
TOTAL GROSS REVENUES	**$14,146,766**	**$27,202,428**	**$26,507,276**	**$27,115,265**	**$28,129,443**	**$29,181,653**
GAMING TAX						
Property Tax Relief	$4,756,233	$9,146,601	$8,913,940	$9,119,306	$9,461,280	$9,816,078
State Tax	$699,446	$1,345,088	$1,310,874	$1,341,074	$1,391,365	$1,443,541
Local Tax	$559,557	$1,076,071	$1,048,699	$1,072,860	$1,113,092	$1,154,833
Horsemen Association	$1,259,003	$2,421,159	$2,359,572	$2,413,934	$2,504,457	$2,598,374
TOTAL GAMING TAX	**$7,274,239**	**$13,988,919**	**$13,633,085**	**$13,947,174**	**$14,470,194**	**$15,012,826**
DEPARTMENTAL EXPENSES:						
Slots	$942,654	$1,812,795	$1,802,309	$1,846,209	$1,899,908	$1,955,232
Cage/ Count	$383,376	$744,419	$756,676	$775,592	$794,982	$814,857
General and Administration	$400,208	$741,126	$746,399	$765,059	$784,186	$803,790
Information Systems	$140,100	$264,340	$263,074	$269,651	$276,392	$283,302
Maintenance/ Engineering	$195,569	$379,745	$384,429	$394,040	$403,891	$413,988
Marketing	$1,479,517	$2,739,846	$2,688,154	$2,750,872	$2,848,896	$2,950,467
Security/Surveillance	$443,317	$860,810	$874,677	$896,544	$918,958	$941,932
TOTAL DEPARTMENTAL EXPENSES	**$3,984,739**	**$7,543,079**	**$7,515,719**	**$7,697,968**	**$7,927,213**	**$8,163,569**
EBITDA	**$2,887,787**	**$5,670,430**	**$5,358,473**	**$5,470,122**	**$5,732,036**	**$6,005,258**
EBITDA % (Net)	**20.4%**	**20.8%**	**20.2%**	**20.2%**	**20.4%**	**20.6%**

Resorts Group, Inc.

Front Elevation
Casino Facility

Casino at Fernwood Hotel & Resort

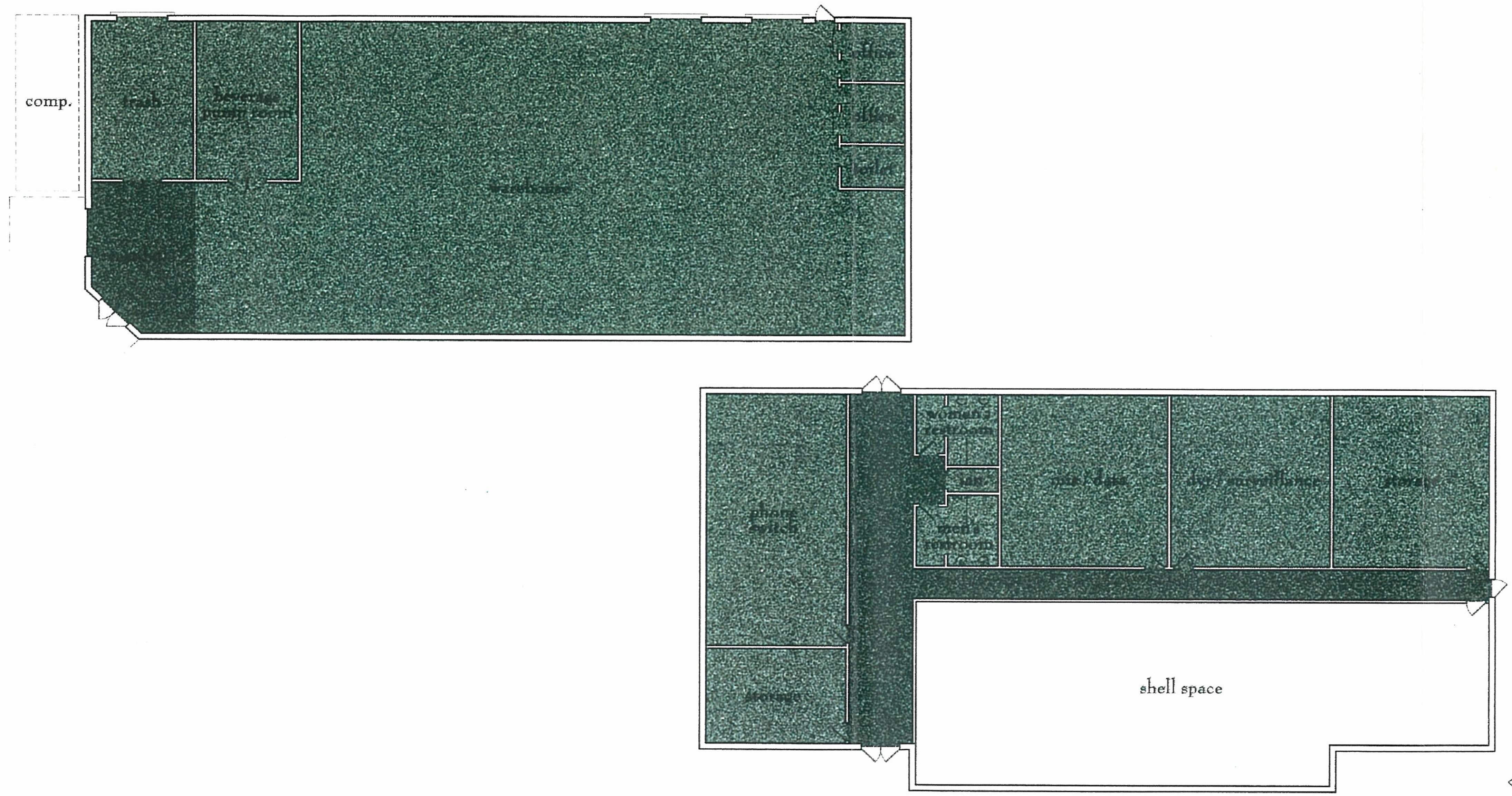


Gaming Floor	16,219 SF
Retail	916 SF
Restaurant / Kitchen	1,552 SF
Casino Support / BOH	17,032 SF
TOTAL	35,719 SF

Resorts Group, Inc.

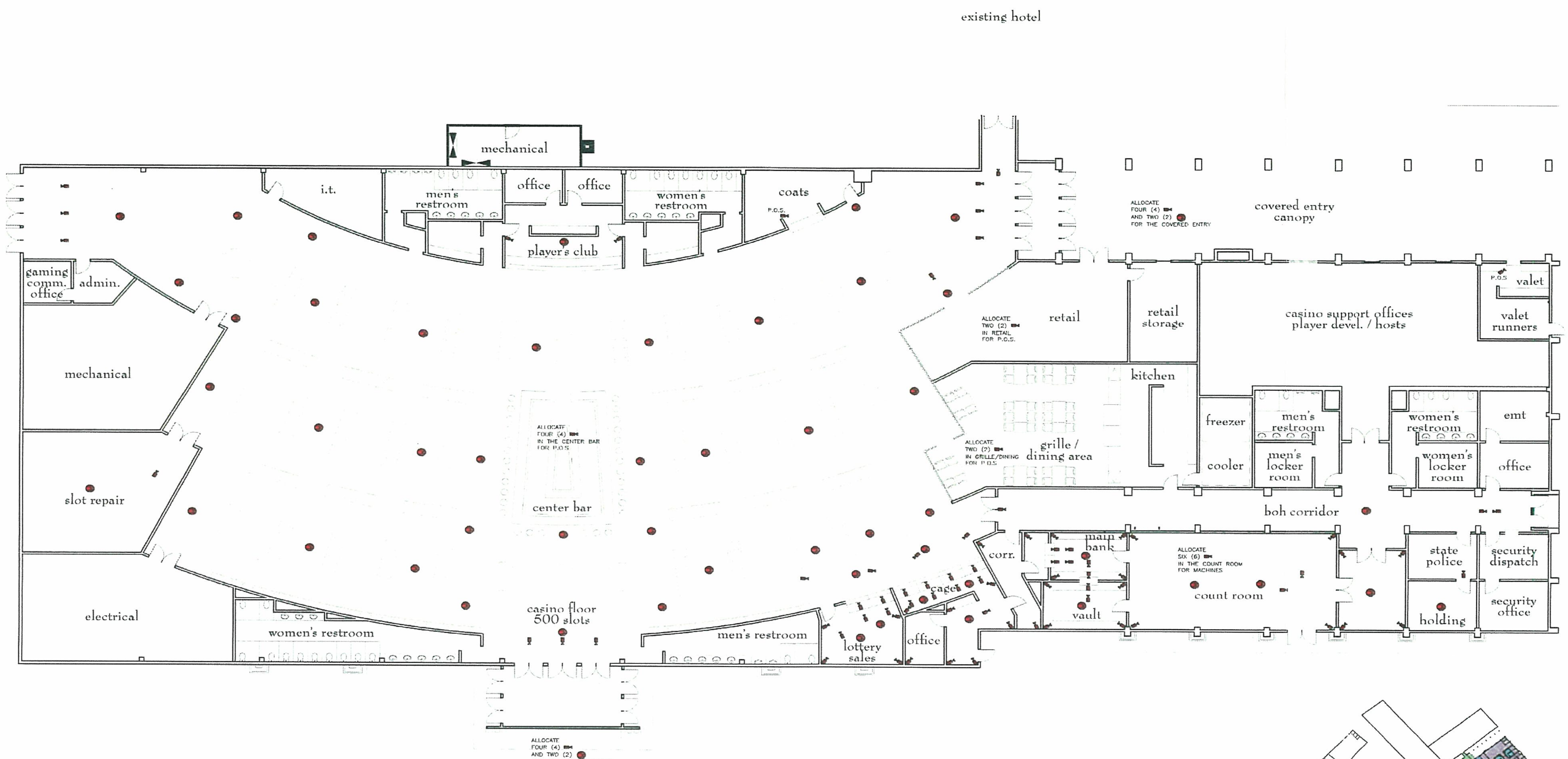
Casino Floor Plan
Casino Facility

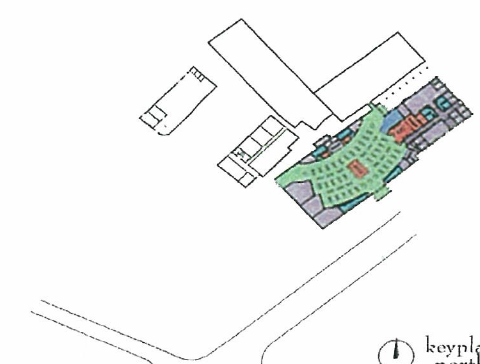
Casino at Fernwood Hotel & Resort



Warehouse Facility 6,783 SF

Casino Support Facility 8,147 SF





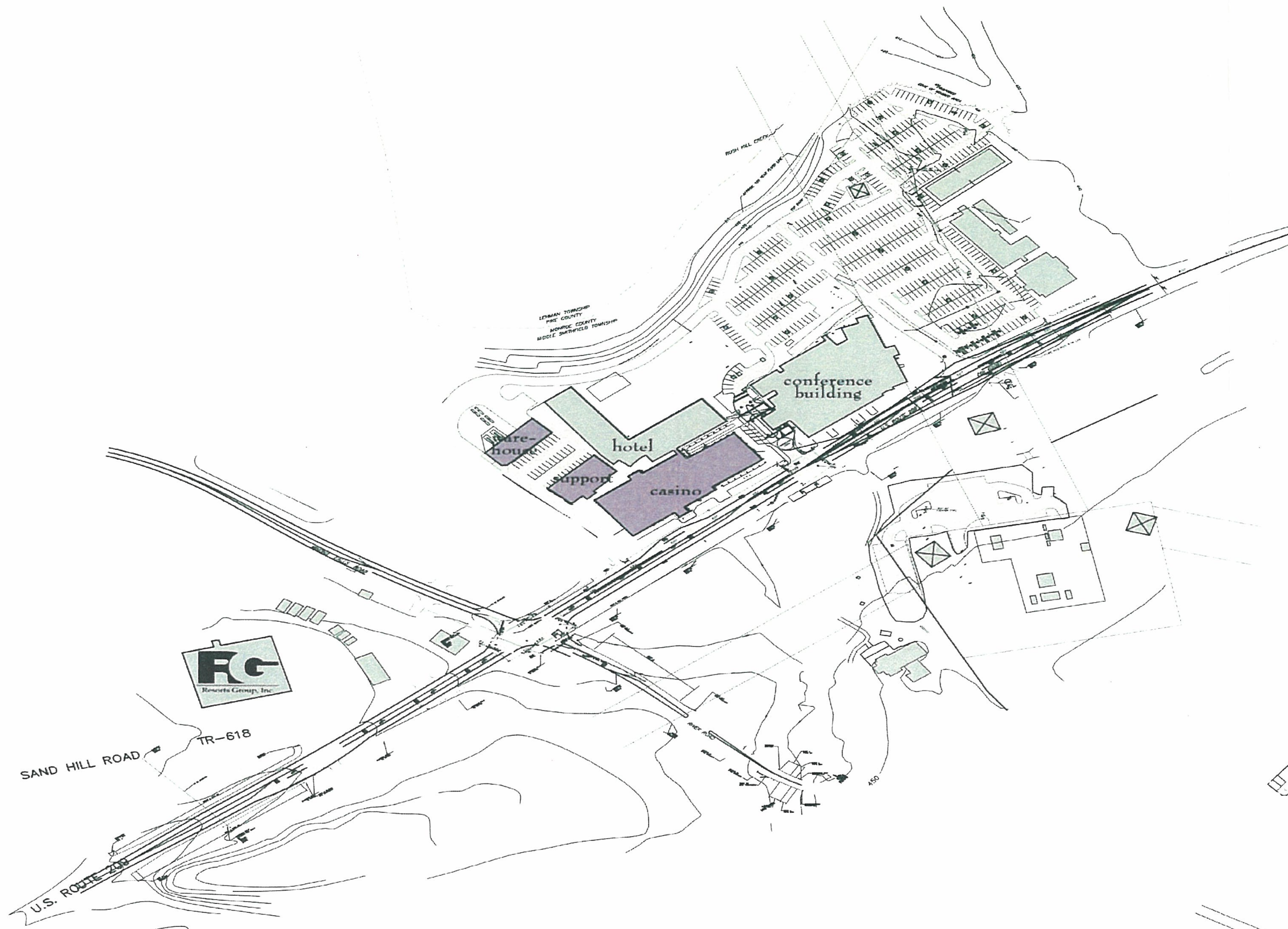
Fixed Camera

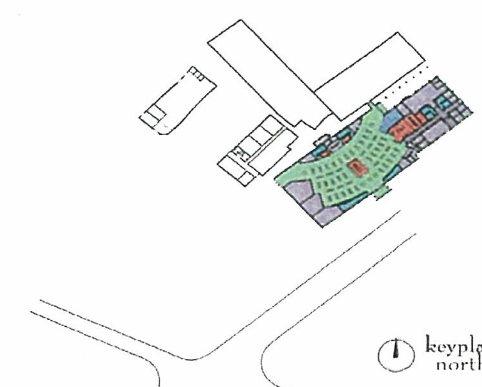
Pan, Tilt, Zoom Camera

RG Resorts Group, Inc.

Casino Surveillance Plan
Casino Facility

Casino at Fernwood Hotel & Resort





Resorts Group, Inc.

Overall Site Plan
Casino Facility

Casino at Fernwood Hotel & Resort

ENGINEERING REPORT
FOR
FERNWOOD HOTEL & CASINO

MIDDLE SMITHFIELD TOWNSHIP
MONROE COUNTY, PENNSYLVANIA

JUNE 2007

PROJECT NO. 2773.065

HRG
Herbert, Rowland & Grubic, Inc.
Engineering & Related Services

104 Route 611, Suite 1
Bartonsville, PA 18321
(570) 629-7140
www.hrg-inc.com

TABLE OF CONTENTS

INTRODUCTION

Bushkill Group, LLC commissioned Herbert, Rowland, & Grubic, Inc. (HRG) to prepare an engineering analysis of the existing infrastructure and evaluate the affects of a proposed development on the existing infrastructure and identify any necessary infrastructure improvements to support the development.

Project Description

The proposed project is the conversion of the existing Special Events Center into a casino at Fernwood Hotel & Resort in Middle Smithfield Township, Monroe County. The existing Fernwood Hotel & Resort incorporates the Fernwood Hotel and associated restaurant, Special Events Center, and additional motel facilities at the Green Houses and the Northwoods. There are time shares and condominiums located across Route 209 from the Resort facility. The proposed project will convert the existing Special Events Center into a casino with 500 slot machines. A detailed illustration of the proposed project and associated utility improvements are available on the architectural and engineering drawings developed in support of this project.

Purpose of Engineering Report

The purpose of the Engineering Report is to determine if the proposed facility is an allowed use under the current Zoning Ordinance (ZONING ORDINANCE), determine existing and required capacities of water, wastewater, electric, and telecommunication services, and determines existing and required parking services. The outcome of the report would be to identify infrastructure and parking improvements required to support the proposed development.

II. EVALUATION OF ZONING

A. ZONING ANALYSIS

Introduction

The proposed casino will be located within and become a part of the existing Fernwood Hotel & Resort located in Bushkill, Middle Smithfield Township, Monroe County, Pennsylvania. Middle Smithfield is a second class Township. Development within the Township is regulated by a Zoning Ordinance and a subdivision and land development ordinance. Under the Zoning Ordinance, the proposed casino is a permitted use. Since the proposed casino will be contained within an existing building, renovation of the facility will not require re-zoning, amendments to the existing Zoning Ordinance, or any extraordinary municipal approvals.

The Zoning Ordinance

Under the Township's Zoning Ordinance, the municipality is divided into use districts. Fernwood Hotel & Resort, including the site of the proposed casino, lies within a Resort Commercial (RC) District. The intent of the RC district is "to provide for a mix of commercial, resort, residential and other compatible uses to promote unified and coordinated development with interior traffic access." The existing Fernwood Hotel & Resort satisfies and exceeds the intent of the district.

As is customary, the Zoning Ordinance lists uses that are permitted within the RC District. In addition, the ordinance permits the creation of a "Resort Complex," which is essentially an overlay zone in which additional uses are permitted. A Resort Complex is defined as "a coordinated development that includes overnight lodging, timeshare dwellings, a ski area or a similar large outdoor recreation facility as a principal use, as well as other outdoor recreation and dining facilities. A Resort Complex may involve multiple lots in single or multiple ownership, provided the coordination requirements for a Resort Complex are met."

At the time the Township's current Zoning Ordinance was adopted, Fernwood Hotel & Resort was already a Resort Complex in both the general and defined meanings of the term. When the ordinance became effective, the Resort met the requirements of an "existing Resort Complex." In addition, on October 11, 2005, the Township formally approved a plan designating the Fernwood Hotel & Resort as an "approved Resort Complex." A copy of the Resort Complex Master Plan approved by the Township, which generally depicts the Fernwood Hotel & Resort as a Resort Complex, is included as Attachment E. A copy of the Minutes of the Township Meeting at which the Township granted the formal Resort Complex approval is also attached.

Copies of sections of the Zoning Ordinance cited herein are attached as Attachment G.

Proposed casino as a Permitted Use

Under Section 306.B.2b of the Zoning Ordinance, restaurant and banquet halls, retail stores, and nightclubs, are all permitted uses in the RC District and in a Resort Complex.

Also under Section 306.B.2.b, a "betting use" is an allowed use in an approved Resort Complex. A betting use is defined as "a place used for lawful gambling activities, including but not limited to off-track pari-mutual betting and any use of electronic gambling devices. This term shall not regulate state lottery sales or lawful small games of chance." The ordinance permits one betting device for every Resort unit "on the property for rent to transient visitors."

Since the existing Fernwood Hotel & Resort is a Resort Complex in the RC District, the proposed casino is a permitted use. So are the uses to be housed within the facility. In addition, because the Resort has a total of 880 units, including hotel and approved timeshare units, for transient visitor accommodations, the number of slot machines (500) allowed by the Category 3 license being sought by Bushkill Group, LLC is well within the requirements of the Township's Zoning Ordinance.

The Land Development Plan

The proposed casino is contained within an existing building that will be renovated, therefore Land Development approvals will not be required. Appropriate building permit drawings will be submitted for review and approval.

CONCLUSION

The proposed casino at Fernwood Hotel & Resort is an approved use under the Middle Smithfield Township Zoning Ordinance. It is not anticipated that extraordinary zoning relief will be required. Land Development approvals will not be required, as the proposed casino will be housed in an existing building, and the required parking exists or has been approved with prior land development approvals.

III. EVALUATION OF PARKING AND SHUTTLE ANALYSIS

A. PARKING ANALYSIS

The following report and supporting calculations were prepared to evaluate the parking requirements associated with development of the proposed casino at Fernwood Hotel & Resort. The required parking was determined using the current Middle Smithfield Township Zoning Ordinance parking requirements. The parking provided includes existing parking lots with excess capacity that is contiguous or near the development, and parking associated with a prior approved parking plan.

In 2003, Bushkill Group, LLC obtained municipal approval to construct new parking facilities which would provide 589 parking spaces. The parking project was undertaken due to the pending PENNDOT Road Improvement Project, which would result in the loss of 159 parking spaces along Route 209. The new parking project displaced 181 existing parking spaces. Therefore, a net increase of 254 parking spaces was approved. To date, approximately 148 of these spaces have been constructed.

In 2004, Bushkill Group, LLC prepared a Property Enhancement Plan which modified the pedestrian and vehicular circulation in the main entrance area, along the property frontage and to the rear of the existing main hotel building. The reconfiguration eliminated 20 parking spaces bringing the net increase in parking to 234 spaces.

HRG approached the parking issue by determining the parking requirements for the proposed facilities. The excess parking available from the expansion in 2003 minus the 20 spaces lost on the Enhancement Plan, and existing parking was compared to the required parking. The results of the evaluation determined that the parking requirements can be met with on-grade parking and that internal traffic flow patterns are acceptable as illustrated on the plan.

Parking Requirements

The parking requirements are based on the following Zoning Ordinance requirements:

Type of Facility	Parking Spaces Required
Casino	one per four customers
Casino Employees	one per 1.1 employee

The Casino is estimated to have peak attendance of 1,400 persons and peak shift employees of 124. As indicated in the Traffic Study by HRG and a memorandum from Urban Systems, it is estimated that a 33 percent capture rate of Fernwood Resort customers would visit the proposed facilities, therefore, not requiring additional parking. Based on required parking calculations, 347 spaces would be required to support the casino.

Existing Parking

Bushkill Group, LLC obtained approval for an additional 589 parking spaces to their facility in a 2003 land development project. The proposed Enhancement Plan revised the total additional parking to 569 spaces. Some of these spaces are allocated to replace parking which will be lost to the PENNDOT's Route 209 widening project, some are allocated to spaces that will be lost due to the parking lot expansion this development, and some are allocated to existing facilities. Of the total 569 spaces, there are 229 with no designated use. This will be used to provide some of the 347 spaces required, leaving a deficit of 118 spaces. The remaining deficit will be achieved through the existing excess capacity at the Corporate Center. There are 125 excess spaces that will be designated for casino employee or overflow parking. A shuttle service will be provided to deliver employees and patrons to the casino.

Summary

There will be no additional parking approvals required to support the proposed casino. However, the spaces approved with the 2003 Parking Lot plan will need to be constructed, and 125 spaces at the Corporate Center will need to be designated for casino employee or overflow parking. The designated spaces will be served by the resort shuttle service.

PARKING REQUIREMENTS

Casino Customers: one parking space per four customers
Casino Employees: one parking space per 1.1 employees

REQUIRED PARKING SPACES FOR NEW FACILITIES

Casino	Customers	Employees	Required Number of Spaces
	1400	124	
Parking Spaces	350	113	463
Deduct 33% Internal Capture Rate (Customers Only)			116
Total Required Parking			347

CALCULATE EXISTING PARKING

	Spaces
Parking added in 2003 Land Development	589
Deduct Parking along 209 lost to PENNDOT Project	159
Deduct Existing Parking in Rear of Hotel (to be lost to proposed development)	104
Deduct Existing Parking at GreenHouse & Northwoods (lost to 2003 parking expansion project)	77
Deduct 20 spaces lost to Enhancement Project	20
Net Parking Added in 2003 with No Designated Uses	229

REQUIRED NEW PARKING SPACES

Total Required Parking	347
Deduct Net Parking Added in 2003 with No Designated Uses	229
New Parking Required	118

NEW PARKING PROVIDED

Designated employee/overflow parking at Corporate Center	125
Excess Parking Available	7

B. SHUTTLE SERVICE

EXISTING SERVICE

Bushkill Group, LLC currently operates two Trolleys with a 25 person capacity. The Trolley Route consists of an approximately 6 mile system that carries visitors at the Resort to other areas within the property. Bushkill Group, LLC estimates the current Trolley Shuttle use as shown below:

Daily Riders (Weekdays)		
	Peak	75-100
	Non Peak	20-40
Daily Riders (Weekends)		
	Peak	125-150
	Non Peak	75-100
Shuttle Occupancy		45-55%

PROPOSED SERVICE

To minimize parking demand and to enhance service and convenience to the resort clients we recommend that the trolley service be expanded. This will minimize parking demand adjacent to the Bushkill Group, LLC's core facilities and provide door to door transportation to the occupants of the approximate 600 Time Shares and the Resort facilities located on the south side of Route 209. The trolley will also allow employee parking to be designated in remote areas (such as the corporate building lot) to further maximize the parking available to patrons adjacent to the core facilities.

Trolley passengers will be made up of people staying at Fernwood Hotel, Northwoods and Greenhouse Motels, and the Treetops and Fairway Villas timeshares, as well as people who park in designated parking areas, such as at the Corporate Center. A detailed analysis of parking is provided in the Parking Analysis section of this report.

The peak riders per day is estimated to be 1754 passengers per day. This estimate was developed using 90% occupancy of facilities, the 33% capture rate, and making assumptions about duration of stay at the Casino. Initially, 3 trolleys are proposed to serve the facility; but as build-out of Treetops and Fairway Villas continue, ultimately 4 trolleys may be required. Considering a goal of keeping trip times below 15 or 20 minutes, HRG recommends 4 distinct routes be established with route times as shown in the table.

SHUTTLE ROUTES FOR FERNWOOD HOTEL & CASINO

Trolley Route #	Area Served	Route Length	Estimated Route Time
1	Fernwood Hotel, Greenhouse, Northwoods, Nearby Parking Areas, Parking near Corporate Center	2 Miles	14 minutes
2	Treetops(not yet built) & Fairway Villas	3 Miles	18 minutes
3	Treetops above the lake	3.4 Miles	20 minutes
4	Treetops	1.4 Miles	10 minutes

It is apparent from the table above that by alternating routes for the trolleys, the rider standby times can be reduced below the trip times. The trolley service could revert to an on-call basis during non-peak hours.

Recognizing that there are many unforeseeable variables which could affect service and demand for the trolley, the service will have to be periodically evaluated and adjusted as necessary to meet actual demands.

IV. EVALUATION OF WATER AND WASTEWATER SYSTEMS

WATER AND WASTEWATER SYSTEM ANALYSIS

The following report and supporting calculations were prepared to evaluate the capacity of Bushkill Group, LLC's current community water system, and determine if the projected increased demands will be met by the existing system. The available sewage/waste water capacities allocated to Bushkill Group, LLC by the Middle Smithfield Township Municipal Authority (MSTMA) were also evaluated to determine if the projected increased volumes of flow will be greater than their reserve. The calculations and report address the full development of the plan.

The results of the evaluation determined that the existing water system will be able to support the proposed increased demands associated with the operation of the facility. It was also determined that the allocated reserve of 400,000 GPD from MSTMA is sufficient to provide for the increased flows from the proposed development.

A. WATER SYSTEM ANALYSIS

Bushkill Group, LLC owns and operates a public water system (PWS) permitted under PA DEP Regulations, (PWSID# 2450134). The system supplies water to the existing resort facilities, Corporate Center, and the time share units within the Treetops and Fairway Villas Complexes owned by Bushkill Group, LLC. The total number of approved timeshares is 880 of which 597 have been constructed.

The Fernwood complex is supplied with water from three metered wells (wells #3, #6, and #9) and holds a PA Department of Environmental Protection (PA DEP) Public Water Supply Operations Permit – No. 2450134. The total water production for all three wells in 2006 was 69,164,200 gallons. Storage is provided in two above ground reservoirs. The Golf Course Reservoir has a 120,000 gallon capacity and Treetops Reservoir has 390,000 gallon capacity for a total storage capacity of 510,000 gallons. All of the wells and both storage tanks are interconnected. There are no meters on the individual buildings. Information for this report was taken from the 2006 Annual Water Supply Data Report prepared for the Pennsylvania Department of Environmental Protection (PA DEP).

Domestic Consumption

Existing and Proposed Consumption

There are no meters on the system except for at the wells. The water used at the existing and proposed facilities was estimated using DEP guidelines and accepted industry practices. The net increase in demand is shown below, combined with the existing demand on the total water system:

Net increase in demand due to casino development	Avg Daily	26,284 GPD
	Max Daily	39,427 GPD
Total system demand with casino development	Avg Daily	265,702 GPD
	Max Daily	398,553 GPD

The Water Supply Safe Yield is 794,880 gpd, which exceeds the maximum daily demand of 398,553 gpd. The available storage of 510,000 gallons exceeds the average daily demand of 265,702 gpd. The conclusion is that the existing wells and storage are adequate for the domestic supply of the new facility.

Fire Demand

The fire demand analysis was conducted in accordance with the International Fire Code, information provided from the architect, and assuming new facilities are Type IB or IIB construction, fire separations are used between the major areas with difference occupancy, and facilities are sprinklered. The restaurant and bars require 1,750 gpm and the casino requires 2,000 gpm fire flow. It is assumed that the local fire official having jurisdiction will allow the code approved reduction in these areas to 1,500 gpm, which allows the fire flow to be 1,500 gpm for the building. The fire flow is required for a two hour period, resulting in a required fire demand storage capacity of 180,000 gallons.

System Storage

Available Storage	510,000 gals
Required Storage	
Domestic	265,702
Fire Demand	180,000
Total	455,702 gals

Existing water storage is adequate to support fire flow. The distribution system may have to be upgraded to get the required flows to the building. This analysis does not include analysis or modeling of the existing system. A fire flow test needs to be conducted to verify adequacy of the distribution system.

HRG makes the following recommendations for the water system as a result of this study:

- Add another high production well to the system. The reason is, as per the 2006 production data, well #9 is supplying 77 percent of the current water usage. The other two wells are supplying near their capacity. If Well #9 was not in service, the combined yield of Wells #3 and #6 could not provide adequate water to serve the system. Adding another high production well will provide redundancy in the system.

- Perform a fire flow test on the existing system to determine the available flows through the existing distribution system.

- A registered mechanical or fire protection engineer be engaged to complete a full analysis and design of the fire suppression system.

- As the project becomes more defined, HRG would be pleased to assist in any of these matters.

DOMESTIC WATER DEMAND 6/1/2007

CURRENT FACILITY*

Facility	Type of Unit	No of Units	Gpd/Unit Demand	Average Annual Daily Flow AADF (gpd)	Max Day gpd*	Max Hour gpd**	Max Hour gpm
Corporate Facility	Employee	578	15	8,670	13,005	21,675	15.1
Fernwood Hotel	Rooms	125	120	15,000	22,500	37,500	26.0
Existing Restaurant	Patrons	768	12	9,216	13,824	23,040	16.0
Events Center	Attendee	600	5	3,000	4,500	7,500	5.2
Swimming Pool	Person	60	10	600	900	1,500	1.0
Maint. Facility	Employee	27	35	945	1,418	2,363	1.6
Green Houses	Rooms	32	120	3,840	5,760	9,600	6.7
Northwoods	Rooms	50	120	6,000	9,000	15,000	10.4
			TOTAL	47,271	70,907	118,178	82

*Using DEP Reg's, not historical data
Storage Req't 1 Day Domestic Supply: 47,271

PROPOSED FACILITY

Facility	Type of Unit	No of Units	Gpd/Unit Demand	Average Annual Daily Flow AADF (gpd)	Max Day gpd*	Max Hour gpd**	Max Hour gpm
Corporate Facility	Employee	578	15	8,670	13,005	21,675	15.1
Fernwood Hotel	Rooms	125	120	15,000	22,500	37,500	26.0
Existing Restaurant	Patrons	768	12	9,216	13,824	23,040	16.0
Green Houses	Rooms	32	120	3,840	5,760	9,600	6.7
Northwoods	Rooms	50	120	6,000	9,000	15,000	10.4
Swimming Pool	Person	120	10	1,200	1,800	3,000	2.1
Maintenance Facilities	Employee	45	35	1,575	2,363	3,938	2.7
Casino	Patrons & Employees	1,500	15.00	22,500	33,750	56,250	39.1
Restrooms	Each	6	800	4,800	7,200	12,000	8.3
Retail (250 Gall/1000 SF)	SF	916	0.25	229	344	573	0.4
Dock/Warehouse/Receiving	Employee	15	35	525	788	1,313	0.9
			TOTAL	73,555	110,333	183,888	128

Additional Demand Due to Casino Development	26,284	
Total Water Demand without Casino Development*	239,418	
Total Avg Daily Demand	265,702	GPD

The average daily demand is less than the available storage.

Available Storage	510,000	Gallons
Required Domestic Storage	265,702	
Storage Available for Fire Flow	244,298	Gallons
Required Storage for Fire Flow	180,000	Gallons

Conclusion: The existing water system and storage is adequate to serve the facility provided the distribution system is adequate.

*Based on Annual Water Supply Data, and including future development of Tree Tops and Fairway Villas.

2006 ANNUAL WATER SUPPLY DATA

Current use includes three wells and two storage facilities

WELL DATA

	WELL 3	WELL 6	WELL 9
WUDSID	39776	42419	42421
TOTAL GALLONS/YR	14,486,400	1,092,800	53,585,000
AVERAGE DAY USE	11,883	27,320	146,808
PEAK DAY USE (GPD)	17,825	40,980	220,212
TURBO METER MODEL	W350	W160	W1000
PUMP CAPACITY (GPM)	100	60	390
BORE SIZE (IN)	10	8	12
WELL DEPTH (FT)	195	185	101
LATITUDE (D/M/S)	41˚4'23"	41˚4'27"	41˚4'52"
LONGITUDE	75˚1'38"	75˚1'30"	75˚1'47"
% OF TOTAL PRODUCTION	21%	2%	77%
MONTHLY PEAK	834,200.00	205800	7285000

TOTAL SYSTEM

2006 TOTAL (GPY)	69,164,200
2006 AVG DAILY (GPD)	189,491
2006 PEAK DAILY (GPD)	284,236

STORAGE TANK DATA

	TANK 1	TANK 2	TOTAL GAL
	42423	42425	
STORAGE TANK CAPACITY (GAL)	120,000	390,000	**510,000**
STORAGE TANK LOCATION	GC HOLE #8	TREETOPS	

DOMESTIC WATER COMPARISON

TOTAL DEMAND EXISTING SYSTEM*

2006 TOTAL (GPY)	69,164,200
2006 AVG DAILY (GPD)	189,491
2006 PEAK DAILY (GPD)	284,236

* From Annual Water Supply Report

EXISTING FACILITIES*		**% OF TOTAL SYSTEM**
AVG DAILY (GPD)	47,271	24.9%
MAX DAILY (GPD)	70,907	24.9%

* Time Shares & Condos not included

PROPOSED FACILITY		
AVG DAILY (GPD)	73,555	38.8%
MAX DAILY (GPD)	110,333	38.8%

NET INCREASE IN DEMAND	
AVG DAILY (GPD)	26,284
MAX DAILY(GPD)	39,427

TOTAL DEMAND PROPOSED SYSTEM SYSTEM INCLUDING TIMESHARE/CONDO WITH BUILDOUT

AVG DAILY (GPD)	265,702	Less than Available Storage OK
MAX DAILY(GPD)	398,553	Less than GPD Safe Yield OK

Available Domestic Storage:	510,000	>AVG DAILY, OK
Available for Fire Suppression:	244,298	GPD

TOTAL SUPPLY AVAILABLE EXISTING SYSTEM*

	GPD	
WELL 9	561,600	
WELL 6	89,280	
WELL 3	144,000	
TOTAL	794,880	GPD SAFE YIELD >>MAX DAILY

*Taken from DEP's Drinking Water Reporting System Database

PEAK MONTHLY DATA

2006 Well Data

	Well 3	Well 6	Well 9	Monthly Totals	
Jan	640,000	-	4,838,000	5,478,000	
Feb	637,100	-	4,662,000	5,299,100	
Mar	1,042,400	-	4,094,000	5,136,400	
Apr	546,300	-	5,734,000	6,280,300	
May	260,100	-	5,207,000	5,467,100	
Jun	1,675,100	100	3,111,000	4,786,200	
Jul	1,680,700	566,800	4,931,000	7,178,500	
Aug	1,581,700	-	6,125,000	**7,706,700**	Peak Monthly Flow
Sep	3,695,000	-	1,391,000	5,086,000	
Oct	845,200	125,200	5,038,000	6,008,400	
Nov	1,519,600	296,000	3,414,000	5,229,600	
Dec	363,200	104,700	5,040,000	5,507,900	
	14,486,400	**1,092,800**	**53,585,000**		

TOTAL DEMAND EXISTING SYSTEM*

2006 TOTAL (GPY)	69,164,200
2006 AVG DAILY (GPD)	189,491
2006 PEAK DAILY (GPD)	284,236

* From Annual Water Supply Report

Future Development

Condos Planned, Not Yet Constructed	Number of Units to be Built	GPD per Unit	Increase In Average Daily GPD
	284	200	56,800

TOTAL DEMAND EXISTING SYSTEM WITH FUTURE DEVELOPMENT

TOTAL SYSTEM AVERAGE DAILY	189,491	
ADD FUTURE AVERAGE DAILY	56,800	
TOTAL SYSTEM AVERAGE DAILY W/O CASINO	246,291	GPD

B. WASTEWATER SYSTEM ANALYSIS AND CAPACITY

Fernwood Resort and the timeshares and condominiums related to Bushkill Group, LLC are served by the Middle Smithfield Township Municipal Authority (MSTMA). Bushkill Group, LLC's allocation at MSTMA is 400,000 gallons per day. This analysis takes into account the new casino development and existing resort facilities, as well as the timeshares and condominiums that have not yet been constructed. It should be noted that a previous estimate of current sewage flows was available. The methodology and source of that information is unclear. That flow amount is not in agreement with estimates calculated according to PA DEP and accepted engineering practice. Our analysis examined projected flows using the previous existing data and also using the calculated flows.

<u>Net Sewage Demand for Casino Facility</u>
HRG projects that the net increase in sewage flows from the casino development is 33,221 GPD.

<u>Future Build-out of Timeshares/Condos</u>
HRG records indicate Bushkill Group, LLC has 881 units approved for construction. Of this number, 597 units have been built. The sewage flows from the already built units are included in the existing use. There are 284 units to be developed. Bushkill Group, LLC needs an additional 56,800 gpd, based on 200gpd/unit, for build-out of their approved timeshares and condos in Tree Tops and Fairway Villas. It should be noted that previously, an EDU in MSTMA as 285 gpd. This has been revised to 200 gpd per EDU.

<u>Previously Estimated Current Use</u>
There is varying information regarding the current sewage flow from the Bushkill Group, LLC's facilities. Previous documentation indicated their current use is 309,225 gpd. It is not known how this figure was determined. It is assumed that it was a calculated estimate, as Bushkill Group, LLC does not maintain any sewage flow meters. HRG has prepared an estimate of flows based on current uses and sewage flows promulgated by PA DEP. The previous figure (309,225 gpd) differs substantially from the estimated sewer flows (164,000) using PA DEP criteria, and from the estimated water production. This number could be in error, or it could have been adjusted to account for inflow and infiltration problems with Bushkill Group, LLC's existing collection system at the time of the estimate. Bushkill Group, LLC has indicated that major portions of the collection and conveyance system will be replaced with this project. To be conservative we have projected future flows using both the previous estimate and our current estimate of current (baseline) flows.

PROJECTED SEWAGE USE BASED ON PREVIOUS USE ESTIMATES

Current use at	309,225 GPD
Increase due to build-out of timeshares and condos	56,800 GPD
Net Increase in Sewage Flows Due to Casino Development	15,894 GPD
Total System Flows with Development	381,919 GPD

PROJECTED SEWAGE USE BASED ON HRG'S ESTIMATE

Current Use at Fernwood	44,381 GPD
Flows from existing time shares and condos	119,400 GPD
Flows from approved/not yet built time shares	56,800 GPD
Net Increase in Sewage Flows Due to Casino Development	15,894 GPD
Total System Flows with Development	236,475 GPD

COLLECTION AND CONVEYANCE SYSTEMS

Portions of the existing collection and conveyance systems have been in service for some time and are in need of normal repair and replacement as they approach the end of normal expected service period. Some are reportedly in poor condition and Bushkill Group, LLC anticipates replacing major portions of them. For conveyance to the plant, the flows must adequately convey maximum hourly quantities. Although the Casino will be open 24 hours a day, a 24-hour operational time seems too conservative for this calculation. Therefore, a 16-hour operation is used in the calculations resulting in a maximum flow of 530 GPM.

CONCLUSION

Under both scenarios, one using the provided data and the second using calculations prepared by HRG, the projected sewage flows are within the 400,000 gpd capacity reserved for Bushkill Group, LLC. HRG recommends upgrade and repair of existing lines in need of maintenance during the installation of the new lines to serve the Casino facility, and install a sewage metering system to validate the flows. This would also be helpful in determining if there is a problem with infiltration and inflow on the collection system.

SEWER DEMAND 6/1/2007

CURRENT FACILITY*

Facility	Type of Unit	No of Units	Gpd/Unit Demand	Average Daily Flow (gpd)
Corporate Facility	Employee	578	15	8,670
Fernwood Hotel	Rooms	125	120	15,000
Existing Restaurant	Patrons	768	12	9,216
Events Center	Attendee	600	5	3,000
Swimming Pool	Person	60	10	600
Maint. Facility	Employee	27	35	945
Green Houses	Rooms	32	120	3,840
Northwoods	Rooms	50	120	6,000
			TOTAL	47,271

*Using DEP Reg's, not historical data, Resorts timeshares and condos not included.

PROPOSED FACILITY

Facility	Type of Unit	No of Units	Gpd/Unit Demand	Average Daily Flow (gpd)
Corporate Facility	Employee	578	10	5,780
Fernwood Hotel	Rooms	125	120	15,000
Existing Restaurant	Patrons	768	12	9,216
Green Houses	Rooms	32	120	3,840
Northwoods	Rooms	50	120	6,000
Swimming Pool	Person	120	10	1,200
Maintenance Facilities	Employee	45	35	1,575
Casino	Patrons & Employees	1,500	10.00	15,000
Restrooms(1)	Each	6	800	4,800
Retail	SF	916	0.25	229
Dock/Warehouse/Receiving	Employee	15	35	525
			Subtotal gpd	63,165

*Based on historical data for similar facilities.

	63,165
-	47,271
Net Increase in Sewage Demand gpd	15,894
EDU Net Increase Based on 200 gpd/EDU	79

TIME SHARES AND CONDOS

Facility	Type of Unit	No of Units	Gpd/Unit Demand	Average Daily Flow (gpd)
Exsting Time Shares/ Condos	Unit	597	200	119400
Approved " ", Not Yet Built	Unit	284	200	56,800
			Subtotal gpd	176,200

	63,165
+	176,200
Total Sewage Requirement for Bushkill Group with Casino gpd (2)	239,365
EDU's Based on 200 GPD/EDU	120

(1) The restroom capacity was increased from 400 gpd to 800 gpd due to the size of some of the restrooms.

(2) By comparison, the capacity of the proposed facility would adequately serve a temporary facilty.

SEWAGE CAPACITY 6/1/2007

BASED ON CURRENT USE OF 309,000 GPD

	Gallons per Day	EDU's based on 285 Gal/EDU *	EDU's based on 200 Gal/EDU**
Bushkill Group, LLC's Total Reserved Capacity	400,000	1,404	2,000
Bushkill Group, LLC's Current Usage	309,225	1,085	1,546
Currently Available To Resorts	90,775	319	454
Needed for Build-Out (284 Units x 200gpd)	56,800		284
Available Reserves for Redevelopment	33,975		170

* Bushkill Group, LLC had indicated they currently use in the neighborhood of 309,000 gpd. It is not known quantity was determined.

The previous years DMR'S for the WWTP indicate the plant operates between .3 and .5 MGD, which would indicate Resorts is not using 309,000 GPD. There may be an I & I problem.

Conclusion: The 33,975gpd available exceeds the 15,894 needed for the development.

BASED ON HRG'S ESTIMATE USING DEP CRITERIA

Current Use

Fernwood Facility	47,271
Existing Time Shares	119,400
	166,671

	Gallons per Day	EDU's based on 285 Gal/EDU *	EDU's based on 200 Gal/EDU**
Bushkill Group, LLC's Total Reserved Capacity	400,000	1,404	2,000
Total Requirements for Resorts with Casino	239,365	840	1,197
Unused Reserves after Development	160,635	564	803

Conclusion: Bushkill Group, LLC has excess reserves even after the development.

MSMTA has available non-reserved EDU's of 169		
169 EDU's @ 200 gallons ea	33,800	169

*Previous Gal/EDU per Fred Courtright

**MSTMA has revised their EDU to 200 gallons

CONVEYANCE	Avg Daily 253,802/16/60=	249 gpm
	Peak Flow 264 X 2=	499 gpm

V. EVALUATION OF ELECTRIC SERVICE AND TELECOMMUNICATION

The following feasibility evaluations have been performed for Bushkill Group, LLC electrical service and telecommunications utilities. The evaluations were performed to determine if the existing capabilities for these utilities will be adequate to support the demands of an expanded resort facility. The proposed new development/expansion includes the addition of a 23,500 ft^2 gaming facility and 9,000 ft^2 restaurant facility. The new proposed facilities will be located adjacent to the grounds of the existing Fernwood Resort facility.

A. <u>**Electric Service**</u>– Bushkill Group, LLC electricity is currently provided by First Energy / Metropolitan Edison (MetEd). The current system consists of a 34,500 volt, 200 amp service that enters the site near Bushkill Group, LLC'S existing maintenance facility located off of Winona Falls Road. Electrical distribution throughout the Resort complex is provided through a private distribution network system owned and maintained by Bushkill Group, LLC. Bushkill Group, LLC has contracted with a private electrical contractor, Mr. Kenneth Miller, to maintain Bushkill Group, LLC'S existing electrical network and distribution system. Mr. Miller stated that Bushkill Group, LLC currently uses less than 50 amps of the available 200-amp service. This constitutes approximately one quarter (¼) of the available electrical capacity for the site.

The anticipated increased electrical demand for the new development is expected to nearly double Bushkill Group, LLC'S overall demand to 90 amps. This increased capacity is still well below the 200 amp capacity available to the site. The total anticipated future demand would be less than one half (½) of the available capacity.

Based upon the evaluation of the current electrical service system and the future demands, it has been determined that there is sufficient electrical service capacity at the site to supply the existing and proposed future development demands.

B. <u>**Telecommunications**</u> – Bushkill Group, LLC is currently served by the Verizon phone network via fiber optic cables. The Verizon fiber optic cables are tied into an independent phone network that provides telecommunication services for the entire Bushkill Group, LLC facility. The network consists of a Meridian 1 Option 81C phone switch communications system, otherwise known as a private branch exchange (PBX). The specification information for the Meridian 1 Option 81C communications system is attached. The PBX is located in the maintenance building behind the existing events center and is not expected to be impacted by the new development activities. Furthermore, the PBX is located directly adjacent to the site where the new resort facility is being proposed for construction. Bushkill Group, LLC'S telecommunications system is operated and maintained by two (2) full time employees who are located on-site.

The PBX currently serves 2,300 telephone sets and had been designed to handle 10,000 telephone sets. The proposed new resort facilities are projected to require no more than an additional 1,000 individual telephone sets which would be operated through the existing PBX switch. Based on the existing PBX usage (2,300 sets) and the proposed additional sets being less than 1,000, the maximum total anticipated usage would be approximately 3,300 sets. This proposed usage is significantly less than the 10,000 set capacity of the existing PBX switch.

While there are no foreseeable reasons to relocate the PBX switch as a result of the new resort development, it has been verified that the PBX is fully mobile and could be re-located. The telephone switch compartment would merely have to be transported to a new location and re-mobilized. Once mobilized, the cable and phone line access to this new location would have to be re-established.

Based upon the specifications of the existing phone switch and its capabilities for increased expandability, the current telecommunications system has sufficient capacity to serve the proposed development additions to the resort complex.

Meridian 1 Option 81C – Telecommunications System Specifications

The Meridian 1 Option 61C and 81C Enterprise Communications Systems are the powerhouses of the Meridian 1 portfolio. They are targeted at mid to large sized organisations with the most demanding requirements for capacity, reliability, advanced applications and sophisticated networking. Both are equipped with CPU and storage media redundancy as standard. The Meridian 1 Option 61C is ideally suited for organisations requiring up to 2,000 ports. It is also the system of choice for smaller port sizes where resilience is a major consideration, such as in a Call Centre. The Meridian 1 Option 81C uses many of the Option 61C components but adds additional power and capacity to support up to 16,000 ports.

Meridian 1 provides a platform for applications such as CallPilot Unified Messaging and Symposium Call Centre Server. The Meridian 1 Option 61C and 81C provide the added benefit that these services can be hosted centrally and extended across the entire network to smaller Meridian 1 Option 11 locations, many of which may be too small to warrant having their own local applications platforms. This is achieved using the Network Attendant Services, Network Message Services and Networked Automatic Call Distribution features.

The power, capacity and reliability of the Option 61C and 81C are also well suited as workers. They are equally well capable of supporting large numbers of mobile employees through the "virtual office" feature and i2050 software telephone.

The modular design of Meridian 1 systems across the portfolio provides built in scalability so that when your enterprise grows then so too can your Meridian 1. This enables seamless growth from the Option 61C to 81C as the need arises.

Typical Applications

- Mid to large enterprises
- Multi-site enterprises with sophisticated networking and advanced applications

Features of the Meridian 1 Option 61C / Option 81C	
System Capacity	Option 61C up to 2,00 ports Option 81C up to 16,000 ports
Real-time Call Capacity	320,000 Busy Hour Call Completions (BHCC)
Redundancy	CPU and Storage Media
Integrated Applications	Symposium Call Centre Server portfolio CallPilot Unified Messaging MIPCD (One number find-me / follow-me MICB (Audio Conferencing) MIRAN (Recorded Announcer) Meridian Mail (Voice Mail) Meridian DECT Wireless Voice Remote Office
System Management	Optivity Telephony Manager
Terminals	M3900 series and earlier supported Meridian digital telephones, IP and Software Telephones Analogue, Basic Rate and Attendant consoles
VoIP	ITG line-side, trunk-side and Wireless VoIP Gateway
Software Features	450+ (e.g. Boss Secretary Filtering, Intercom, paging)