

**COMMONWEALTH OF PENNSYLVANIA  
GAMING CONTROL BOARD**

IN RE:	:	
	:	
APPLICATION OF <b>CROSSROADS GAMING RESORT &amp; SPA, L.P.</b>	:	<b>DOCKET NO. 1355</b>
	:	
APPLICATION OF <b>MOUNT AIRY #1, LLC</b>	:	<b>DOCKET NO. 1311</b>
	:	
APPLICATION OF <b>POCONO MANOR INVESTORS, LP</b>	:	<b>DOCKET NO. 1352</b>
	:	
APPLICATION OF <b>SANDS BETHWORKS GAMING, LLC</b>	:	<b>DOCKET NO. 1353</b>
	:	
APPLICATION OF <b>TROPICANA PENNSYLVANIA, LLC</b>	:	<b>DOCKET NO. 1351</b>
	:	
Applications for Category 2 Slot Machine Licenses in a revenue or tourism enhanced location	:	

**ORDER**

AND NOW this 1<sup>st</sup> day of February, 2007, based upon the full and careful consideration of the record evidence before it, the provisions of the Pennsylvania Race Horse Development and Gaming Act (“Act”) (4 Pa.C.S. §§ 1101 – 1904, as amended) and the Act’s accompanying regulations, the Pennsylvania Gaming Control Board (PGCB) issues the following:

**IT IS ORDERED THAT**, the applications for licensure as Category 2 licensees in a revenue or tourism enhanced location of **Sands Bethworks Gaming, LLC** and **Mount Airy #1, LLC** are **GRANTED** and the licenses are approved for the reasons set forth in the Gaming Control Board’s Adjudication of the Applications for Category 2 Slot Machine Licenses in a revenue or tourism enhanced location issued this date, and subject to satisfaction of the following conditions prior to the issuance of the Category 2 licenses:

1. The expiration of the thirty (30) day appeal period permitted by the Pennsylvania Rules of Appellate Procedure;
2. The payment of any outstanding fees, other than the \$50 million licensing fee, as determined by the PGCB pursuant to 4 Pa.C.S. § 1208;
3. The agreement to the Statement of Conditions of licensure to be imposed and issued by the Gaming Control Board, as evidenced by the signing of the agreements by Sands Bethworks Gaming, LLC's and Mount Airy #1, LLC's and executive officers or designees within five business days of the receipt of the Statement of Conditions from the PGCB; and
4. The payment of the one time \$50,000,000 slot machine license fee required pursuant to 4 Pa.C.S. § 1209, made by the latter of four months from the date of this Order or ten (10) calendar days following the conclusions of any appeals to the grant of this license pursuant to 4 Pa.C.S. §1204 (if any), and no less than ten (10) business days prior to the beginning of the test period necessary to commence slot machine operations under 58 Pa. Code § 467.2(a)(9).

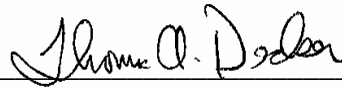
**IT IS ORDERED THAT** the applications for licensure as a Category 2 licensee in a revenue or tourism enhanced location of **Crossroads Gaming Resort & Spa, LP, Pocono Manor Investors, LP** and **Tropicana Pennsylvania, LLC** are **DENIED** for the reasons set forth in the Gaming Control Board's Adjudication of the Applications for Category 2 Slot Machine Licenses in a revenue or tourism enhanced location issued this date.

**IT IS FURTHER ORDERED THAT** the PGCB delegates to a designated Board member, in consultation with the Executive Director, authorization to permit Sands Bethworks Gaming, LLC's and Mount Airy #1, LLC to commence a test period pursuant to 58 Pa. Code § 467.2(a)(9), which test period shall commence on such date and time and shall continue for such duration as shall be determined by a designated Board member, in consultation with the Executive Director. A designated Board member, in consultation with the Executive Director, shall be authorized to establish, terminate, restrict, limit, extend or otherwise modify the test period or the hours thereof. The authority delegated shall include the right to order Sands Bethworks Gaming, LLC and Mount Airy #1, LLC to take whatever actions are necessary to preserve the policies of the Act, the regulations and any technical standards adopted by the PGCB and/or to assure an effective evaluation during the test period including permitting, limiting, restricting or prohibiting Sands Bethworks Gaming, LLC and Mount Airy #1, LLC from conducting slot operations.

**IT IS FURTHER ORDERED THAT** the PGCB delegates to a designated Board member, in consultation with the Executive Director, the ability to determine the successful completion of the test period and to authorize the effective date and time at which slot operations may commence pursuant to 58 Pa. Code § 467.2(b), such authorization to include a specific number of slot machines and gaming floor square footage. The authority delegated shall include the right to restrict, limit, condition or abrogate any authority to conduct slot operations and the authority to subsequently amend, modify or remove any restriction, limitation, condition or prohibition imposed pursuant to any authority granted hereunder;

that the delegation of authority to a designated Board member shall expire as determined by the PGCB; and

that in the event that a designated Board member cannot perform the delegated duties, the Chairman shall have the authority to select an alternate PGCB member to fulfill these duties.



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**Thomas A. Decker, Chairman**  
**Pennsylvania Gaming Control Board**

In accordance with 4 Pa.C.S. § 1204, the Supreme Court has been vested with exclusive appellate jurisdiction to consider appeals of any final order, determination or decision of the board involving the approval, issuance, denial or conditioning of all licensed entity applications. Pa.R.A.P. provides for any Petition for Review to a PGCB decision to be filed within thirty (30) days after the entry of the order.

**COMMONWEALTH OF PENNSYLVANIA  
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Applications for Category 2 Slot Machine Licenses in a revenue or tourism enhanced location	:	

**ADJUDICATION**

**OF THE PENNSYLVANIA GAMING CONTROL BOARD**

**IN THE MATTERS OF THE APPLICATIONS FOR CATEGORY 2 SLOT**

**MACHINE LICENSES IN A REVENUE OR TOURISM**

**ENHANCED LOCATION**

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## **INTRODUCTION**

In July 2004, upon the enactment of the Pennsylvania Race Horse Development and Gaming Act (“Act”), 4 Pa.C.S. §1101, et seq. *as amended*, Pennsylvania embarked on an expansive initiative providing for legalized slot machine gaming at a limited number of licensed facilities within the Commonwealth. The primary expressed objective of the legislation is to protect the public through regulating and policing all activities involving gaming. Other objectives include enhancing live horse racing and breeding programs, entertainment and employment in the Commonwealth, providing a significant source of income to the Commonwealth for tax relief, providing broad economic opportunities to Pennsylvania’s citizens, developing tourism, strictly monitoring licensing of specified locations, persons, associations, practices, activities, licensees and permittees, considering the public interest of the citizens of the Commonwealth and the social effects of gaming when rendering decisions and maintaining the integrity of the regulatory control of the facilities slots. 4 Pa.C.S. §1102.

The Act establishes the Pennsylvania Gaming Control Board (“Board” or “PGCB”) which is comprised of three gubernatorial and four legislative appointee members. 4 Pa.C.S. §1201(b). The Board is provided general jurisdiction over all gaming and related activities, including but not limited to overseeing acquisition and operation of slot machines and issuing, approving, renewing, revoking, suspending, conditioning and denying slot machine licenses. 4 Pa.C.S. §1202.

Three categories of slot machine licenses are authorized under the Act: Category 1 licenses permitting up to seven qualifying licensed horse racetracks to maintain slot machine facilities; Category 2 licenses permitting up to five stand-alone slot machine

locations in metropolitan or other tourism areas; and Category 3 licenses permitting up to two hotel-resort slot machine facilities. 4 Pa.C.S. §§1301-1307.

The Act sets forth essential eligibility criteria for each Category of license which any license applicant must satisfy simply to proceed to consideration of its application. With respect to Category 2 licenses, which are the subject of this adjudication, Section 1304 of the Act provides the eligibility criteria including that the applicant may not be eligible for a Category 1 license and that the locations for the Category 2 facilities include two facilities in a city of the first class, one facility in a city of the second class and the remaining two facilities in a revenue or tourism-enhanced location. Further, for each of these facilities, the Act sets specific distance requirements with respect to Category 1 and other Category 2 facilities. 4 Pa.C.S. §1304. The Act also imposes eligibility criteria on all applicants for all Categories which include the development and implementation of a diversity plan to assure equal opportunity in employment and contracting, as well as a requirement that the applicant be found suitable consistent with the laws of the Commonwealth and otherwise qualified for licensure. 4 Pa.C.S. §1325. Other sections of the Act impose further restrictions on who may or may not be issued licenses including imposing good character, honesty and integrity requirements upon applicants, and requiring letters of reference from law enforcement and other casino jurisdictions where the applicant may be licensed, 4 Pa.C.S. §1310; imposing business restrictions on who may own, control or hold key positions for the applicant, 4 Pa.C.S. §1311; requiring divestiture of interests on non-qualifying persons, 4 Pa.C.S. §1312; and imposing strict financial fitness requirements on the applicants to assure the financial and operational viability of the proposal, 4 Pa.C.S. §1313, and promoting and ensuring



diversity in all aspects of the gaming activities permitted under the Act including through the ownership, participation and operation of licensed facilities. 4 Pa.C.S. §1212.

In addition to the eligibility criteria, the Act provides extensive guidance for the Board's consideration in issuing licenses. Section 1325(c)<sup>1</sup> - Additional requirements, provides:

In addition to the eligibility requirements otherwise provided in this part, the board may also take into account the following factors when considering an application for a slot machine license:

- (1) The location and quality of the proposed facility, including, but not limited to, road and transit access, parking and centrality to market service area.
- (2) The potential for new job creation and economic development which will result from granting a license to an applicant.
- (3) The applicant's good faith plan to recruit, train and upgrade diversity in all employment classifications in the facility.
- (4) The applicant's good faith plan for enhancing the representation of diverse groups in the operation of its facility through the ownership and operation of business enterprises associated with or utilized by its facility or through the provision of goods or services utilized by its facility and through the participation in the ownership of the applicant.
- (5) The applicant's good faith effort to assure that all persons are accorded equality of opportunity in employment and contracting by it and any contractors, subcontractors, assignees, lessees, agents, vendors and suppliers it may employ directly or indirectly.
- (6) The history and success of the applicant in developing tourism facilities ancillary to gaming development if applicable to the applicant.
- (7) The degree to which the applicant presents a plan for the project which will likely lead to the creation of quality, living-wage jobs and full-time permanent

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<sup>1</sup> The Section 1325(c) factors are factors which the Board may take into consideration in determining whether the grant of a license is in the public interest or otherwise in accordance with the objectives of the Act. In addition, and more important to the Category 2 licenses where competition exists, the 1325(c) factors permit a basis for comparison of applicants to determine, in the Board's discretion, which applicants' projects are best-suited for the licenses.

jobs for residents of this Commonwealth generally and for residents of the host political subdivision in particular.

(8) The record of the applicant and its developer in meeting commitments to local agencies, community-based organizations and employees in other locations.

(9) The degree to which potential adverse effects which might result from the project, including costs of meeting the increased demand for public health care, child care, public transportation, affordable housing and social services, will be mitigated.

(10) The record of the applicant and its developer regarding compliance with:

- (i) Federal, State and local discrimination, wage and hour, disability and occupational and environmental health and safety laws; and
- (ii) State and local labor relations and employment laws.

(11) The applicant's record in dealing with its employees and their representatives at other locations.

In light of the comprehensive nature of the General Assembly's directed regulation, the Board set a deadline of December 28, 2005, for applications for all three categories of licenses.<sup>2</sup> By this deadline, the Board received eight applications for the two available Category 2 licenses in a revenue or tourism-enhanced location.<sup>3</sup> Five applicants remained for consideration for licensure as of December 2006. (These applicants are sometimes referred to as the At-Large applicants because their location is not specified in the Act as are the Philadelphia and Pittsburgh applicants.)

With respect to the five (5) Category 2 applications, the Board, through its respective Bureaus of Licensing, Investigation and Enforcement, and Corporate

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<sup>2</sup> See [www.pgcb.state.pa.us/press/pr\\_112805.htm](http://www.pgcb.state.pa.us/press/pr_112805.htm)

<sup>3</sup> Three of the original applicants, Boyd Pennsylvania Partners, L.P.; Pennsylvania Gaming Group, LLP; and Trum Construction Company either did not complete the application process or withdrew their applications at various points during the review process. Therefore, they were not included in the final hearings nor considered by the Board for licensure.

Compliance and Internal Controls, engaged in extensive review and investigation. The Board conducted seven (7) days of public input hearings on April 5, 2006, April 7, 2006, April 27, 2006, April 28, 2006, May 17, 2006, May 22, 2006 and May 23, 2006, during which each of the five applicants made presentations and during which two-hundred eighty-two (282) individuals, including members of the community, spoke either in favor of or in opposition to gaming and the proposed projects. In addition, during the public comment period, the Board received a combined 7,926 written comments relating to the proposals from the public.<sup>4</sup> The Board placed large amounts of information about the projects on its website<sup>5</sup>, and conducted final hearings on December 4, 2006, December 5, 2006, December 6, 2006 and December 13, 2006, for the At-Large applicants.<sup>6</sup>

The applicants before the Board for the two available Category 2 licenses in the revenue or tourism-enhanced locations are: 1) **Crossroads Gaming Resort & Spa, LP**; 2) **Mount Airy #1, LLC**; 3) **Pocono Manor Investors, LP**; 4) **Sands Bethworks Gaming, LLC** and 5) **Tropicana Pennsylvania, LLC**. The authority for these licenses arises under Section 1304 of the Act. Because the Act only permits two licenses to be awarded to a revenue or tourism-enhanced location and there are five applicants, there is competition among the applicants for the two available licenses. Because of this competitive factor, the five applicants not only have the responsibility to satisfy the Board that they are eligible and suitable for a Category 2 license, but they also have been required to convince the Board that their respective project should be among the two

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4 See [www.pgcb.state.pa.us/hearing\\_comments.htm](http://www.pgcb.state.pa.us/hearing_comments.htm)

5 See [www.pgcb.state.pa.us/report\\_hearing.htm](http://www.pgcb.state.pa.us/report_hearing.htm)

6 See [www.pgcb.state.pa.us/press/pr\\_101106.htm](http://www.pgcb.state.pa.us/press/pr_101106.htm)

chosen by the Board to best serve the Commonwealth's and the public's interests in those revenue or tourism-enhanced locations. Ultimately this is a determination committed to the sound exercise of the Board's discretionary authority to select the two applicants which the Board believes will best serve the Commonwealth's and the public's interests as outlined in the Act.

On December 20, 2006, the Board met during an open, public meeting in accordance with the requirements of the Commonwealth's Sunshine Act, 65 Pa.C.S. Chapter 7, and Section 1206 of the Act, for the purpose of voting upon all pending applications and approving all permanent Category 1 and 2 licenses after consideration of all of the applications, collectively and together in a comprehensive, Statewide manner.

In addition to the Act's eligibility criteria under Sections 1304 and 1310-1313, factors which the Board took into consideration when reviewing these applications are those defined in Section 1325 of the Act as listed above. The Board fully considered these factors as applicable to arrive at a decision on licensure based upon all of the evidence in the record before it. The Board considered all of the evidence which makes up the evidentiary record in this case, received briefs and heard oral argument supporting the applications, where presented, and has had the opportunity to question applicants about their proposals.

In addition, throughout the entire licensing and investigative process, the Board reached out to various federal, state and local law enforcement agencies, including the FBI and the Pennsylvania State Police, requesting any information in the possession of those agencies related to the suitability of the applicants in order to assure that the Board had obtained all information relevant to each applicant's suitability for licensing. Those

agencies have not provided the Board with any information which would preclude the applicants from being considered for a license.

Based upon each Board member's comprehensive evaluation of all information obtained throughout the entire licensing and investigative process and contained in the evidentiary record, the Board collectively engaged in quasi-judicial deliberations in executive session during which it met to fully and frankly discuss the merits of each of the applicants and their proposed projects.

Each of the five Category 2 At-Large applicants has presented the Board with a solid, competent proposal for the construction and operation of a first-class casino in revenue or tourism-enhanced location, all of which are eligible and suitable for licensure under the terms of the Act. Furthermore, all applicants were found by the Board to have sufficient management capabilities for their respective facilities. Unfortunately, the Board is constrained by the Act only to issue two licenses in a revenue or tourism-enhanced location. Those applicants not awarded a license have, under the mandates of the Act, been denied a license. The Board emphasizes the point that the denials of three applicants are not because the unsuccessful applicants were found unsuitable, but because the Board had the difficult task of choosing among five suitable candidates and proposals, each of which possessed various positive attributes. Simply stated, the successful applicants were the applicants which possessed the projects which the Board evaluated, in its discretion, to be the best projects for licensure under the criteria of the Act.

During its December 20, 2006 public meeting, the Board voted to approve for Category 2 licenses **Sands Bethworks Gaming, LLC** and **Mount Airy #1, LLC**, pursuant to terms and conditions to be imposed by the PGCB. Concurrently, the Board

voted that the remaining three applications for a Category 2 license in revenue or tourism-enhanced locations, those being **Crossroads Gaming Resort & Spa, L.P.**, **Pocono Manor Investors, LP**, and **Tropicana Pennsylvania, LLC** are denied as not having achieved a qualified majority of support for licensure as defined in the Act and because the revenue or tourism locations are limited to only two Category 2 licenses. *See* Sections 1301 and 1304 of the Act.

The following Findings of Fact and Conclusions of Law set forth the Board's rationale for this determination.

### **FINDINGS OF FACT**

#### **General Findings Applicable to All At Large Applicants**

1. All five applicants have applied for a slot machine license to operate a slots casino in a revenue or tourism-enhanced location.
2. The initial applications from the At Large applicants seeking a Category 2 slot machine license were received by the Board on or before December 28, 2005.
3. The Bureau of Licensing then put each application package through a detailed completeness review. This process involved scrutinizing each and every question asked and each answer provided to determine if the answers and documentation were fully responsive. Where deficiencies were detected, requests for more information, documentation and additional applications were made of the applicant. As the new information and applications arrived they were again put through the completeness review process and deficiencies identified.
4. None of the five (5) applicants proposed locations are within 20 linear miles of any Category 1 licensed facility or within 30 linear miles of a Category 1

licensed facility that has conducted over 200 racing days per year for the last two calendar years.

5. This gathering of information and documentation was ongoing throughout the eleven months prior to the applicants' suitability hearings.

6. Once the Bureau of Licensing determined it was sufficiently satisfied with the core contents of the initial applications, the applications were given to the Bureau of Investigations and Enforcement ("BIE") and the Bureau of Corporate Compliance and Internal Controls for the character and financial suitability investigations.

7. BIE reviewed and inspected the applications to identify any inconsistencies and to develop a general familiarity with the overall business activity, financial situation and history of the applicant, developed investigative plans that would be utilized to conduct the background investigations of each applicant and put those plans into action.

8. Requests for information to numerous organizations and agencies were made. Criminal history checks were requested through the Pennsylvania State Police which included queries of the Federal Bureau of Investigation's National Crime Information Center databases for criminal history and wanted person information. Further queries into criminal history records were conducted by BIE utilizing accessible databases and through direct contact and/or correspondence with local law enforcement agencies having jurisdiction over the current and former locations of the businesses associated with the applicant and residences of the natural persons included in or related to the application. Additionally, the Pennsylvania Office of Attorney General, Executive Offices of the Pennsylvania State Police, several United States Attorney Offices and

Federal Bureau of Investigation Offices were contacted with respect to each applicant in order to ascertain whether any concerns existed as to the licensure of any particular applicant. In addition to the required Pennsylvania state tax clearance review conducted by the Department of Revenue and the Department of Labor and Industry, requests for tax clearance reviews were sent to other applicable federal, state and local jurisdictions. Additional verifications were made as well such as passports being verified through the United States Department of State and bank accounts, loans, lines of credit, safe deposit box ownership, etc. verified with financial institutions.

9. BIE also conducted database searches, utilizing, among others, commercial databases such as Screening Network, Accurant/Relavint, Lexis/Nexis, Choicepoint Comprehensive Report, and Auto Track XP to identify and verify the employment, family, residence and educational histories of each applicant, as well as their non-gaming and professional license status, civil litigation dockets and credit histories. The results and findings of these database checks were then compared against each other and to the information contained in the application materials.

10. Contact was made with other gaming regulators concerning the applicants and the natural persons associated with the applicants in order to verify gaming licensure and licensure status.

11. Extensive personal interviews were conducted by BIE agents with applicants and their natural person qualifiers during which investigators gathered extensive amounts of information concerning these entities and individuals and their businesses and personal histories.



12. Investigation of each applicants' finances in order to assess financial suitability was conducted jointly by BIE and the Bureau of Corporate Compliance and Internal Controls. The role of BIE was to verify the data upon which these reports were based. The Bureau of Corporate Compliance and Internal Controls personnel created the financial fitness report.

13. A Financial Suitability Task Force was established with professional members from the Bureau of Corporate Compliance and Internal Controls, as well as professional consultants retained as part of that Task Force. The Task Force developed the process for the determination of financial suitability of the applicants. The process entailed extensive document review.

14. The Financial Suitability Task Force established the following criteria in order to determine Financial Suitability for each applicant. Criteria 1 being an applicant's financial track record examining past financial performance and financial risk profile; Criteria 2 being an Individual Analysis; and Criteria 3 being the financial wherewithal of an applicant which included project funding and each applicant's ability to grow and maintain revenue.

15. The Bureau of Corporate Compliance and Internal Controls collected extensive information from each applicant which included corporate information for the applicant and any other related entities and individual information where applicable.

16. Based on the process designed and the information collected, the Task Force prepared the Financial Suitability Report with supporting documentation consisting of: 1) Corporate Financial Analysis; 2) Corporate Structure Analysis; 3) Debt Structure Recap; 4) Drive Time Market Analysis; and 5) Project Financial Overview.

17. A drive-time analysis was conducted for each applicant. A drive-time analysis is a proven method which has been used extensively over a number of years in the major gaming markets to estimate potential gaming revenues. The drive-time analysis is used to estimate the potential gaming revenue of a gaming facility on the basis of a set of assumed conditions. It takes into consideration the expected level of spending at the proposed facility by adults living in various zones around a proposed site location, with the zones primarily defined in terms of the amount of time it takes to drive to the proposed site and the assumed surrounding competition. The drive-time is based on a typical facility and does not include consideration of the specific site, access, physical characteristics or management, operational or marketing capabilities of the applicant or any other applicant in Pennsylvania.

18. The Task Force conducted a drive-time analysis for each applicant's proposed facility to: (1) estimate the gaming revenues of the applicant's proposed facility for a stabilized year of operation, which was used because of added comparability (for clarification, the stabilized year takes place once the permanent facility is open and has ramped up and is moving into a steady state of operation, and it also takes into account assumed competition from other relevant gaming facilities); (2) provide a basis for the Board to evaluate the applicant's gaming revenue projections; and (3) analyze the applicant's long-term view of the market.

19. The drive-time analyses were based on win and visitation analyses for each applicant's proposed facility. The visitation analyses were conducted by dividing the surrounding area into various zones and analyzing the following three critical factors for each zone: (1) Adult Gaming Propensity, which is an estimate of the likelihood of a

resident of an area to visit a particular facility in a given year based upon gaming industry data. The gaming propensity depends upon a number of factors including: access and drive-time, proximity to existing and proposed competitive gaming facilities, availability of other leisure activities, and availability and type of transportation to the proposed facility; (2) Annual Frequency of Visits, which is an estimate of how often a resident of a given area visits a particular facility in a year; and (3) Average Trip Expenditure, which is an estimate of the spending propensity of a visitor during a trip to a given facility.

20. Public Input Hearings were conducted by the PGCB on April 5 and May 17, 2006 at Gettysburg College in Gettysburg, Pennsylvania; May 7, 2006 in Harrisburg, Pennsylvania; April 27, 2006 at the Resort at Split Rock in Lake Harmony, Pennsylvania and on April 28, May 22 and May 23, 2006 at the Crowne Plaza in Allentown, Pennsylvania. Numerous representatives from all five applicants testified at the hearings on behalf of their respective proposals. All interested groups and individuals wishing to speak at the meeting concerning the five proposals were given the opportunity to provide testimony with respect to the projects.

21. The Board also provided a written public comment period that closed on June 2, 2006.

22. By June 2, 2006, the Board had received a total of approximately 7,926 written comments. In addition, the Board received petitions containing, in some cases, thousands of signatures in favor of and in opposition to specific proposals.

23. In addition to the written comments received by the Board specific to each applicant, the Board also received eighty-three (83) comments generally addressing the

building of any casino in the Allentown and Bethlehem area and seven (7) opposing the building of any casino in the Pocono area.

24. The Board's regulations at 58 Pa. Code §441.19(y) provide a mechanism for persons wishing to intervene in any licensing hearing for a slot machine license if that person has an interest in the proceeding which is substantial, direct and immediate and if the interest is not adequately represented in the hearing. 58 Pa. Code §441.19(y).

25. One petition to intervene was filed with the Board on December 15, 2006 by the Bethlehem Defense Fund. That petition to intervene was denied by Order dated December 20, 2006.

26. No other petitions to intervene were filed with respect to any other Category 2 revenue or tourism-enhanced location applicant.

27. On December 4, 5, 6, and 13, 2006 all applicants were provided final hearings during which they were permitted to present witnesses to provide sworn testimony and documentary and demonstrative evidence as each applicant deemed appropriate to attempt to convince the Board that it should be awarded one of the two Category 2 licenses .

28. Each applicant was provided the opportunity to provide a written brief to the Board by December 18, 2006, after the completion of the suitability hearings for all five applicants. The Board received a brief from all five applicants.

29. On December 19, 2006, the Board provided the five applicants the opportunity to provide oral argument before the Board and all applicants participated.

30. Each applicant, as part of its application, submitted a traffic study prepared by a professional firm retained by the applicant for the purpose of analyzing

traffic issues associated with the proposed project and proposing traffic and roadway modifications to alleviate traffic problems association with increases in traffic which the proposed casino would create.

31. Pursuant to an interagency agreement with PennDOT, which had an existing contract for traffic engineering services with the engineering and planning firm of McCormick Taylor, the Board engaged McCormick Taylor to review traffic study plans submitted by each Category 2 At-Large applicant and to provide a responsive independent report concerning the traffic studies and proposed mitigation measures and modifications to address increased traffic concerns.

32. The McCormick Taylor reports were provided to each respective applicant for review and further comment and discussion.

33. Each applicant had the opportunity to submit additional materials, supplementations and proposals to address concerns raised by McCormick Taylor concerning traffic issues.

34. McCormick Taylor prepared a final report again analyzing the applicants' proposals which were provided to the applicants prior to the final hearings and to which the applicants were permitted to respond during their final hearings.

35. The McCormick Taylor reports and the applicants' responses were submitted and admitted as exhibits in the respective applicants' final hearings.

36. The Act permits the Board to issue only two licenses in a revenue or tourism-enhanced location.

37. No Category 2 licensed facility may be located within 20 linear miles of another Category 2 licensed facility.

38. PGCB Regulation 441.19, Licensing hearings for slot machine licenses, provided the procedural framework for the final licensing hearings provided to all applicants. 58 Pa. Code §441.19.

39. Pursuant to PGCB regulation 441.19(o), 58 Pa. Code §441.19(o), applicants were provided the opportunity to also present evidence during their own hearing to and concerning their competitors in order to demonstrate that their own project should be selected rather than the project of a competing applicant. All applicants who desired to present comparative evidence were required to notify the other applicants of that intent and provide notice of the evidence to be presented in order to permit all applicants to respond to any comparative evidence.

40. No applicant filed any written objection to the Board's docket, or raised any objection orally or in writing to the Board during the course of its hearing, relating to the procedure utilized by the Board for the conduct of the hearing process generally or to any particular allegation of error.

41. On December 20, 2006, during a public meeting, the Board voted unanimously to approve and award **Sands Bethworks Gaming, LP** and **Mount Airy #1, LLC** the available licenses in a revenue or tourism-enhanced location, and thereby deny the applications of **Crossroads Gaming Resort & Spa, LP**, **Pocono Manor Investors, LP** and **Tropicana Pennsylvania, LLC**.

**SANDS BETHWORKS GAMING, LLC (“Sands Bethworks”)**

42. Sands Bethworks proposed the development of a gaming and entertainment complex on an approximately 124 acre site in Bethlehem, Pennsylvania,

which had been a part of the former site of Bethlehem Steel Corporation and is a revenue or tourism-enhanced location.

43. The plan includes retaining some of the buildings of the Bethlehem Steel Corporation, including the highhouse, several machine shops, the ore bridge and others, and incorporating them into the gaming and entertainment complex as the developer is committed to historic preservation of the site.

44. The plan calls for the use of industrial kinds of materials such as brick, steel and glass, in keeping with the steel mill theme and the new buildings will look similar to the already existing buildings and blend in with the site.

45. The plan includes several phases of construction and will include a casino, retail space, a variety of food and beverage establishments, a hotel, a ten (10) screen cinema and a multi-purpose hall, among others and parking to service all of these amenities.

46. Sands Bethworks has submitted architectural renderings which depict the appearance and plans of the facility.

47. At the Public Input hearing, seventy-seven (77) individuals testified specifically about the Sands Bethworks project. Two (2) state legislators testified with one (1) supporting the project and one (1) opposing the project. The legislator who spoke against the project does not represent Bethlehem. One (1) local government representative testified supporting the project. Sixteen (16) representatives of community groups testified with seven (7) supporting the project, eight (8) opposing the project and one (1) taking a neutral position. Fifty-eight (58) individuals testified with twelve (12)

supporting the project, thirty-nine (39) opposing the project and seven (7) taking a neutral position.

48. Written comments were also received by the PGCB by the June 2, 2005 deadline. Seven thousand one hundred and nineteen (7,119) comments were received with 6,170 postcards in support of the project, 838 opposed to the project with 592 postcards, one written comment with 115 signatures and one petition with 144 signatures. In addition eighty-three (83) of the comments and postcards opposed casinos generally in the Lehigh Valley.

49. Those speaking or providing written comments in support cited reasons such as the economic benefits of restoring jobs and the tax base to Bethlehem, redevelopment of a brownfield site, the respect of the historical legacy of the site and the promise to preserve historical elements of the site, the increased educational and historical experiences the development will bring and the cultural renaissance the development will bring to Bethlehem.

50. Those speaking or providing written comments in opposition cited reasons such as a slots casino not being compatible with the strong moral and religious heritage of Bethlehem, increased social issues such as crime, drug/alcohol abuse and addiction, bankruptcy, divorce, child abuse and suicide, the strain on the infrastructure including increased traffic congestion and use of water and sewer, the fact that other development could happen on the site it would just take longer and the proximity to schools and Lehigh University.

51. On December 6, 2006, the PGCB conducted a public suitability hearing for the purpose of taking additional testimony and evidence from Sands Bethworks



concerning its application and proposed project and its eligibility and suitability for licensure pursuant to the Act.

52. The application for a Category 2 license filed by Sands Bethworks is complete, all fees and costs which have been billed to Sands Bethworks have been paid as required, all required bonds and/or letters of credit were posted and Sands Bethworks and its affiliates and key employee/qualifiers consented to and have undergone background investigations as required by the Act.

53. Sands Bethworks was formed as a Pennsylvania limited liability company on December 9, 2005, for the purpose of acquiring a Category 2 slot machine license.

54. Sands Bethworks is owned 90% by Sands Pennsylvania, Inc. (“Sands Pennsylvania”) and 10% by Bethworks Now, LLC (“Bethworks Now”).

55. Sands Pennsylvania is owned 96% by Venetian Casino Resort, LLC (the “Venetian”) and the remaining 4% is held by Pasquale Deon and James Schwartzman in blind trusts.

56. The Venetian is a wholly-owned subsidiary of Las Vegas Sands, LLC which in turn is a wholly-owned subsidiary of the publicly-traded company, Las Vegas Sands Corp.

57. Bethworks Now is owned by Bethworks GGQ, LLC and Bethworks FP, LLC. These companies in turn are owned by individual investors.

58. Sands Bethworks diversity of ownership is demonstrated through the ownership interests of the parent.

59. Although Sands Bethworks' parent company, Las Vegas Sands Corp. has been licensed in other jurisdictions, the PGCB did not utilize alternative licensing standards during the course of its investigation of Sands Bethworks' application.

60. The following entity qualifiers, affiliate qualifiers and key employee/qualifiers of Sands Bethworks consented to and have undergone required background investigations: Sands Pennsylvania, Inc., Bethworks Now, LLC, Las Vegas Sands Corp., Las Vegas Sands, LLC, Venetian Casino Resort, LLC, Bethworks FP, LLC, Bethworks GGQ, LLC, Larug, LLC, Sheldon G. Adelson 2002 Four Year LVSI Annuity Trust, Sheldon G. Adelson 2005 Family Trust, Sheldon Gary Adelson, William Peter Weidner, Robert Glen Goldstein, Robert P. Rozek, Scott David Henry, Bradley Hunter Stone, Frederick Hall Kraus, James Lawrence Purcell, Irwin Abe Siegel, Michael Alan Leven, Richard S. Fischbein, Barry Martin Gosin, Michael Joseph Perrucci, James D. Kuhn, Pasquale T. Deon, James Charles Schwartzman, Jeffrey Robert Gural, Barbara Gural, Jane Ellice Gural-Senders, Roger G. Gural, Aileen Gural, Brian Ross Steinwurtzel and Jennifer Lynn Steinwurtzel.

61. The following individuals requested a waiver of their obligation to be licensed, claiming they are an outside director of an affiliate, intermediary, subsidiary or holding company of Sands Bethworks, are not members of the audit committee and are not significantly involved in the management or ownership of Sands Bethworks: Lord Abbett Bond Debenture Fund, Inc., Marsico Capital Management, LLC, Miriam Ochshorn Adelson, Irwin Chafetz, Charles Daniel Forman and Andrew R. Heyer.

62. The following qualifiers originally associated with the Sands Bethworks project requested and were granted permission to withdraw from the application: Wesley Allison and Bradley Serwin.

63. Neither Sands Bethworks, nor any person or entity affiliated with Sands Bethworks, is a party to any ongoing civil proceeding seeking to overturn a decision or order of the PGCB or the Thoroughbred or Harness Racing Commissions.

64. Sands Bethworks does not possess any ownership or financial interest in any other slot machine licensee or person eligible for a Category 1 license, its affiliate, intermediary, subsidiary or holding company.

65. Neither Sands Bethworks, nor any of its affiliates, intermediaries, subsidiaries or hold companies, possess any ownership or financial interest in any supplier or manufacturer license.

66. No public official is a key employee/qualifier or has any prohibited financial interest in or is employed by Sands Bethworks or any related entity.

67. Neither Sands Bethworks, nor any of its affiliates or key employee/qualifiers, made any political contributions of any kind in violation of the Act.

68. Sands Bethworks satisfied all local, state and federal tax obligations.

69. Investigation did not reveal that Sands Bethworks or any of its affiliates, directors, owners or key employee/qualifiers have been convicted of a felony or gambling offense in violation of the Act.

70. Investigation did not reveal any information that would indicate that Sands Bethworks or any of its affiliates, directors, owners or key employee/qualifiers is of unsuitable character.

71. Information gathered during the course of BIE's investigation concerning Sands Bethworks and its affiliates, directors, owners and key employee/qualifiers did not reveal any information concerning bankruptcies, civil lawsuits or judgments, criminal convictions, past activities or business practices, business associates or dealings or any other information concerning the honesty, integrity, family, habits or reputation that would prohibit licensure of Sands Bethworks or its key employee/qualifiers.

72. Sands Bethworks is a newly formed entity with no financial history. Therefore, the PGCB's Financial Suitability Task Force conducted an analysis of the historical financial performance, financial risk profile and debt structure of Sands Bethworks' parent company, Las Vegas Sands Corp., in order to evaluate the financial suitability of Sands Bethworks.

73. The Las Vegas Sands Corp. owns the Venetian Resort Hotel Casino in Las Vegas (the "Venetian-Las Vegas"), as well as the Sands Expo and Convention Center in Las Vegas, Nevada, and Venetian Macao Limited a developer of multiple casino hotel/resort properties in Macao, China.

74. The Las Vegas Sands Corp. has the largest market capitalization of any gaming company. At the close of trading on November 21, 2006 its market capitalization was \$31.86 billion.

75. The PGCB Financial Suitability Task Force did not find anything financially material that would preclude Sands Bethworks from obtaining a Category 2 slot machine license.

76. The PGCB Financial Suitability Task Force projected a revenue estimate of approximately \$346.7 million annually in a stabilized year in 2005 dollars, with a \$190 win per position per day at 5,000 machines.

77. Sands Bethworks projected its revenue estimates at \$465.3 million annually in a stabilized year in 2005 dollars, with a \$255 win per position per day at 5,000 machines.

78. Sands Bethworks' projections were 34.2% greater than the estimate of the PGCB Financial Suitability Task Force.

79. Sands Bethworks indicated and investigation revealed that it had the ability to pay the \$50 million licensing fee and to post the \$1 million bond required if a Category 2 slot machine license had been granted to Sands Bethworks.

80. Based upon representations by Sands Bethworks and investigation by the PGCB's Financial Suitability Task Force, Sands Bethworks was likely to maintain a financially successful, viable and efficient business operation which would have maintained a steady level of growth and revenue.

81. Sands Bethworks submitted a Diversity Plan as part of its application which states that the company will create a culture of inclusion and commitment to equal opportunity for all people of all races, color, religion, gender, age, sexual orientation, AIDs or HIV status, national origin, mental, physical or job related disabilities and veteran's status.

82. Sands Bethworks says it is committed to casting a wide net for applicants for its employment pool as well as for contractors, vendors and suppliers. It plans to search for employment applicants by working with local career centers, community-

based employment programs, diverse executive networks, diverse search firms, as well as using the internet, including minority targeted websites.

83. Sands Bethworks submitted a Compulsive and Problem Gambling Plan with its application, but the plan required amendment as it did not fully address all criteria for development, employee training items, self-exclusion training and underage gambling. However, the plan did express Sands Bethworks' intent to comply with the Act's signage requirements. The status of this plan does not exclude a finding of eligibility and suitability at this time.

84. The Sands Bethworks site is located on the south side of the city of Bethlehem and contains a varied mix of mill buildings, blast furnaces, office buildings, cranes, trestles and ruins associated with the Bethlehem Steel Corporation plant that once occupied the site.

85. Phase I of the proposed Sands Bethworks development will consist of two separate components. The casino component, to house 3,000 slot machines, is to be located primarily to the east of the Minsi Trail Bridge between Daly Avenue, State Route 412 and the Lehigh River. A hotel of approximately 300 rooms is planned for this component of the development in addition to the cinema, food and beverage establishments, light retail, a parking garage and bus station facilities. The retail component, to be located to the west of the Minsi Trail Bridge and north of Daly Avenue would include a department store, general retail, several high-end restaurants, a performance theater and a small arena facility.

86. The estimated cost of Phase 1 is \$600 million and Sands Bethworks is financially committed to this phase of the project. Construction is expected to begin in

2007 with the casino, food and beverage outlets, retail and parking to begin operation in July 2008 and the hotel and multi-purpose arena to open in November 2008.

87. No temporary casino facility is planned.

88. Sands Bethworks has secured financing for the installation of 2,000 additional slot machines as part of Phase II. Sands Bethworks is not financially committed funding for the remaining components of Phase II, which includes retail space and additional food and beverage outlets..

89. Machine Shop #2, a huge linear structure that combines a gabled mill building with a four-story loft, is adjacent to the western end of the proposed retail space. The site plan has been designed so that this structure can be adapted into an expansion of the retail space.

90. Access to the hotel and casino will be via an entrance from Daly Avenue, east of the Minsi Trail Bridge. Access to the proposed retail center is from Daly Avenue, west of the bridge.

91. In addition to this planned development, Sands Bethworks has entered into agreements with several non-profit organizations, whereby a portion of the Sands Bethworks site will be donated for their use. Among the non-profit organizations that stand to receive land on the Bethworks Site are ArtsQuest, the National Museum of Industrial History, and PBS 39 WLTV.

92. The site is zoned to allow gaming facilities, environmental issues at the site have been remediated in accordance with Pennsylvania and Federal laws, the Bethlehem Planning Commission approved the preliminary plans for the project and these plans were also submitted to the Lehigh Valley Planning Commission for review

and approval, consent has been received from the Pennsylvania Department of Transportation to locate portions of the improvements to the site beneath and around the Minsi Trail Bridge, the Pennsylvania Department of Transportation, Bureau of Aviation has not objected to the project and the plans have been submitted to the Federal Aviation Administration.

93. Sands Bethworks estimated that development of phase one of the project would result in approximately 1,825 direct jobs in the casino and retail areas with a minimum salary for a full-time employee of \$22,880 and an average salary of \$30,170. Sands Bethworks estimates that phase two will create an additional 262 positions.

94. Sands Bethworks estimated that during construction the project would create approximately 3,752 construction jobs in Pennsylvania. Sands Bethworks has entered into a letter of intent to use local trade unions in the construction of the project.

95. While Sands Bethworks was a newly formed company with no history, it's parent company, Las Vegas Sands Corp., has a favorable record of compliance with applicable federal, state and local discrimination, wage and hour, disability and occupational, environmental health and safety, and labor relations and employment laws, and a favorable record in dealing with employees and their representatives.

96. Sands Bethworks has signed letter of intent with Northampton Community College to train local individuals for employment opportunities.

97. The Sands Bethworks facility will be managed by Sands Pennsylvania, a subsidiary of Las Vegas Sands Corp which currently employs approximately 5,000 people at the Venetian Las Vegas and the Sands Macau Casino in Macau, China. It's



management team is headed by CEO, Chairman and majority stockholder Sheldon Adelson.

98. Las Vegas Sands Corp. has a 24-person, in-house development and construction staff, as well as a senior management and an eight-person project management team which oversees all new development. In addition to Mr. Adelson, the other key persons on the management team are William Weidner, Bradley Stone and Robert Goldstein. Messrs. Weidner, Stone and Goldstein were recruited by Mr. Adelson in 1985 to join him in the development of the Venetian Las Vegas.

99. Sheldon Adelson is responsible for developing a business model in Las Vegas that focuses on conventions and business travelers. After acquiring the Sands Hotel Casino in Las Vegas, Mr. Adelson directed that it be demolished as part of a plan to create the first all suites hotel casino in Las Vegas, the Venetian Las Vegas and then linked it to the Sands Expo and Convention Center.

100. After demolishing the Sands Hotel in 1996, Messrs. Adelson, Weidner, Stone and Goldstein developed the 3,000 suite Venetian Las Vegas, along with the adjacent Grand Canal Shoppes Mall, which opened in May 1999. In June 2003, the Venetian Las Vegas opened an additional 1,000 suites.

101. In August 2004, this same team of individuals commenced construction on a sister hotel casino complex in Las Vegas to be known as the Palazzo. The Palazzo will be connected to the Venetian Las Vegas and will contain approximately 3,000 suites, creating a hotel casino complex with in excess of 7,000 suites.

102. In May 2004, this team opened the Sands Macau in China. The team is currently building the Venetian Macau, a replica of the Venetian Las Vegas, on a parcel

of reclaimed land in Macau known as the Cotai Strip. It is also planning to develop six other properties on the Cotai Strip, turning that reclamation project into a re-creation of the Las Vegas strip.

103. Sands Bethworks submitted a traffic study which was reviewed by McCormick Taylor. McCormick Taylor raised the following issues on its initial review of the traffic study: failure to address non-vehicular modes of traffic; failure to adequately address portions of State Route 412 (“SR 402”), which is seen as a major conduit from Interstate 78 (“I-78”) and failure to discuss traffic control needs for special events and problems with trip generation estimates.

104. Sands Bethworks responded to this review by McCormick Taylor, McCormick Taylor reviewed Sands Bethworks’ responses and on November 15, 2006, indicated that they believed that Sands Bethworks had addressed most of the previous concerns but, that additional work needed to be done relative to evaluating SR 412, including its interchange with I-78, to developing coordinated traffic signal timing for Daly Street, to advancing the design of improvements for the Daly Street and Stefko Boulevard intersection and to coordinating with utility providers on relocation impacts.

105. Sands Bethworks stated that it is committed to implementing traffic mitigation measures as suggested by experts.

106. The site is served by public transportation and is within walking distance of the Southside of Bethlehem.

107. Although Sands Bethworks is a newly formed company, it’s parent company has provided charitable contributions to numerous organizations in the Las Vegas, Nevada area, including the following: Latin Chamber of Commerce, Asian

Chamber of Commerce, Urban Chamber of Commerce, Easter Seals of Southern Nevada, Opportunity Village, Goodwill of Southern Nevada, University of Nevada – Las Vegas, 100 Black Men of Las Vegas, Clark County Public Education Foundation, Catholic Charities of Southern Nevada, The Frederick Douglas Educational Fund and Candlelighters for Childhood Cancer Foundation.

108. Sands Bethworks' Las Vegas affiliates annually sponsor numerous charity events, including the following: Through the Eyes of a Child Annual Charity Event, Teammates 4 Kids Annual Appreciation Reception Gala and Awards, Nevada Policy Research Institute Annual Gala and Awards Banquet, The NAACP's Annual Charity Event and The McReed Ministries Annual Coat Drive

**MOUNT AIRY #1, LLC (“Mount Airy”)**

109. Mount Airy's proposed project is planned as a twenty-seven (27) acre resort complex that will be part of an 890 acre wooded area with 210 acres dedicated for residential use and 468 acres designated as greenways.

110. Mount Airy's project includes two phases, but no temporary casino, and will be located in the Pocono's region on the site of what was once the Mount Airy Lodge and Stricklands Mountain Inn in Paradise Township, Monroe County.

111. This area is a revenue or tourism-enhanced location.

112. The facility's design using stone, timber, glass, metals and leather materials will be reminiscent of great hotels of the past and make an effort to accentuate the rural, mountain setting.

113. While Mount Airy does not plan to open a temporary facility, it does plan to open Phase 1 of its permanent facility during November 2007. It is also anticipated

that initial construction will be completed prior to December 2007, with the proposed slots facility opening during October 2007 and the hotel opening, initially with approximately 200 rooms, during November 2007.

114. The second phase and master plan, including residential villages would come at a later date.

115. All former buildings on the site have been razed. A competitive eighteen (18) hole golf course, which Mount Airy leases to a third party, is the last remnant left of the Mount Airy Lodge.

116. At the Public Input hearing twenty-five (25) individuals testified specifically about the Mount Airy project. Three (3) local government representatives testified with two (2) supporting the project and one (1) taking a neutral position. Five (5) representatives of community groups testified with three (3) supporting the project, one (1) opposing the project and one (1) taking a neutral position. Seventeen (17) individuals testified with fourteen (14) supporting the project and three (3) opposing the project.

117. Written comments were also received by the PGCB by the June 2, 2005 deadline. Seventeen (17) comments were received with nine (9) supporting the project, one opposing the project and seven (7) opposing gaming in the Poconos area in general.

118. Those speaking or providing written comments in support cited reasons such as the positive economic impacts the project would bring to the area and the owner's, Louis DeNaples, positive business reputation and community support in the area.

119. Those speaking or providing written comments in opposition cited reasons such the negative social impacts often associated with gambling, as well as the increased strain upon the area's infrastructure.

120. On December 4, 5 and 13, 2006, the PGCB conducted a public suitability hearing for the purpose of taking additional testimony and evidence from Mount Airy concerning its application and proposed project and its eligibility and suitability for licensure pursuant to the Act. On December 4 and 5, 2006, the Board also conducted non-public, closed Executive Sessions for the purpose of receiving information of a confidential nature from the applicant.

121. In addition to the public hearing, substantial time reviewing, analyzing and investigating the applications and various submissions was expended by the PGCB's Bureau of Licensing in processing and reviewing Mount Airy's application, the Bureau of Investigations and Enforcement investigating Mount Airy, its affiliates and key employee/qualifiers and the Bureau of Corporate Compliance and Internal Controls, along with the Financial Suitability Task Force investigating the financial suitability of Mount Airy and its sole owner, Louis DeNaples.

122. The application for a Category 2 license filed by Mount Airy is complete, all fees and costs which have been billed to Mount Airy have been paid as required, all required bonds and/or letters of credit were posted and Mount Airy and its affiliates and key employee/qualifiers consented to and have undergone background investigations as required by the Act.

123. Mount Airy was formed on July 14, 2004 as a Pennsylvania Limited Liability Company to acquire land, apply to the PGCB for a Category 2 Slot Machine

license and design, develop, open and operate a new resort and casino to be named “Mount Airy Resort & Casino.”

124. The sole member of Mount Airy is Louis DeNaples.

125. Although Mr. DeNaples has no prior gaming experience, he does have extensive business experience in a number of areas. He is an owner, individually or as a partner or major stockholder, in approximately ninety (90) businesses. His business experience includes, but is not limited to, banking, auto parts sales and landfill and recycling businesses.

126. Given the ownership structure of Mount Airy, diversity of ownership does not exist since there is only one owner. However, Mount Airy has already begun outreach in the community and in its hiring to diversify its staff by hiring Carol Cintron to lead the community outreach effort as well as the diversity supplier program.

127. The PGCB did not utilize alternative licensing standards during the course of its investigation of Mount Airy’s application.

128. The following entity qualifiers, affiliate qualifiers and key employee/qualifiers of Mount Airy consented to and have undergone required background investigations: Louis DeNaples, Paul Henderson and Victor Weclaw, III.

129. Neither Mount Airy, nor any person or entity affiliated with Mount Airy, is a party to any ongoing civil proceeding seeking to overturn a decision or order of the PGCB or the Thoroughbred or Harness Racing Commissions.

130. Mount Airy does not possess any ownership or financial interest in any other slot machine licensee or person eligible for a Category 1 license, its affiliate, intermediary, subsidiary or holding company.

131. Neither Mount Airy, nor any of its affiliates, intermediaries, subsidiaries or hold companies, possess any ownership or financial interest in any supplier or manufacturer license.

132. No public official is a key employee/qualifier or has any prohibited financial interest in or is employed by Mount Airy or any related entity.

133. Neither Mount Airy, nor any of its affiliates or key employee/qualifiers, made any political contributions of any kind in violation of the Act.

134. Mount Airy satisfied all local, state and federal tax obligations.

135. The Board conducted an extensive investigation, including comprehensive executive session Board hearings on December 4 and 5, 2006, which did not reveal any evidence that would support a finding that Mount Airy or any of its affiliates, directors, owners or key employee/qualifiers have been convicted of a felony or gambling offense in violation of Section 1213 of the Act.

136. The Board conducted an extensive investigation, including comprehensive executive session Board hearings on December 4 and 5, 2006, which did not establish or confirm any information or evidence that would indicate that Mount Airy or any of its affiliates, directors, owners or key employee/qualifiers is of unsuitable character.

137. Information gathered during the course of BIE's investigation concerning Mount Airy and its affiliates, directors, owners and key employee/qualifiers did not reveal any information concerning bankruptcies, civil lawsuits or judgments, criminal convictions, past activities or business practices, business associates or dealings or any other information concerning the honesty, integrity, family, habits or reputation that

would prohibit licensure of Mount Airy or its key employee/qualifiers under the provisions of the Act.

138. Mount Airy is a newly formed entity with no financial history. Therefore, the PGCB's Financial Suitability Task Force conducted an analysis of Louis DeNaples, Mount Airy's sole owner, and his ability to finance the project.

139. The PGCB Financial Suitability Task Force verified that Mr. DeNaples had significant assets and net worth and that JP Morgan Securities, Inc. and JP Morgan Chase Bank, NA also committed up to \$400 million in funding for the Mount Airy project.

140. The PGCB Financial Suitability Task Force did not find anything financially material that would preclude Mount Airy from obtaining a Category 2 slot machine license.

141. The PGCB Financial Suitability Task Force projected a revenue estimate of approximately \$269.3 million annually in a stabilized year in 2005 dollars, with a \$148 win per position per day at 5,000 machines.

142. Mount Airy projected its revenue estimates at \$313.2 million annually in a stabilized year in 2005 dollars, with a \$172 win per position per day at 5,000 machines.

143. Mount Airy's projections were 16.3% greater than the estimate of the PGCB Financial Suitability Task Force.

144. Mount Airy indicated and investigation revealed that it had the ability to pay the \$50 million licensing fee and to post the \$1 million bond required if a Category 2 slot machine license had been granted to Mount Airy.



145. Based upon representations by Mount Airy and investigation by the PGCB's Financial Suitability Task Force, Mount Airy was likely to maintain a financially successful, viable and efficient business operation which would have maintained a steady level of growth and revenue.

146. Mount Airy submitted a Diversity Plan as part of its application. The three tiered plan focuses on promoting nondiscrimination in every aspect of its business, recruiting, hiring, advancing and retaining a culturally diverse workforce and vendor enrollment, as well as providing equal employment opportunities both within Mount Airy and through its contractors and vendors, which Mount Airy would also require to have a diversity plan in place. Mount Airy has already sought out and contracted with minority and women owned business enterprises to work on the project.

147. Mount Airy retained the services of Casino Training Enterprises, LLC to undertake diversity outreach. Casino Training Enterprises, LLC is a minority owned business whose principals are experienced casino employee training professionals.

148. Mount Airy submitted a Compulsive and Problem Gambling Plan with its application, but the plan required amendment as it did not fully address all criteria for development, employee training items, self-exclusion training and underage gambling. However, the plan did express Mount Airy's intent to comply with the Act's signage requirements. The status of this plan does not exclude a finding of eligibility and suitability at this time.

149. Mount Airy's site is located approximately six (6) miles from Interstates 80 and 380 along two major feeder roads.

150. Site preparation has been completed with the buildings on the site having been razed, schematic design plans and design development phases for the project have been completed, the master plan for development of the entire 890 acres has been completed, the required permits and approvals needed to begin construction have been obtained and construction began during July 2006 with steel being erected in October 2006.

151. Mount Airy has submitted to the Board architectural renderings of the facility plan.

152. Initially, the slots facility will accommodate 3,000 slot machines and contain a total of 556,000 square feet. This phase will also include a hotel with 200 rooms, four restaurants, a cocktail lounge, spa, indoor pool and parking for 380 cars under the casino with 1,630 additional parking spaces available across the street from the casino and accessible by a pedestrian bridge. The casino is slated to open in October 2007 with the hotel to follow during November 2007.

153. After its initial opening, construction will continue in Phase 1 to a completion date during December 2008. At the time of full completion, the facility will contain a total of 400 hotel rooms and up to 3,500 slot machines, as well as an outdoor pool, parking garage with 1,094 spaces and a 31,000 square foot “shopping bridge” connecting the garage to the casino.

154. The projected cost for Phase 1 of the facility is \$375 million and Mount Airy is financially committed to this phase of the project.

155. A twenty-seven (27) acre lake with a fresh water stream sits in front of the proposed facility.

156. It is anticipated, depending upon market demand, that Phase 2 construction may commence in March 2009 with a projected completion date during September 2012. Phase 2 will expand the casino to 5,000 slot machines and add additional conference, entertainment, shopping and parking facilities.

157. The projected cost for Phase 2 of the facility is \$102.1 million and development is contingent on market demand and financing commitments.

158. There also exists a full build-out master plan with the creation of seven “villages,” each with its own theme, including a condominium community, a golf residential community near a new nine hole golf course, a commercial shopping village, a single family home community and an equestrian oriented community. The cost of the full build-out, which is dependant on market demand, is approximately \$850 million and there is no financial commitment to this phase at this time.

159. Mount Airy estimated that the project would result in approximately 1,000 full-time equivalent operations jobs providing an average wage for casino positions of \$36,283 per year, including benefits and an average wage for resort positions at \$41,040 per year, including benefits.

160. Mount Airy also estimated that the project would create approximately 3,289 construction jobs locally.

161. On October 24, 2006, Mount Airy sponsored a Casino Career Forum aimed at potential employees and employee organizations. The purpose of the forum was to provide an opportunity for Mount Airy to outline the anticipated available jobs, the skill set/training necessary for the jobs, the licensure process and timetables for development.

162. On October 25, 2006, Mount Airy held a Vendor Forum to educate potential vendors on the anticipated services that will be required at the Mount Airy Casino and the licensure process.

163. While Mount Airy is a newly formed company with no history, Mr. DeNaples has extensive business experience and has a favorable record of compliance with applicable federal, state and local discrimination, wage and hour, disability and occupational, environmental health and safety, and labor relations and employment laws, and a favorable record in dealing with employees and their representatives.

164. Mount Airy has hired several individuals with gaming experience to develop and oversee the project and casino. Paul Henderson will serve as the CEO of Mount Airy. He has approximately thirty-five (35) years of experience in the gaming industry including the President CEO of Bally's Atlantic City Hilton.

165. Victor Weclaw, III will be the Vice President and Managing Director. Mr. Weclaw has over thirty (30) years of gaming experience with extensive riverboat and cruise ship casino experience last having worked as the Director of Casino Operations for Norwegian Cruise Lines.

166. Mary Burruss will be the Director of Human Resources. Ms. Burruss has over twenty-five (25) years of experience in the field of human resources in the gaming industry in Atlantic City, New Jersey.

167. Consultant Tonia Lewis has been retained by Mount Airy as a consultant for casino marketing and she has over eleven (11) years of experience in the gaming industry. N.D. Witcher of Casino Concepts and Design has been retained as a consultant relating to slots layout and casino design. Mr. Witcher has experience in the gaming

industry and casino design. James McCarthy has been retained by Mount Airy as a financial consultant. Mr. McCarthy has more than twenty-seven (27) years of experience in the gaming industry and was a senior financial executive with the Trump Organization in Atlantic City. Cayuga Hospitality Advisors have been retained as a gaming advisor and Jules Sieburgh has been retained as an information technology consultant. LP Ciminelli has been retained as the construction manager for the project and it has been involved in the design and development of a number of casino properties in the United States.

168. Mount Airy submitted a traffic impact study conducted by Traffic Planning and Design, Inc. On July 26, 2006, McCormick Taylor, conducted its initial assessment and noted the study's failure to adequately address areas which were anticipated to have significant volumes of traffic, the fact that trip generation rates were based on a single site (Dover Downs), as well as the study's failure to offer sufficient mitigation measures for all locations impacted by the Mount Airy project.

169. A revised traffic impact study was prepared by Traffic Planning and Design, Inc. and submitted for review on September 28, 2006. On November 15, 2006, McCormick Taylor provided its detailed review report of the revised study, concluding that there remained technical deficiencies in the study including the failure to enlarge the study area or use trip generation assumptions consistent with the other Category 2 applicants. Additionally, McCormick Taylor felt the report should consider alternatives to certain of the mitigation measures proposed and felt more work needed to be done related to obtaining needed rights-of-way and utility relocation.

170. Mount Airy responded to McCormick Taylor's report and updated and addressed many of the issues raised by McCormick Taylor. McCormick Taylor then concluded that three issues remained: the need for a revised traffic analysis to expand the study area; the consideration of possible alternatives, in conjunction with PennDOT, for improvements to the SR 611 and Interstate 80 interchange and the need to ensure that pedestrian traffic was adequately accommodated. Mount Airy then agreed to address the three points raised by McCormick Taylor.

171. Woodland Road, a main access point to the facility, was previously SR 1013. However, at the request of Mount Airy, Paradise Township requested, and received, ownership of what is now known as Woodland Road from the Pennsylvania Department of Transportation (PennDOT). Pursuant to a development agreement between Mount Airy and Paradise Township, Mount Airy is responsible for general maintenance of the roadway.

172. Mount Airy plans improvements to the intersections of SR 611 and SR 314; Woodland Road and SR 611; Woodland Road and Carlton Road; SR 611 and Interstate 80; as well as SR 940 and Carlton Road. The improvements include traffic light installation at four of the intersections, which will be undertaken by Mount Airy upon the issuance of a Highway Occupancy Permit by PennDOT. The plans to upgrade the intersections were forwarded to PennDOT on November 8, 2006.

173. Mount Airy also plans on performing a combination of road widening and reconstruction to accommodate three lanes of traffic from SR 611 to the Mount Airy complex, (approximately 1.1 miles) and a rehabilitation and resurfacing to Carlton Road, (approximately 0.9 miles). From the reconstructed and widened portion of Woodland

Road, access to the Mount Airy Resort will be provided by two high volume driveways. The high volume driveways will contain two entrances and two exit lanes with proper designations. In addition, left and right turning lanes will be provided on the Woodland Road approaches to Mount Airy's driveways.

174. Pursuant to a Development Agreement with Paradise Township, Mount Airy has agreed to make road improvements to Woodland Road, the main road by which patrons will access Mount Airy. In addition, Mount Airy has agreed to provide the township with a maintenance facility, equipment, annual funding and resource materials necessary to maintain Woodland Road upon completion of all improvements

175. Mount Airy plans on establishing an EMS program that will include training and certification of employees so as to provide immediate appropriate responses in emergency situations.

176. For many years Louis DeNaples has volunteered his time to serve on community boards such as the allied Services Foundation, the Community Medical Center, the Board of Trustees for Scranton Preparatory School, the advising board of the Pennsylvania State University – Worthington Campus, the Board of Directors of Lackawanna County Chamber of Commerce and the Board of Directors of the Economic Development Council of Northeastern Pennsylvania.

177. Mr. DeNaples has also contributed time and money to his church and community groups such as being Chairman of Saint Anne's Basilica Foundation, supporting and/or being a member of the Friendship House, the Salvation Army, Goodwill Industries, Holy Name of St. Rocco Church, Knights of Columbus, Dunmore Senior Citizens Center, St. Francis Assisi Kitchen, the Boys and Girls Club, the United

Way, the Scranton Cultural Center and by funding scholarships at the Penn State Worthington Campus and the Minersville Area School District.

178. Mount Airy has created the Mount Airy Foundation, a non-profit foundation which will oversee Mount Airy's charitable giving. The primary purpose of this foundation will be to focus on the needs of the Mount Airy Community with an emphasis on charitable programs providing assistance to youth, low income, at-risk and disadvantaged people, and programs related to job creation, vocational and professional training, and community and economic development. The Foundation's primary community investment areas will include childhood development, community development, diversity and education programs strengthening public education from kindergarten through higher education.

179. Mount Airy has also entered discussions with the Barrett Township Volunteer Association and Paradise Township, as to the construction of an emergency medical services ("EMS") building on a parcel of land along Woodland Road near the Mount Airy facility.

**CROSSROADS GAMING RESORT & SPA, LP ("Crossroads")**

180. Crossroads had proposed to build its project in Straban Township, Adams County on approximately 58 acres of land at the intersection of Routes 15 and 30. The site was situated several miles east of Gettysburg, Pennsylvania.

181. Crossroads' plan did not include a temporary casino. It did include a gaming floor with at least 3,000 slot machines, restaurants and bars, a 225 room luxury hotel, spa and a self-parking garage.



182. The design of the facility, as reflected in architectural renderings and plans, would have avoided any theming or historical architectural references that might detract from or trivialize the Civil War or what once had transpired near Gettysburg and it would have been comprised of low slung buildings no taller than fifty (50) feet, or four (4) stories, in a park like setting that would have not been visible to the naked eye from nearby battlefield sites including Barlow's Knoll, Culp's Hill and East Calvary Field.

183. At the Public Input hearing one hundred twenty-three (123) individuals testified specifically about the Crossroads project. One (1) state legislator testified taking a neutral position, although he provided testimony that polls taken of local residents were not in favor of a casino. Five (5) local government representatives testified with three (3) supporting the project and two (2) opposing the project. Twenty-four (24) representatives of community groups testified with two (2) supporting the project and twenty-two (22) opposing the project. Ninety-three (93) individuals testified with sixteen (16) supporting the project, seventy-five (75) opposing the project and two (2) providing neutral comments.

184. Written comments were also received by the PGCB by the June 2, 2005 deadline. Four hundred and thirty-six (436) comments were received with one hundred and fifty-six (156) supporting the project and two hundred and eighty (280) opposing the project. In one of the envelopes an additional two hundred and seventy (270) comments in support were received and a petition with approximately 5,606 signatures in support of the project was also received. Two petitions were received with a total of 1,434 signatures opposing the project. In addition, at the public input hearing in April 1, 2006,

a petition was presented represented as opposing the Crossroads project with 60,305 signatures as collected by the No Casino Gettysburg group.

185. Those speaking or providing written comments in support cited reasons such as the economic benefits of the plan including increases in employment opportunities and tourism.

186. Those speaking or providing written comments in opposition cited reasons such as the potential negative impact the facility could have on a traditionally rural and historically relevant area, the social costs associated with gambling, the negative impact on local fundraising events, increased traffic and demand on government and natural resources and the potential impact on Gettysburg College's reputation and as a potential distraction to college students.

187. On December 13, 2006, the PGCB conducted a public suitability hearing for the purpose of taking additional testimony and evidence from Crossroads concerning its application and proposed project and its eligibility and suitability for licensure pursuant to the Act.

188. In addition to the public hearing, substantial time reviewing, analyzing and investigating the applications and various submissions was expended by the PGCB's Bureau of Licensing in processing and reviewing Crossroads' application, the Bureau of Investigations and Enforcement investigating Crossroads, its affiliates and key employee/qualifiers and the Bureau of Corporate Compliance and Internal Controls, along with the Financial Suitability Task Force investigating the financial suitability of Crossroads.

189. The application for a Category 2 license filed by Crossroads is complete, all fees and costs which have been billed to Crossroads have been paid as required, all required bonds and/or letters of credit were posted and Crossroads and its affiliates and key employee/qualifiers consented to and have undergone background investigations as required by the Act.

190. Crossroads is a Pennsylvania limited partnership created for the exclusive purpose of obtaining and holding a Category 2 gaming license in Pennsylvania.

191. As part of the original Crossroads application, Morgan Stanley and Co., Morgan Stanley Gaming Holdings, Inc. (a subsidiary of Morgan Stanley) and three of Morgan Stanley's officers, who were Morgan Stanley employees, directly and/or indirectly owned and controlled approximately 75% of Crossroads.

192. The remaining 25% ownership interests in Crossroads were held by one entity, Crossroads Gaming, GP, LLC (0.0001%), and a number of individuals led by David Michael LeVan (13.48%). In addition to Mr. LeVan, other individual limited partners in Crossroads include: Robert C. Bales (1.114%); Barbara Ernico (0.601%); Alan R. Hassman (1.114%); Heather Rebecca Kutz (1.392%); Jennifer Sweeney LeVan (1.113%); Peter J. Ressler (1.392%); Michael Anthony Serluco (1.203%); Elizabeth Anne Eelkema (0.579%); Phillip Gary Wienken (1.203%); Bonnie Kay Wortman (1.247%) and Thomas Robert Willer (0.557%).

193. Crossroads Gaming, GP, LLC is a Pennsylvania limited liability company formed for the purpose of serving as Crossroads' general partner. Crossroads Gaming, GP, LLC's sole member is David LeVan.

194. Mr. LeVan has no prior gaming experience. However, he does have substantial business experience having served as the Chairman, President and CEO of Conrail, Inc. and presently is the owner and operator of a Harley-Davidson dealership.

195. On October 4, 2006, the PGCB was advised that Morgan Stanley intended to file a Petition to Withdraw.

196. On October 13, 2006, the PGCB was advised that Morgan Stanley's 75% ownership interest in Crossroads was replaced with the "Silver Point Entities," which encompassed thirteen entities and three individuals under the direction and control of Ed Mulé. Some of the Silver Point Entities had previously been involved in the financing of gaming operations.

197. Given the ownership structure of Crossroads, it has limited diversity of ownership outside of what may be present in the Silver Point Entities.

198. The PGCB did not utilize alternative licensing standards during the course of its investigation of Crossroads' application.

199. The following entity qualifiers, affiliate qualifiers and key employee/qualifiers of Crossroads consented to and have undergone required background investigations: Crossroads Gaming, GP, LLC; Crossroads NewCo, LLC; Crossroads HoldCo, LLC; SP Crossroads Investors, LLC; Crossroads VoteCo, LLC; Silver Point Capital Fund, LP; Silver Point Capital Offshore Fund, Ltd.; SPCP Group III, LLC; Silver Point Capital, LP; Silver Point Capital GP, LLC; Silver Point Partners, LLC; Silver Point Capital Holdings, LLC; Mule Associates, LLC; Silver Point Capital Mgmt., LLC; O'Shea Associates 2004, LLC; Millennium Gaming, Inc.; Ed Mulé; Bob O'Shea; Michael Gatto; David Michael LeVan; Robert C. Bales; Barbara Ernico; Alan R. Hassman; Heather

Rebecca Kutz; Jennifer Sweeney LeVan; Peter J. Ressler; Michael Anthony Serluco; Elizabeth Anne Eelkema; Phillip Gary Wienken; Bonnie Kay Wortman; Thomas Robert Willer; Robert J. Monahan; William C. Wortman; William J. Paulos and Guy Timothy Hillyer.

200. The following individuals requested a waiver of their obligation to be licensed claiming they are an outside director of an affiliate, intermediary, subsidiary or holding company of Crossroads, are not members of the audit committee and are not significantly involved in the management or ownership of Crossroads: Richard Petrilli, David Litton, John Banks and Frederick Fogel.

201. The following qualifiers originally associated with the Crossroads project requested and were granted permission to withdraw from the application: Chance Enterprises, Inc.; MS Gaming Co. Holdings, Inc.; MS PA Gaming Holdings, Inc.; Crossroads GP, Inc.; Michael Christopher Garrity; Andrew Alfred Brenner and Edgar Anthony Sabounghi. Additionally, on December 8, 2006, a petition to withdraw James P. Quillen's application was filed with the PGCB. The petitions were granted by the PGCB.

202. Neither Crossroads, nor any person or entity affiliated with Crossroads, is a party to any ongoing civil proceeding seeking to overturn a decision or order of the PGCB or the Thoroughbred or Harness Racing Commissions.

203. Crossroads does not possess any ownership or financial interest in any other slot machine licensee or person eligible for a Category 1 license, its affiliate, intermediary, subsidiary or holding company.

204. Neither Crossroads, nor any of its affiliates, intermediaries, subsidiaries or hold companies, possess any ownership or financial interest in any supplier or manufacturer license.

205. No public official is a key employee/qualifier or has any prohibited financial interest in or is employed by Crossroads or any related entity.

206. Investigation revealed that two key employee/qualifiers, Peter J. Ressler and Michael A. Serluco, made political contributions subsequent to filing their applications with the PGCB.

207. Mr. Ressler and the PGCB entered into a consent decree with regard to his political contributions wherein he sought the return of the contributions he had made and both he and Crossroads were assessed a fine for the violation.

208. As of December 20, 2006, the date the Board voted on the award of licenses, the matter involving Mr. Serluco's political contributions was still under investigation by the PGCB.

209. Further investigation revealed that neither Crossroads, nor any of its remaining affiliates or key employee/qualifiers, made any political contributions of any kind in violation of the Act.

210. Crossroads satisfied all local, state and federal tax obligations.

211. Investigation did not reveal that Crossroads or any of its affiliates, directors, owners or key employee/qualifiers have been convicted of a felony or gambling offense in violation of the Act.

212. Investigation did not reveal any information that would indicate that Crossroads or any of its affiliates, directors, owners or key employee/qualifiers is of unsuitable character.

213. Information gathered during the course of BIE's investigation concerning Crossroads and its affiliates, directors, owners and key employee/qualifiers did not reveal any information concerning bankruptcies, civil lawsuits or judgments, criminal convictions, past activities or business practices, business associates or dealings or any other information concerning the honesty, integrity, family, habits or reputation that would prohibit licensure of Crossroads or its key employee/qualifiers.

214. Crossroads is a newly formed entity with no financial history. Therefore, the PGCB's Financial Suitability Task Force analyzed Crossroads' individual key/employee qualifiers and its financial wherewithal for developing its proposed project.

215. The PGCB Financial Suitability Task Force did not find anything financially material that would preclude Crossroads from obtaining a Category 2 slot machine license.

216. The PGCB Financial Suitability Task Force projected a revenue estimate of approximately \$277.6 million annually in a stabilized year in 2005 dollars, with a \$253 win per position per day at 3,000 machines.

217. Crossroads projected its revenue estimates at \$289.2 million annually in a stabilized year in 2005 dollars, with a \$264 win per position per day at 3,000 machines.

218. Crossroads' projections were 4.2% greater than the estimate of the PGCB Financial Suitability Task Force.

219. Crossroads indicated and investigation revealed that it had the ability to pay the \$50 million licensing fee and to post the \$1 million bond required if a Category 2 slot machine license had been granted to Crossroads.

220. Based upon representations by Crossroads and investigation by the PGCB's Financial Suitability Task Force, Crossroads was likely to maintain a financially successful, viable and efficient business operation which would have maintained a steady level of growth and revenue.

221. During its suitability hearing, a Crossroads witness testified that it believed that it would draw 60-65% of its customer base from the Maryland-Washington D.C.-Baltimore-Northern Virginia areas. It also provided testimony that if slot machine gaming were legalized in Maryland that the impact upon Crossroads would only be a 15-20% decrease in its revenue.

222. Crossroads submitted a Diversity Plan as part of its application which generally stated that it was committed to providing equal opportunity in employment for all people as well as prohibiting discrimination in employment on the basis of race, color, religion, sex, national origin, age, sexual orientation, marital status, AIDS or HIV status, non job-related disability or veterans status.

223. Crossroads' Diversity Plan also promoted diversity among its contractors, subcontractors, assignees, lessees, agents, vendors and suppliers by, among other things, utilizing the PGCB's list of minority and women owned businesses. Additionally, Crossroads planned on networking with ethnic chambers of commerce, as well as utilizing niche media targeting minority populations and public information that lists women and minority owned businesses.



224. The Diversity Plan called for the creation of a Diversity Committee, comprised of the Crossroads' General Manager, Director of Human Resources, Diversity Officer and two members from outside the company, which would be chosen with input from local organizations. The Diversity Committee would conduct quarterly reviews to ensure compliance with all aspects of its diversity program.

225. Crossroads submitted a Compulsive and Problem Gambling Plan with its application, but the plan required amendment as it did not fully address all criteria for development, employee training items, self-exclusion training and underage gambling. However, the plan did express Crossroads' intent to comply with the Act's signage requirements. The status of this plan does not exclude a finding of eligibility and suitability at this time.

226. Crossroads' \$350 million project was to be located near the intersection of Routes 15 and 30 in Straban Township, Adams County within several miles of Gettysburg, Pennsylvania. It would have been across the street from Gateway Gettysburg, a \$275 million hotel, shopping, dining and entertainment complex that now exists on the site. This area was located along a commercial development corridor.

227. Construction of this first phase was planned to commence during June 2007 with a projected completion date in the last quarter of 2008, and an opening in January 2009.

228. This first phase included a gaming floor with 3,000 slot machines, 1,100 seats of causal and fine dining, a center bar/lounge in the casino area, a 225 room luxury hotel and spa with a fitness center and swimming pool, as well as conference and meeting

space and approximately 1,810 parking spaces on site. Crossroads was committed financially to this phase of the project.

229. A Phase 2 expansion was planned if the market allowed for growth. The expansion would have included additional slot machines, up to 5,000 as permitted by the Act, additional food and beverage outlets, a potential 110 room expansion of the hotel, a multi-purpose event center and additional parking up to 5,000 spaces. This phase was not financially committed to by Crossroads.

230. On October 25, 2006, Crossroads received approval, in the form of a Special Exception Permit, from the Straban Township Zoning Hearing Board for its proposed project. However, that decision conditioned the Special Exception Permit upon Crossroads receiving final approval of its Land Development Plan from the Straban Township Board of Supervisors pursuant to the Township's Subdivision and Land Development Ordinance.

231. The Straban Township Zoning Hearing Board, in its decision, also required that Crossroads agree, after a full build out of the project, to cause an actual traffic count to be conducted the purpose of which would be to determine the actual number of trips generated by the project and its effect on the roads and intersections. The permit further required Crossroads to agree, if the actual traffic flow from the facility was found to be creating degradation in level of service greater than that portrayed in Crossroads' traffic study, to fund additional improvements to the affected roads and/or intersections.

232. Two citizens of Straban Township appealed this decision to the Court of Common Pleas of Adams County and pursuant to 4 Pa. C.S. § 1506 Crossroads moved to

transfer the zoning appeal to the Supreme Court of Pennsylvania. Crossroads' motion was granted and on November 29, 2006, the Court of Common Pleas of Adams County transferred the zoning appeal to the Supreme Court of Pennsylvania. The appeal was pending with the Supreme Court of Pennsylvania on the date the PGCB voted to award the Category 2 licenses.

233. Crossroads had entered into a contract with Millennium Gaming, Inc. to manage the facility. Millennium Gaming is headquartered in Las Vegas, Nevada and holds a Nevada gaming license. It is jointly owned by William Paulos and William Wortman. Guy Hillyer serves as Millennium Gaming's Vice-President.

234. The contract provided that Millennium Gaming would supervise, manage, direct and operate the business and perform its duties consistent with the operational quality of first class gaming resort establishments.

235. As part of a regional economic enhancement program, Millennium Gaming planned on developing a "Neighborhood Partners Program," similar to what it had developed at other locations, whereby casino customers would be able to redeem player points at local area businesses. Additionally, Crossroads planned shuttle bus service to/from nearby locations, as well as planned on being a major purchaser of tickets for performances at the nearby Majestic Theater.

236. Crossroads does not have any interest in any other gaming entity. However, its proposed management company, Millennium Gaming, owns and operates two casinos in Las Vegas, Nevada with a third casino being built and it also owns The Meadows race track and casino in Washington Township, Pennsylvania which is a Category 1 licensee.

237. Crossroads estimated that its project would create approximately 1,000 full-time equivalent positions with living wages at the facility.

238. Crossroads estimated that the project would create approximately 1,448 construction jobs.

239. Crossroads was focused on hiring local employees for many of the available positions.

240. While Crossroads was a newly formed company with no history, it's proposed management company, Millennium Gaming, has a favorable record of compliance with applicable federal, state and local discrimination, wage and hour, disability and occupational, environmental health and safety, and labor relations and employment laws, and a favorable record in dealing with employees and their representatives. Crossroads did have agreements with the Teamsters and the Central PA Trades Council.

241. Crossroads estimated that its project would draw an additional 3.5 million visitors to the Gettysburg area annually.

242. In December 2005, an initial traffic study for the project was submitted by Crossroads.

243. On July 31, 2006, McCormick and Taylor, issued its initial report on its review of the traffic study. This report cited a number of issues with the initial report, including the following: the study did not adequately address the impacts on the Route 15 and Route 30 interchange or address non-vehicular modes of traffic, the trip generation study was based on an insufficient sample size and the study did not consider all developments in the area.

244. A revised traffic study was submitted by Crossroads and McCormick and Taylor issued its final report indicating that the majority of issues it had initially raised had been addressed. However, it stated that several items should be further considered including evaluating merge and diverge operations of the Route 15 and Route 30 interchange under existing and proposed conditions, reconfiguring site access to minimize weaving; updating traffic operations along Route 30 and working with the Pennsylvania Department of Transportation relative to the impacts of the interchange construction. On November 22, 2006, Benatec and Associates, on behalf of Crossroads, submitted correspondence indicating that it did not take exception with any of the conclusions reached by McCormick and Taylor.

245. Crossroads was committed to the mitigation of any traffic issues and had pledged approximately \$4 million for traffic flow improvements along Route 30 and if they had been licensed they had committed to undertaking another traffic study after the facility was operating to reassess traffic concerns.

246. As a newly formed entity, Crossroads did not have any history of contributions to the local community. However, Mr. LeVan has contributed personally or through his family foundation, over \$4 million to charities in the area over the past ten (10) years including financial support to the Majestic Theatre, as well as to the restoration of the Lincoln Train Center and endowment of the Chair of Ethics and the establishment the Bruce S. Gordon Scholarship for minority students at Gettysburg College.

247. On August 14, 2006, Crossroads entered into a Community Benefits Agreement (“CBA”) with the Borough of Gettysburg (“Gettysburg”). The terms of the CBA had been accepted by Gettysburg Borough Council and adopted as a Resolution

which provided that if Crossroads was awarded a Category 2 gaming license, Crossroads would provide Gettysburg with “an annual grant in the amount not less than \$1 million payable out of Crossroads’ net income with its initial payment of grant funds to occur one (1) full year after Crossroads’ proposed gaming facility had commenced operation.”

**POCONO MANOR INVESTORS (“Pocono Manor”)**

248. Pocono Manor proposed to build its project on the site of the existing Pocono Manor Golf Resort and Spa located on approximately 3,000 acres of land spanning two townships in Monroe County, Tobyhanna Township and Paradise Township, which it has purchased for this purpose.

249. The plan included several phases. A temporary gaming facility was planned to accommodate 1,500 slot machines along with food and beverage outlets and over 1,000 parking spaces. The permanent facility plan included 3,000 slot machines with room for additional machines, a twenty-three (23) story hotel, convention space, dining and entertainment venues, a golf course and a parking garage, among other amenities.

250. As represented in architectural renderings, the design incorporated a style dating back to facilities found in the Pocono region in the earlier part of the twentieth century. Materials such as stone, wood and water were to be incorporated along with contemporary materials.

251. At the Public Input hearing twelve (12) individuals testified specifically about the Pocono Manor project. One (1) local government representative testified in support of the project, six (6) representatives of community groups testified with one (1) supporting the project and four (4) opposing the project and one (1) providing neutral

comments and expressing concerns. Five (5) individuals testified with four (4) supporting the project and one (1) opposing the project.

252. Written comments were also received by the PGCB by the June 2, 2005 deadline. Seventy (70) written comments were received specific to the Pocono Manor project. Sixty-one (61), along with a petition with 4,201 signatures supported the project. Two (2) opposed the project and seven (7) opposed casinos generally.

253. Those speaking or providing written comments in support cited reasons such as the economic benefits of the plan including increases in employment and business opportunities, and increase in tourism and conventions to the area and a great location with no traffic issues.

254. Those speaking or providing written comments in opposition cited reasons such as the stress on the infrastructure in the area including roads, water, fire and police services, social issues such as gambling addiction, traffic issues, the fact that Pocono Manor's 23 story hotel design did not fit the area and moral objections to gambling.

255. On November 13, 2006, the PGCB conducted a public suitability hearing for the purpose of taking additional testimony and evidence from Pocono Manor concerning its application and proposed project and its eligibility and suitability for licensure pursuant to the Act.

256. In addition to the public hearing, substantial time reviewing, analyzing and investigating the applications and various submissions was expended by the PGCB's Bureau of Licensing in processing and reviewing Pocono Manor's application, the Bureau of Investigations and Enforcement investigating Pocono Manor, its affiliates and key employee/qualifiers and the Bureau of Corporate Compliance and Internal Controls,

along with the Financial Suitability Task Force investigating the financial suitability of Pocono Manor.

257. The application for a Category 2 license filed by Pocono Manor is complete, all fees and costs which have been billed to Pocono Manor have been paid as required, all required bonds and/or letters of credit were posted and Pocono Manor and its affiliates and key employee/qualifiers consented to and have undergone background investigations as required by the Act.

258. Pocono Manor was formed for the purpose of applying for a Category 2 slot machine gaming license in Pennsylvania and does not engage in other business unrelated to this purpose.

259. Pocono Manor is owned by eight principle entities and individuals: (1) 1% by Matzel Development at Pocono Manor, LLC; (2) 35.5% by the Bailey Family 2005 Grandchildren's Trust F/B/O Ester's Issue; (3) 14% by the Bailey Family 2005 Grandchildren's Trust F/B/O Michele's Issue; (4) 34.5% by Gregory Matzel; (5) 2% by James M. Cahill; (6) 2% by Theodore Steckbeck; (7) 1% by Elizabeth M. Hagins; and (8) 10% by Michele Horovits.

260. Given the ownership structure of Pocono Manor, it has not demonstrated a diversity of ownership beyond this structure.

261. The PGCB did not utilize alternative licensing standards during the course of its investigation of Pocono Manor's application.

262. The following entity qualifiers, affiliate qualifiers and key employee/qualifiers of Pocono Manor consented to and have undergone required background investigations: Matzel Development at Pocono Manor, LLC; Bailey Family



2005 Grandchildren's Trust FBO Michele's Issue; Bailey Family 2005 Grandchildren's Trust FBO Ester's Issue; Morris Bailey; Gregory Matzel; Joseph Jerome; Dennis Gomes; James Chaill; Theodore Steckbeck; Elizabeth Hagins; Michelle Bailey-Horovits; Louis Jerome; Morris Jerome; Ruth Jerome; Jacob Jerome, Paulette Jerome; Robin Chalme; Elliot Chalme and Mia Horovits.

263. The following qualifiers originally associated with the Pocono Manor project requested and were granted permission to withdraw from the application: Gomes Gaming Management, LLC and Paulette Bailey.

264. Neither Pocono Manor, nor any person or entity affiliate with Pocono Manor, is a party to any ongoing civil proceeding seeking to overturn a decision or order of the PGCB or the Thoroughbred or Harness Racing Commissions.

265. Pocono Manor does not possess any ownership or financial interest in any other slot machine licensee or person eligible for a Category 1 license, its affiliate, intermediary, subsidiary or holding company.

266. Neither Pocono Manor, nor any of its affiliates, intermediaries, subsidiaries or hold companies, possess any ownership or financial interest in any supplier or manufacturer license.

267. No public official is a key employee/qualifier or has any prohibited financial interest in or is employed by Pocono Manor or any related entity.

268. Neither Pocono Manor, nor any of its affiliates or key employee/qualifiers, have made any political contributions of any kind in violation of the Act

269. Pocono Manor satisfied all local, state and federal tax obligations.

270. Investigation did not reveal that Pocono Manor or any of its affiliates, directors, owners or key employee/qualifiers have been convicted of a felony or gambling offense in violation of the Act.

271. Investigation did not reveal any information that would indicate that Pocono Manor or any of its affiliates, directors, owners or key employee/qualifiers is of unsuitable character.

272. Information gathered during the course of BIE's investigation concerning Pocono Manor and its affiliates, directors, owners and key employee/qualifiers did not reveal any information concerning bankruptcies, civil lawsuits or judgments, criminal convictions, past activities or business practices, business associates or dealings or any other information concerning the honesty, integrity, family, habits or reputation that would prohibit licensure of Pocono Manor or its key employee/qualifiers.

273. Pocono Manor is a newly formed entity with no financial history. Therefore, the PGCB Financial Suitability Task Force analyzed Pocono Manor's individual key/employee qualifiers and its financial wherewithal for developing its proposed project.

274. The PGCB Financial Suitability Task Force did not find anything financially material that would preclude Pocono Manor from obtaining a Category 2 slot machine license.

275. The PGCB Financial Suitability Task Force projected a revenue estimate of approximately \$190 million annually in a stabilized year in 2005 dollars, with a \$174 win per position per day at 3,000 machines.

276. Pocono Manor projected its revenue estimates at \$270.3 million annually in a stabilized year in 2005 dollars, with a \$247 win per position per day at 3,000 machines.

277. Pocono Manor's projections were 42.3% greater than the estimate of the PGCB Financial Suitability Task Force.

278. Pocono Manor indicated and investigation revealed that it had the ability to pay the \$50 million licensing fee and to post the \$1 million bond required if a Category 2 slot machine license had been granted to Pocono Manor.

279. Based upon representations by Pocono Manor and investigation by the PGCB's Financial Suitability Task Force, Pocono Manor was likely to maintain a financially successful, viable and efficient business operation which would have maintained a steady level of growth and revenue.

280. Pocono Manor had a good faith diversity plan which generally stated that it was committed to providing equal opportunity in employment for all people as well as prohibiting discrimination in employment on the basis of race, color, religion, sex, national origin, age, sexual orientation, marital status, AIDS or HIV status, non job-related disability or veterans status.

281. Pocono Manor had also developed a program to increase minority representation in specific job groups and had made efforts to demonstrate its commitment to diversity when interacting with associated businesses, vendors and outside contractors.

282. Pocono Manor submitted a Compulsive and Problem Gambling Plan with its application, but the plan required amendment as it did not fully address all criteria for development, employee training items, self-exclusion training and underage gambling.

However, the plan did express Pocono Manor' intent to comply with the Act's signage requirements. The status of this plan does not exclude a finding of eligibility and suitability at this time.

283. The Pocono Manor project was to be located on approximately 300 acres of a 3,000 acre parcel of land on the southeast quadrant of the intersection Interstate 380 and Route 940 and near Interstate 80, in Tobyhanna Township, Monroe County. The location was in the Northeast section of Pennsylvania in the area referred to as the Pocono region.

284. Pocono Manor had purchased the existing Pocono Manor Golf Resort and Spa in December 2005. Existing on the property was a 270 room inn with conference space, a spa, restaurants, two golf courses, a golf pro shop, an Orvis outdoor shop and hunting club and an equestrian center.

285. Many of these amenities were incorporated into the Pocono Manor plan.

286. Along with the existing facilities, Pocono Manor was planning to build a temporary casino that would accommodate 1,500 slot machines along with a cage, back of house facilities, security and surveillance equipment, patron food and beverage outlets and 1,023 parking spaces. The temporary facility was slated to be completed by December 2009.

287. The permanent resort facility was to include a casino with 3,000 slot machines, with the ability to add an additional 2,000 machines, a twenty-three (23) story, 750 room hotel with 120,000 square feet of convention space, dining and entertainment venues, an 1,800 person theater, a 4,150 vehicle parking garage and a golf course.

288. Pocono Manor estimated the cost of these two phase of the project to be approximately \$750 million and it was financially committed to completion of these phases of the project.

289. Further phases of the project included a retail shopping village, golf villas, time shares and additional hotel and casino space. Pocono Manor was not financially committed to these phases of the project.

290. Pocono Manor estimated that its project would create approximately 1,500 full-time equivalent casino positions and an additional 2,500 retail, dining and entertainment positions with an annual payroll of over \$1 million at an average salary of \$27,000 per year.

291. Pocono Manor estimated that the project would create approximately 5,345 construction jobs throughout all phases of construction with a \$267 million payroll

292. Pocono Manor was focused on hiring local employees for many of the available positions.

293. Pocono Manor is a newly formed entity with no history or record of compliance with applicable federal, state and local discrimination, wage and hour, disability and occupational, environmental health and safety, and labor relations and employment laws, or any record in dealing with employees and their representatives.

294. Tobyhanna Township, the township in which the project would have been located, had adopted amendments to their zoning ordinances which would have allowed for a gaming facility on the land. However, Pocono Manor had not yet obtained the various zoning approvals necessary to build and operate its facility.

295. Pocono Manor was a newly formed entity with no prior gaming experience. Although Gregory Matzel and Morris Bailey, partners in the Pocono Manor project, had extensive business experience in commercial and residential real estate development and property management in the United States and Canada, neither had any gaming experience.

296. Pocono Manor had retained Mr. Dennis Gomes, an individual with many years of experience in the gaming industry, as a consultant to serve as its main source of gaming experience. If Pocono Manor had been granted a slot machine license, Mr. Gomes would have become the President and CEO of Pocono Manor.

297. Mr. Matthew Driver, another individual with gaming experience, was hired as the Vice President of Player Development and Marketing.

298. Other key positions, including gaming positions, were not planned to be filled if and until Pocono Manor was awarded a slot machine license.

299. Pocono Manor submitted a traffic study along with its application. During the course of its review of Pocono Manor's traffic study, McCormick Taylor indicated that the traffic study was extensive inasmuch as it looked at a wide area around the proposed facility encompassing twelve (12) external intersections, two (2) interchanges of Interstate 380 and the interchanges of Route 940 and Route 314. McCormick Taylor indicated that the site was to have had two access points, both to Route 314.

300. The study also examined morning, evening and Saturday peak periods. McCormick Taylor determined that the trip generation was considered very high relative to other applicants. This was due to other uses contemplated as well as the assumption that Pocono Manor would have 8,000 slot machines. Pocono Manor made this

assumption in its study to provide worst case evaluation of the traffic impacts. However, McCormick Taylor concluded that with 5,000 slot machines traffic could be adequately managed.

301. McCormick Taylor also highlighted numerous improvements proposed as part of its study such as reconstruction of several interchange ramps, overpass structures and the widening of Route 940 over Interstate 380 and the widening Route 314 as it goes under 940.

302. Pocono Manor committed to the following philanthropic initiatives: to dedicate approximately fifteen (15) acres of property to Monroe County for the creation and operation of a Regional Intermodal Rail and Bus Transportation Center; to dedicate approximately thirty (30) acres to Tobyhanna Township for the development and use of Recreation and Sports Fields; to fund specialized training for the local fire department; to purchase and donate a new ladder fire truck at a cost of approximately \$250,000 to Tobyhanna Township; and to dedicate an additional acre of property for the creation of an on site emergency medical services facility.

**TROPICANA PENNSYLVANIA, LLC (“Tropicana”)**

303. Tropicana’s application set forth its proposal for the development of a permanent gaming facility on a 23.6 acre parcel in the City of Allentown at the intersection of American Parkway and Agere Way.

304. Tropicana proposed to develop its entertainment and gaming complex in two phases. The first phase included a gaming floor with 3,000 slot machines, a hotel, restaurants and lounges, a multi-purpose entertainment venue and conference style meeting space.

305. The second phase included additional gaming space and up to 5,000 slot machines, additional restaurants, retail space and additional hotel space.

306. Tropicana planned to use the Tropicana brand and the “Old Havana” theme in its building style in Allentown, much like the Quarter at the Tropicana casino it also owned in Atlantic City, New Jersey. Architectural renderings and plans submitted by Tropicana confirmed this plan.

307. At the Public Input hearing thirty-one (31) individuals testified specifically about the Tropicana project. Three (3) state legislators testified with two (2) supporting the project and one (1) who opposed gaming in general. Five (5) local government representatives testified with four (4) supporting the project and one (1) opposing gaming and the project. Fourteen (14) representatives of community groups testified with twelve (12) supporting the project, one (1) opposing the project and one (1) taking a neutral position. Eight (8) individuals testified with two (2) supporting the project and six (6) opposing gaming in general.

308. Written comments were also received by the PGCB by the June 2, 2005 deadline. One hundred-three (103) comments were received with twenty (20) in support of the project and none specifically opposed to the project. However, the remaining eighty-three (83) comments expressed a general opposition to a casino in the Lehigh Valley.

309. Those speaking or providing written comments in support cited reasons such as increased economic benefits with new jobs and tax revenues, no need for massive infrastructure development to accommodate a casino, it would help bring the City of



Allentown out of bankruptcy and there were no schools, churches or residential areas near the proposed casino site.

310. Those speaking or providing written comments in opposition cited reasons such as increase in divorce, child abuse, domestic violence, bankruptcy, crime and suicide, it would lure the local college students to spend their money on gambling, it would increase traffic congestion and other moral opposition.

311. On December 13, 2006, the PGCB conducted a public suitability hearing for the purpose of taking additional testimony and evidence from Tropicana concerning its application and proposed project and its eligibility and suitability for licensure pursuant to the Act.

312. In addition to the public hearing, substantial time reviewing, analyzing and investigating the applications and various submissions was expended by the PGCB's Bureau of Licensing in processing and reviewing Tropicana's application, the Bureau of Investigations and Enforcement investigating Tropicana, its affiliates and key employee/qualifiers and the Bureau of Corporate Compliance and Internal Controls, along with the Financial Suitability Task Force investigating the financial suitability of Tropicana and its parent company Wimar.

313. The application for a Category 2 license filed by Tropicana is complete, all fees and costs which have been billed to Tropicana have been paid as required, all required bonds and/or letters of credit were posted and Tropicana and its affiliates and key employee/qualifiers consented to and have undergone background investigations as required by the Act.

314. Tropicana is a Pennsylvania company created on November 3, 2005, for the purpose of obtaining and holding a Category 2 gaming license in Pennsylvania.

315. At the time of the filing of its application Tropicana was a wholly-owned subsidiary of the Aztar Corporation (“Aztar”).

316. On May 19, 2006, Aztar entered into an Agreement and Plan of Merger with Wimar Tahoe Corporation which does business as Columbia Entertainment (“Wimar”). Tropicana represented that the transaction between Aztar and Wimar pursuant to the Agreement and Plan of Merger was schedule to close in the first week of January 2007.

317. Tropicana filed an amended Category 2 Application on October 10, 2006, which indicated that before any PGCB action on Category 2 applications would be taken, ownership of Tropicana was to be transferred from Aztar to Wimar irrespective of the closing of the merger.

318. Upon receipt of Tropicana’s application the PGCB ceased its suitability investigation of Aztar and commenced a suitability investigation of Wimar.

319. On December 12, 2006, Tropicana was formally transferred from Aztar to Wimar pursuant to a Purchase Agreement dated December 1, 2006.

320. Given the ownership structure of Tropicana, it has not demonstrated a diversity of ownership outside that of Wimar and Columbia Entertainment.

321. Although Tropicana’s parent company Wimar has been licensed in other jurisdictions, the PGCB did not utilize alternative licensing standards during the course of its investigation of Tropicana’s application.

322. The following entity qualifiers, affiliate qualifiers and key employee/qualifiers of Tropicana consented to and have undergone required background investigations: Wimar Tahoe Corporation, Columbia Sussex Corporation, Aztar Development Corporation, William John Yung, III, Richard Michael Fitzpatrick, Howard Jeffery Reinhardt, Donna Beth More, Matthew Allan Wetzell, Joseph Anthony Yung and Richard Ruden.

323. The following qualifiers originally associated with the Tropicana project requested and were granted permission to withdraw from the application: Matthew Wetzell.

324. Neither Tropicana, nor any person or entity affiliated with Tropicana, is a party to any ongoing civil proceeding seeking to overturn a decision or order of the PGCB or the Thoroughbred or Harness Racing Commissions.

325. Tropicana does not possess any ownership or financial interest in any other slot machine licensee or person eligible for a Category 1 license, its affiliate, intermediary, subsidiary or holding company.

326. Neither Tropicana, nor any of its affiliates, intermediaries, subsidiaries or hold companies, possess any ownership or financial interest in any supplier or manufacturer license.

327. No public official is a key employee/qualifier or has any prohibited financial interest in or is employed by Tropicana or any related entity.

328. Neither Tropicana, nor any of its affiliates or key employee/qualifiers, made any political contributions of any kind in violation of the Act.

329. Tropicana satisfied all local, state and federal tax obligations.

330. Investigation did not reveal that Tropicana or any of its affiliates, directors, owners or key employee/qualifiers have been convicted of a felony or gambling offense in violation of the Act.

331. Investigation did not reveal any information that would indicate that Tropicana or any of its affiliates, directors, owners or key employee/qualifiers is of unsuitable character.

332. Information gathered during the course of BIE's investigation concerning Tropicana and its affiliates, directors, owners and key employee/qualifiers did not reveal any information concerning bankruptcies, civil lawsuits or judgments, criminal convictions, past activities or business practices, business associates or dealings or any other information concerning the honesty, integrity, family, habits or reputation that would prohibit licensure of Tropicana or its key employee/qualifiers.

333. Tropicana is a newly formed entity with no financial history. Therefore, the PGCB's Financial Suitability Task Force conducted an analysis of the historical financial performance, financial risk profile and debt structure of Tropicana's parent company, Wimar, in order to evaluate the financial suitability of Tropicana.

334. Tropicana's parent, Wimar, had previous annual net revenues of \$1.37 billion and demonstrated strong financial performance during the years ending December 31, 2000, through and including December 31, 2005.

335. The PGCB Financial Suitability Task Force did not find anything financially material that would preclude Tropicana from obtaining a Category 2 slot machine license.

336. The PGCB Financial Suitability Task Force projected a revenue estimate of approximately \$260.9 million annually in a stabilized year in 2005 dollars, with a \$238 win per position per day at 3,000 machines.

337. Tropicana projected its revenue estimates at \$264.5 million annually in a stabilized year in 2005 dollars, with a \$242 win per position per day at 3,000 machines.

338. Tropicana's projections were 1.4% greater than the estimate of the PGCB Financial Suitability Task Force.

339. Tropicana indicated and investigation revealed that it had the ability to pay the \$50 million licensing fee and to post the \$1 million bond required if a Category 2 slot machine license had been granted to Tropicana.

340. Based upon representations by Tropicana and investigation by the PGCB's Financial Suitability Task Force, Tropicana was likely to maintain a financially successful, viable and efficient business operation which would have maintained a steady level of growth and revenue.

341. Tropicana submitted a Diversity Plan as part of its application which generally stated the company is committed to equal employment opportunities for all persons without regard to their age, race, creed or religion, color, national origin, AIDs or HIV statue, ancestry, marital status, sex, liability for service in the Armed Forces of the United States, and any mental or physical disabilities or their status as rehabilitated offenders. Tropicana stated that it would exercise in good faith reasonable affirmative efforts to insure the representative recruitment, employment, upgrading, demotion, transfer, training, compensation, layoff, discipline and termination of all persons without regard to the characteristics listed in the preceding sentence.

342. Tropicana had a history of promoting diversity and had put into place a plan to perform periodic reviews of patterns in training, staffing, promotion and discipline to determine existing or potential equal employment opportunity problems.

343. Tropicana submitted a Compulsive and Problem Gambling Plan with its application, but the plan required amendment as it did not fully address all criteria for development, employee training items, self-exclusion training and underage gambling. However, the plan did express Tropicana's intent to comply with the Act's signage requirements. The status of this plan does not exclude a finding of eligibility and suitability at this time.

344. Tropicana's proposed project would have been located in the City of Allentown, in the Lehigh Valley on approximately 23.6 acres of land at the intersection of American Parkway and Agere Way approximately 1.3 miles from the intersection of Route 22 and Airport Road. The site is minutes away from the Lehigh Valley Airport.

345. Tropicana's proposed project included two phases and no temporary casino. The first phase of development included construction of a building with a 100,000 square foot gaming floor housing 3,000 slot machines; 10 to 13 restaurants and lounges; a 5,000 square foot multi-purpose entertainment venue/showroom; and 12,000 to 15,000 square feet of executive conference center style meeting space. Tropicana projected that it would complete its gaming and entertainment complex in December 2007. Phase one would also include the construction of a 3,000 space parking deck, 400 surface parking spaces and eight (8) bus bays which would be completed by June 2008, as well as a 250 room hotel tower to be completed by September 2008. Phase one was estimated to cost approximately \$352 million and was committed to financially by Tropicana.

346. Phase two of the project included the addition of 75,000 square feet of gaming floor that would house an additional 2,000 slot machines, four to six restaurants, 10,000 square feet of retail space and a second hotel tower with 250 rooms which would incorporate a 5,000 square foot full service day spa and an additional 1,500 space parking deck. This second phase of the Tropicana project was estimated to cost approximately \$200 million, but was not financially committed to by Tropicana.

347. Tropicana's project would have been located near a minor league baseball stadium being built nearby, as well as the Lehigh Valley Off Track Betting site, shopping, hotels and restaurants.

348. The site was zoned to allow gaming, the City of Allentown Planning Commission had granted final approval of the development with conditions, Tropicana had obtained the necessary determinations from the Federal Aviation Administration and the Pennsylvania Department of Transportation, Bureau of Aviation and Tropicana had represented that environmental testing conducted on the site did not reveal any material environmental matters that would affect the development of the project.

349. Tropicana's indicated it would draw on the business experience of both the Wimar and the Aztar organizations in developing tourism facilities ancillary to the gaming that would be offered at the Lehigh Valley entertainment and gaming complex. In its Allentown development Tropicana would utilize the hospitality industry experience of Wimar and the gaming and entertainment experience of both Aztar and Wimar. Specifically, Tropicana maintained that the development of Casino Aztar in Evansville, Indiana provided it will relevant experience in establishing a casino in a jurisdiction new to gaming, and in a market similar to that of Allentown.

350. Tropicana would have been managed by a regional management team including William Yung, Howard Reinhardt, Richard Fitzpatrick and Donna More who have operated casinos in the northeast region of the country for approximately twenty-five (25) years.

351. Tropicana estimated that development of phase one of the project would result in approximately 1,300 full-time equivalent positions with an average wage of \$35,000 per year. Tropicana estimated that if phase two was completed an additional 450 positions would be created.

352. Tropicana estimated that phase one of the project would create approximately 1,212 construction jobs with an average wage of \$40,265 per year. Tropicana estimated that if phase two was undertaken an additional 500 construction jobs would be created.

353. Tropicana was focused on hiring local employees for many of the available positions and it had entered into a Neutrality/Card Check Agreement with the International Brotherhood of Teamsters, Local 773, the purpose of which was to establish procedures relative to the exercise of employee rights under Section 7 of the National Labor Relations Act and committed Tropicana to taking a neutral approach to the unionization of employees if it was issued a gaming license.

354. While Tropicana was a newly formed company with no history, it's parent company, Wimar, has a favorable record of compliance with applicable federal, state and local discrimination, wage and hour, disability and occupational, environmental health and safety, and labor relations and employment laws, and a favorable record in dealing with employees and their representatives.



355. As a part of its application Tropicana submitted the report of an initial study conducted by The Pidcock Company, which examined the impact that the development of the casino complex would have on the local transportation system. McCormick Taylor reviewed the Pidcock traffic study.

356. Tropicana then retained Traffic Planning and Design, Inc. (“TPD”) to prepare a revised traffic impact study to replace the study completed by the Pidcock. The original TPD report dated April 25, 2006, was followed by a revised report dated September 7, 2006. The revised TPD report was reviewed by McCormick Taylor which provided comments identifying its concerns and recommended certain improvements. Specifically, McCormick Taylor suggested mitigation measures would be necessary at several intersections and that a contingency plan should be in place in the event that improvements proposed by other nearby developments did not materialize.

357. Tropicana, through TPD, responded to McCormick Taylor’s recommendations by stating that any roadway improvements needed to mitigate the impact of the proposed development would be constructed and funded by Tropicana. These improvements consist of the provision of turning lanes at the main access to the complex on American Parkway and signal improvements along the American Parkway corridor. In support of the Tropicana impact study the TPD traffic consultant testified that: TPD’s study “looked at a worst-case, highest volume scenario” and that improvements proposed by the other developers were in the advanced stage of PennDOT review and are “the maximum that can be done” in the area of the development.

358. Contingent upon receipt of a Category 2 slot machine license, Tropicana committed to contributing \$1.25 million to assist the City of Allentown for the purchase

of a new ambulance for Allentown EMS, a new ladder fire engine for the Allentown Fire Department and the construction of a new police substation on the east side of Allentown. Tropicana also promised to contribute \$500,000 over a 5 year period to local agencies to treat gambling addiction. In addition, Tropicana committed to establishing a \$250,000 internal fund to assist its employees in becoming homeowners in Allentown.

## **CONCLUSIONS OF LAW AND COMPARATIVE DISCUSSION**

The decision as to which two of the five eligible and suitable proposals would receive the award of the two Category 2 slot machine operator licenses in a revenue or tourism-enhanced location was a very difficult one calling for the Board to weigh five competitive, yet very unique and different proposals to determine which two the Board, in its sole discretion, believed to be the best fit for the Commonwealth and the public in light of the various factors which may be taken into consideration under the Act. If the Board's decision was premised on an objective formula or defined scoring system such as based only on the revenue to the Commonwealth to support property tax relief or on the number of slot machines or the number of projected visitors, the analysis of the Board in reaching its decision would be much more simplistic. But that is not the task assigned to the Board under the Act. The Act embodies multiple objectives to be considered by the Board including the protection of the public through regulating and policing all activities involving gaming, enhancing entertainment and employment in the Commonwealth, providing a significant source of income to the Commonwealth for tax relief, providing broad economic opportunities to Pennsylvania's citizens, developing tourism, strictly monitoring licensing of specified locations, persons, associations, practices, activities, licensees and permittees, considering the public interest of the citizens of the Commonwealth and the social effects of gaming when rendering decisions and maintaining the integrity of the regulatory control of facilities. 4 Pa.C.S. §1102.

In addition, the General Assembly specifically indicated its intent and goal that the Board promote and ensure diversity in all aspects of the gaming activities authorized under the Act. 4 Pa.C.S. §1212(a). The Board also believes this to be an important goal

to be implemented and encouraged in the gaming industry for the benefit of all citizens and fully intends to assure that diversity of representation is enhanced in accordance with the Act. Accordingly, the Board also looks to the factors of the representation of diverse groups in the ownership, participation and operation of an applicant for a license as provided for in Sections 1212, 1325(b) and 1325(c)(3) of the Act when evaluating the applicants for licensure.

As we have set forth above, in weighing the evidence presented to the Board with respect to these objectives and to determine which applicants should be approved for licensure, the Section 1325 of the Act provides that the Board may consider factors including:

- the location and quality of the proposed facility, including, but not limited to, road and transit access, parking and centrality to market service area, Section 1325 (c)(1);
- the potential for new job creation and economic development which will result from granting a license to an applicant, Section 1325 (c)(2);
- the applicant's good faith plan to recruit, train and upgrade diversity in all employment classifications in the facility, Section 1325 (c)(3);
- the applicant's good faith plan for enhancing the representation of diverse groups in the operation of its facility through the ownership and operation of business enterprises associated with or utilized by its facility or through the provision of goods or services utilized by its facility and through the participation in the ownership of the applicant, Section 1325 (c)(4);
- the applicant's good-faith effort to assure that all persons are accorded equality of opportunity in employment and contracting by it and any contractors, subcontractors, assignees, lessees, agents, vendors and suppliers it may employ directly or indirectly, Section 1325 (c)(5);
- the history and success of the applicant in developing tourism facilities ancillary to gaming development if applicable to the applicant, Section 1325 (c)(6);
- the degree to which the applicant presents a plan for the project which will likely lead to the creation of quality, living-wage jobs and full-time permanent

jobs for residents of this Commonwealth generally and for residents of the host political subdivision in particular, Section 1325 (c)(7);

- the record of the applicant and its developer in meeting commitments to local agencies, community-based organizations and employees in other locations, Section 1325 (c)(8);
- the degree to which potential adverse effects which might result from the project, including costs of meeting the increased demand for public health care, child care, public transportation, affordable housing and social services, will be mitigated, Section 1325 (c)(9);
- the record of the applicant and its developer regarding compliance with Federal, State and local discrimination, wage and hour, disability and occupational and environmental health and safety laws; and State and local labor relations and employment laws, Section 1325 (c)(10); and
- the applicant's record in dealing with its employees and their representatives at other locations, Section 1325 (c)(11).

Thus, the Act calls for the Board to consider evidence and give weight to factors as it, solely in the exercise of its discretion, finds to be in the furtherance of the Act's objectives based upon all of the evidence in the evidentiary record before the Board. It is upon this basis that the Board approves and denies the license applications now before it.

After reviewing the entire evidentiary record for each of the five (5) applicants, the Board has determined that **Sands Bethworks Gaming, LLC** and **Mount Airy #1, LLC**, represent the best fit, in the Board's opinion, following a complete review of all applicants for Category 2 licensure in a revenue or tourism-enhanced location. In reaching this conclusion, the Board has examined and weighed the various factors cited above.

As explained and analyzed in more detail below, Sands Bethworks was chosen to be awarded a license because of its location in the very strong Lehigh Valley market with

easy access to Central and Northern New Jersey, the large site which reclaims a portion of the former Bethlehem Steel plant and plans a large-scale redevelopment for the benefit of the entire Lehigh Valley, the record of success of the Sands Corporation and the developer in prior ventures, the absence of a facility in New Jersey, the projected revenue generation abilities of this project and the Sands management which has now developed the largest gaming market capitalization in the world.

Mount Airy was selected for the second Category 2 license for the primary reasons of its location in the Pocono Mountains, the design of its facility which is consistent with the local atmosphere and region, the revenue generation projections for Mount Airy, the expedited completion date of the Mount Airy facility, the local ownership and the commitment of Louis DeNaples to the Northeast Pennsylvania area.

**A. Location and Traffic**

**Location**

The At-Large applicants present five casino projects in three general locations: (1) Crossroads, located at the intersections of Routes 15 and 30 just outside Gettysburg, Adams County; (2) Mount Airy and Pocono Manor, located in the Pocono Mountains in Monroe County; and (3) Sands Bethworks and Tropicana sites located in the Allentown/Bethlehem metropolitan area. Each of the three locations bring with it perceived advantages and disadvantages as testified to at length by each of the applicants during the final licensing hearings. The Board has considered the locations not as dispositive but as influential and as one of the many factors in its review of the projects, along with how that location may affect other criteria examined and considered.

Two of the locations each have two applicants within a very short distance from each other. The Allentown/Bethlehem area applicants, Sands Bethworks and Tropicana, are located approximately 8 miles apart. The Pocono Mountain applicants, Mount Airy and Pocono Manor, are located 3.7 miles apart. Section 1304 of the Act provides that no Category 2 licensed facility shall be located within 20 linear miles of another Category 2 licensed facility. 4 Pa.C.S. §1304(b). Because of this proscription and the proximity of these properties to each other, the Board is prohibited from awarding two licenses in the Pocono Mountain region or two licenses in the Allentown/Bethlehem area. Accordingly, a decision by the Board to award a license to one applicant in either of these areas, by operation of the Act, necessarily excludes the other applicant in the area and requires the denial of that application even if that applicant is also eligible and suitable for licensure.

**a. Gettysburg**

The Crossroads Gaming site is a 58 acre property in Straban Township, Adams County near the intersections of U.S. Routes 15 and 30 and along a commercial development corridor that includes the Gateway Gettysburg commercial development, a 100 acre, \$275 million hotel, shopping, dining and entertainment complex. The property is located approximately 2.5 miles from the historical Gettysburg battlefield and is not visible from the battlefield itself.

**b. The Allentown/Bethlehem area**

The Tropicana site is on approximately a 24 acre parcel of property located along American Parkway/Airport Road just 1.3 miles from U.S. Route 22 and minutes from the Lehigh Valley Airport. The location adjoins a parcel of property of approximately 25 acres owned by Lehigh County and which will be home to a AAA minor league baseball

stadium. Other open acreage in the vicinity also exists which is available for future development. The location has zoning status which would permit a casino operation.

The Sands Bethworks site encompasses 124 acres to which Bethworks currently holds title and which lies within Bethlehem, Pennsylvania near the Minsi Trail Bridge between Daly Avenue, State Route 412 and the Lehigh River. Access to the site is obtained from Interstate 78 to Route 412. The Bethworks project, in the South Bethlehem area and South of the Lehigh River, is proposed on the site of the former Bethlehem Steel Corporations manufacturing operations, which date to 1861. While the site at one time employed over 300,000 employees, it now remains a vacant brownfield with decaying structures. The applicant has provided evidence that the site is within an accessible market population of over 21,000,000 adults including the northern and central New Jersey and New York City markets.

**c. The Pocono Mountain area**

The Mount Airy site is on the grounds of the former Mount Airy Lodge and the Stricklands Mountain Inn in Paradise Township, Monroe County. Once the home of a thriving tourist and honeymoon location, the resort areas have fallen into disrepair and closed. The new Mount Airy site is built on the same 890 acre parcel nestled in the rural Pocono Mountains about 6 miles from Interstates 80 and 380. The previously existing structures on the property have been demolished and ground breaking on the new structure occurred in July 2006. The property is the home to an existing 18 hole championship golf course and a 27 acre lake located immediately in front of the proposed property.



The Pocono Manor site is situated on a 3,000 acre parcel of which 300 acres would be devoted to the casino, hotel and amenities acquired by Pocono Manor Investors in December 2005. Located in Tobyhanna Township, Monroe County, the property is at the Southeast quadrant of the intersections of Interstate 80 and State Route 940. This property also includes the site of the historic Pocono Manor Inn

In reviewing all of the sites, the Board finds the Sands Bethworks location to be, in the Board's opinion, an exciting and deserving location for a Category 2 slot machine facility. The Sands Bethworks' location gives the Board a rare opportunity to take a now-abandoned brownfield industrial property, which in our history represented the height of the industrial revolution in America's steel industry, and to cause that property to be reinvigorated and restored for the betterment not only of Bethlehem and all of the Leigh Valley, but for all of Pennsylvania. Moreover, the location's proximity to major population markets in Pennsylvania and central and northern New Jersey make it a great candidate for licensure.

But for the Sands Bethworks location, which the Board finds to be superior, the Board would also find that the Tropicana location would be an asset to its license application and the Board's decision. While both Sands Bethworks and the Tropicana locations benefit from virtually the same market, Sands Bethworks is located right off of Interstate 78, which as been described by Sands Bethworks as a tremendous draw from the New York and Northern/Central New Jersey markets as it provides straight highway access from those regions to the Sands Bethworks site. On the other hand the Tropicana site is located off Route 22 to the North East of downtown Allentown and does not provide this same kind of draw to the site from these New York and New Jersey regions.

The Mount Airy and Pocono Manor projects are within 3.7 miles of each other and, therefore, would both be expected to draw from the same market. Moreover, both are located in rural settings and offer long histories as tourist resorts during a time when the Pocono region was a haven for the Northeast United States vacationers and honeymooners. Both entities seek to restore the luster of these locations and draw tourists back to the Poconos. The Board finds that the Pocono region which encompasses both projects is a suitable location for a Category 2 slot machine facility.

The Crossroads location is primarily rural without nearby population centers. As discussed below in Section C, Crossroads touts its location as desirable because of the populations to the South in the Baltimore/Washington D.C. markets. As addressed in that Section, the Board finds that Crossroads has not demonstrated to the Board's satisfaction through credible evidence that the Crossroad's location presents the advantages and benefits asserted by Crossroads.

### **Traffic**

Road and transit access, also referred to simply as traffic, is a factor which the Board may take into account when considering an applicant for licensure. 4 Pa.C.S. §1325(c)(1). While traffic has not been identified during the evidentiary hearings of these At-Large applicants to be of a magnitude as that encountered in cities such as Pittsburgh and Philadelphia, traffic is still a legitimate concern of the Board in the somewhat less urban areas of the revenue or tourism-enhanced slot machine locations. This concern is premised upon the undeniable position that traffic congestion is detrimental to a proposed casino since patrons may not be attracted to patronize a casino if access is difficult or results in substantial delays in arriving at the casino. Given the

economic benefits which casino gaming brings to the Commonwealth, it is in the Commonwealth's interest that the Board chose locations for casinos which are likely to succeed in attracting large numbers of patrons. Likewise, significant additional traffic congestion does not serve the public interest of those living in surrounding neighborhoods and commuters who use the surrounding road network for daily non-gaming uses.

**i. Pocono Mountain traffic**

The Pocono Manor traffic studies were reviewed by a McCormick Taylor engineer, Al Federico, who noted that the study was based upon a worst case scenario of 8,000 gaming positions and expressed concerns about the traffic improvements associated with the level of traffic generated with that number of gaming positions. If the more likely scenario of 5,000 machines was taken into account, the McCormick Taylor engineer testified that the roadway improvements proposed by Pocono Manor would adequately serve the traffic impact anticipated in the study.

The Mount Airy traffic study was also reviewed by the same McCormick Taylor engineer who testified that the traffic study was extensive in the scope and area of the study and had proposed several roadway improvements to mitigate increased traffic affects. There were several items that, in the opinion of the McCormick Taylor engineer, required further evaluation. Mount Airy has committed to resolving all remaining issues related to traffic mitigation.

**ii. Allentown/Bethlehem sites traffic**

With respect to the Tropicana site, the Board is concerned that the proposed roadway improvements proposed by Tropicana may not be sufficient to alleviate traffic

problems which may occur as a result of the influx of vehicles visiting that site. In this regard, the Board finds the testimony of McCormick Taylor traffic engineer Federico credible and instructive wherein he testified that the proposed improvements were limited to improvement to the Tropicana site access and did not appear to adequately provide acceptable levels of service at several locations. Nor did the proposal address the intersection of U.S. 22 and Airport Road where approximately 90% of the destined traffic to this site will originate. Finally, testimony indicated that although the proposed Tropicana improvements would help with traffic, other development in the area could also affect traffic flows thereby negating the impact of any improvements.

The Sands Bethworks traffic study was reviewed by McCormick Taylor engineer Federico who testified and prepared a report relative to the proposed roadway improvements and, based upon the information available, testified that the mitigation efforts by Sands Bethworks adequately addressed the traffic issues in that area with one caveat. Route 412 which will transport traffic from Interstate 78 to the casino site is the subject of a current PennDOT project which has taken into account the proposed Bethworks facility traffic. Because of the existing PennDOT project, the Sands Bethworks' traffic study did not include improvements to that roadway and accordingly, McCormick Taylor did not analyze the impact of the PennDOT project.

**iii. Gettysburg site traffic**

McCormick Taylor representative Federico also reviewed the traffic study submitted by Crossroads and testified at the final licensing hearing on December 13, 2006 as to the review of site improvements by the applicant and PennDOT. The biggest concern expressed by the McCormick Taylor representative was the impact of the project

on the reconstructed interchange of Routes 15 and 30. Federico testified that PennDOT is proposing a “rather innovative design for Pennsylvania for this interchange” and that issues related to the design have not yet been resolved. *See* Crossroads final licensing hearing transcript at p. 11. Federico’s November 15, 2006 report indicated several remaining traffic issues and stated that other than those issues, it appears that the proposed improvements adequately mitigate the projects impacts.

It would be disingenuous to say that traffic associated with any of the casinos will have no impact on the surrounding areas and the Board does not suggest such. However, while every project would increase traffic in the vicinity of the casinos as a natural by-product of the patron-driven business, the Board finds based upon all of the evidence that no insurmountable traffic mitigation barriers have been identified which would preclude a site for consideration. With all proposals, traffic will have to be addressed through conditions of licensure to assure the adequate mitigation of any adverse effects associated with the casinos.

**B. Quality of the Facility**

All five proposals for casinos and related-use facilities represent state-of-the-art architectural designs, all of which have their own unique nuances. Each project is phased into production with initial phases to gain operational status and income while work is expanded at the sites to build the permanent facilities. Even the permanent facilities have additions to come later depending on market conditions. While the Board is cognizant that all phases of development are not committed to and that later phases of the projects are market dependent, the Board looks to the overall proposals in this section as reflective of the quality of the facilities.

## **Sands Bethworks**

The Sands Bethworks project encompasses a two phase casino and entertainment complex on the site of the former Bethlehem Steel factory in Bethlehem. The design of the facility pays respect to the history of the former steel mill by maintaining its industrial setting which incorporates many of the existing buildings including the highhouse, machine shops, mill building and ore crane as a commitment to the historic preservation of the site. Plans incorporate brick, steel and glass to replicate the original steel mill theme and blend into the surrounding landscape.

Phase I of the project, which is projected to cost about \$600 million, includes the development of a gaming floor to house 3,000 slot machines, a 300 room hotel and multi-purpose space including more than 60,000 square feet of dining, food and beverage areas and over 46,000 square feet of entertainment and meeting space, approximately 120,000 square feet of retail space, a ten screen cinema, a food court, a steak house, an Italian restaurant, two bars, a coffee shop and parking garage. Phase II of the project calls for 2,000 additional slot machines. The remaining components of Phase II, which include residential space, additional retail, and food and beverage outlets, will depend on market conditions. In addition, space within the Bethworks development property is being donated for several non-profit organizations including a museum, a public television station and arts facility. A total of 6,200 parking spaces for patrons and employees will be provided.

## **Mount Airy**

The Mount Airy plans incorporate a casino housing 3,000 slot machines, 400 room resort hotel, Italian restaurant, steakhouse, buffet, coffee shop, a lounge and

nightclub, spa, indoor swimming pool, and conference rooms. The initial phase will include 196 hotel rooms and 2,500 slot machines in the fall of 2007 and an additional 500 slot machines and a 204 room hotel expansion is planned for the fall of 2008. Phase 1 of the project will include parking for 2,232 vehicles.

The six story structure overlooking a lake blends into the surrounding rural setting. The interior design is characterized as casual elegance using stone, wood, timbers, glass, metals and leather reminiscent of the great hotels of the past. Complimented with high-class appointments and detail, the Mount Airy facility represents an upscale traditional resort in the Poconos.

### **Tropicana**

The Tropicana facility presents a central hotel tower with lower buildings on either side. Phase 1 includes 3,000 slot machines, a 250 room Marriot hotel, 13 restaurants and lounges, a showroom and executive conference center. Parking is provided for up to 3,400 vehicles with 3,000 of those spaces being covered.

Phase 2 increases the facility to 5,000 slot machines, a 500 room hotel, over 20 restaurants and lounges, the showroom and executive conference center, a spa, 10,000 square feet of retail space and a total of 4,500 parking spaces.

The facility is built in an “Old Havana” theme with architecture and interior design fitting for that theme.

### **Crossroads**

The Crossroads project incorporates a low-slung building into a park-like setting with no building over 4 stories or 50 feet. Incorporating 240,000 square feet which includes a 225 room four star hotel, a luxury spa, four restaurants and 3,000 slot

machines, the facility is visible from nearby Routes 15 and 30. Patrons will enter by driving past a pond and into the garage or porte cochere. Inside, renderings depict an elegant, upscale interior with domed ceilings and first class appointments. On site parking for up to 4,000 vehicles is planned

### **Pocono Manor**

The Pocono Manor project incorporates a \$1.4 billion investment through 5 separate phases of development in a large sprawling complex. Phase 1A includes a temporary casino with 1,500 slot machines. Phase 1B includes completion of a permanent facility housing up to 5,000 slot machines, a 23 story hotel with 750 rooms, voluminous retail space, restaurants, nightclubs, a fitness center, spa, indoor and outdoor pool, a 1,800 seat theater, a 5,000 seat arena and a golf course. The committed financing for Phases 1A and 1B is \$705 million. A total of 8,825 parking spaces will be provided in a combined parking garage structure and surface area.

Although there is no current commitment, phases 1C, 2 and 3 would add 616,000 square feet of retail space, four restaurants, two nightclubs, 350 time share properties, 475 golf villas and vacation homes, extended parking in a garage and surface lots.

The exterior of the facility as represented in Pocono Manor's artist's renderings reflect a 23 story glass structure and various other structures overlooking a lake. Visible from Interstate 380 and route 940, the structure looms as a large presence on the horizon. Waterfalls, fireplaces and indoor tropical pool settings provide attractive views throughout the facility. The facilities main interior is designed to utilize an interior landscape of wood, stone and water to replicate a design style dating to the early part of the 20<sup>th</sup> century Pocono region.



The “quality of the facility” factor is one hard to quantify in any objective formulation. As stated, each facility is unique and possesses state of the art design techniques. In some respects, all of the projects are the same or similar in that a similar number of slot machines will be housed within, parking garages will be incorporated and restaurants and bars will serve patrons very similar drinks and foods. The Board reviewed all aspects of the architectural presentations, plans of all facilities and other evidence, and after careful evaluation, has in its discretion determined that Sands Bethworks and Mount Airy proposed the best facilities for the Category 2 licenses to be awarded.

The Board finds that the Sands Bethworks facility, which incorporates the design and atmosphere of the former Bethlehem Steel factory, pays respect and homage to the history and heritage of Bethlehem and the hundreds of thousands of Pennsylvanians who worked there. The Board finds that the Sands Bethworks project presents a modern gaming facility in a manner which fits into the surroundings and is consistent with and supportive of the community and history of the location and is a fitting quality and design for gaming in the Commonwealth.

The Board finds that the Mount Airy facility represents a traditional look and feel for the Pocono region, restoring the elegance of the once-famed Pocono resorts. The Board finds the Mount Airy facility and design is the most consistent with the rural atmosphere and landscape of the Pocono region and, therefore, has a quality commensurate with the Board’s expectations for that region.

Of particular concern to the Board is the size and height of the Pocono Manor facility. The evidence, as depicted in the architectural renderings, is palatial and of a

scale not seen elsewhere in Pennsylvania. Comments received from the public during the public input process demonstrate the serious concerns of the public that the project is too large and does not fit into the surrounding mountain region. The Board has carefully reviewed and evaluated the architectural plans and has concluded that while there is no doubt that the Pocono Manor project would be far more suitable if situated in an urban market such as Las Vegas or even Philadelphia or Pittsburgh, it is not suitable for the mountain setting in the heart of the Pocono region. Pocono Manor simply has not demonstrated to the satisfaction of this Board that the Pocono Mountain region is the right place for this type and scale of building project.

**C. Potential for New Job Creation and Economic Development**

One of the objectives of the Act is to provide a significant new source of revenue to the Commonwealth to support property tax relief, wage tax reduction, economic development opportunities and other similar initiatives. 4 Pa.C.S. §1102(3). The Act also provides that the Board may consider the potential for new job creation and economic development which result from granting a license to an applicant. 4 Pa.C.S. §1325(C)(2).

**i. Revenue generation**

Evidence produced during the hearing process demonstrated to the Board's satisfaction that among the five proposals, there exists a broad range of revenue generation estimates which would be realized by the projects once the casinos were developed and operating at capacity. This is of concern to the Board because the success of the applicant in generating revenues is directly related to the economic benefit to the Commonwealth through the receipt of tax revenues for the benefit of Pennsylvania

citizens. The Financial Suitability Task Force projected Crossroads at \$277.55 million at 3,000 machines or \$253 win per unit in a stabilized year; Mount Airy at \$ 269.35 million at 5,000 machines or \$148 win per unit in a stabilized year; Pocono Manor at \$190.13 million at 3,000 machines or \$174 win per unit in a stabilized year; Sands Bethworks at \$346.74 million at 5,000 machines or \$190 win per unit in a stabilized year and Tropicana at \$260.9 million at 3,000 machines or \$238 win per unit in a stabilized year.

The applicants' own projections were Crossroads at \$289.25 million at 3,000 machines or \$264 win per unit in a stabilized year; Mount Airy at \$313.2 million at 5,000 machines or \$172 win per unit in a stabilized year; Pocono Manor at \$270.33 million at 3,000 machines or \$247 win per unit in a stabilized year; Sands Bethworks at \$465.34 million at 5,000 machines or \$255 win per unit in a stabilized year and Tropicana at \$264.49 million at 3,000 machines or \$242 win per unit in a stabilized year.

Overall, the credible evidence presented to the Board demonstrates that the At-Large locations, overall, are not projected by either the Task Force or the applicants themselves to generate revenues and returns on a scale similar to those which the Board has seen with the Philadelphia or Pittsburgh applicants. While this difference may be explainable by the differences in population centers located nearby, it is a concern of the Board which has to consider the objective of the Act to “provide a significant source of new revenue to the Commonwealth to support property tax relief, wage tax reduction, economic development opportunities and other similar initiatives.” 4 Pa.C.S. §1102(3).

The Board finds that in terms of revenue generation, Sands Bethworks is likely to produce the most revenue for the Commonwealth, due in part to its intent to install 5,000

slot machines<sup>7</sup> and perhaps more importantly, due to its location and proximity to not only the Allentown/Bethlehem Market area but also its easy access via Route 78 to Northern New Jersey and New York City with substantial numbers of prospective customers. The Board finds credible the evidence presented by Sands Bethworks that the market at that location will support the expansion of Bethworks beyond the 3,000 machines and will maximize revenues for the Commonwealth. The credibility of Sands Bethworks' revenue estimates and projections is bolstered by the track records of both its developer and the Sands Corporation as presented through its final licensing hearing including the Sands Corporation's development into a world leader in casino and resort facilities with its rapid expansion in the Asia continent as well as its flagship properties in Las Vegas.

The Task Force estimates of revenues for the Crossroads, Tropicana and Mount Airy projects are all within a relatively close range with Crossroads being the highest and Tropicana being the lowest by \$17 million. The Task Force estimate for Pocono Manor is substantially lower than the other applicants.

While the Board recognizes that the applicants' estimates are all higher than the Task Force estimates of income, the differences between the estimates is a factor considered by the Board with respect to these applicants. Sands Bethworks' estimate is nearly \$125 million higher than the Task Force estimate (\$465 million versus \$346 million). Even using the Task Force lower estimate, however, Sands Bethworks still

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<sup>7</sup> Sands Bethworks, like any applicant, would have to obtain the Board's permission to install more than 3,000 slot machines, since any increase in the number of slot machines would require a change in the licensee's floorplan. The Board in considering a request to expand to 5,000 machines would consider the appropriateness of the physical space and the convenience of the public attending the facility, the potential benefit to economic development, employment and tourism, enhanced revenues to the Commonwealth and other economic indicators it deems applicable in making its decision. 4 Pa.C.S. §1210(b).

would be the leading revenue generator in comparison to the other applicants' own estimates. Thus, under either scenario, the Board is entirely confident of the ability of the Sands Bethworks project to work for Pennsylvania. Pocono Manor, on the other hand, estimates it will have revenues \$80 million higher than the Task Force estimates. (\$270 million versus \$190 million). The \$270 million Pocono Manor estimate only places it in the middle of the pack in revenue generation when compared to the lower Task Force estimates. If the Pocono Manor revenues were less than they have projected and closer to the Task Force estimates, revenues to the Commonwealth would be greatly diminished. This is a risk the Board is not willing to take given its responsibilities under the Act to generate revenues for the Commonwealth, especially given the presence of other applicants in this competitive process who are, as established by credible evidence, likely to produce more for the Commonwealth.

With respect to the Crossroads project, Crossroads presented substantial testimony that it will rely in large part on the Baltimore, Maryland and Washington D.C. areas for its patronage and that 60% to 65% of its revenues would originate from outside the Commonwealth. The Gettysburg area itself is primarily a rural area without large population centers nearby to sustain the casino, thus the emphasis on the market to the South. In theory, this strategy is appealing. However, during the licensing hearings, Gettysburg presented testimony that it was "virtually the same drive time away" from the Baltimore/Washington D.C. market as Charlestown slots in West Virginia and that Charlestown had a casino win of \$437 million in the fiscal year ending January 30, 2006. While that number is significant, the Board was not presented with any credible evidence

to demonstrate how much of that Charlestown business could be expected to leave that facility and travel north to Gettysburg.

Further, the Board received testimony concerning the possibility of slot machines being introduced in Maryland and the impact that would have on the Gettysburg property. Gettysburg proponents testified that that they do not believe gaming legislation will be passed in Maryland in the “near future” but that even if it did, “we estimate that the revenue impact on Crossroads will be between 15 and 20 percent leaving Crossroads a substantial cushion above its break-even revenue level.” *See* Hearing transcript at p. 62. While the Board certainly is comforted by the testimony that Crossroads would have a cushion above its break-even revenue level, since the Board has a strong interest in “protecting its product” by assuring that the chosen casinos stay in business, a twenty percent decline in revenues would place the revenue generation estimates in the \$216 million to \$231 million range depending on whether the Task Force or Crossroads revenue estimates are utilized. This scenario would place Crossroads at the bottom of the revenue generation models, a position any applicant should desire to avoid in a competitive licensing situation as is present here.<sup>8</sup>

Additionally, the Board considers the timeliness of the generation of revenues for the Commonwealth. The applicants all provided estimates of when they could begin operations if granted a license which would determine when the revenues to the Commonwealth would flow. Of course, the estimates of the opening dates largely depends on when the licensing decisions are final so that a license can be issued under Section 1301 of the Act. Presuming the licenses were issued in the January 2007 time

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<sup>8</sup> Although Maryland has not yet enacted gaming legislation, the Board cannot assume that Maryland will never do so, especially with the increased competition for tax dollars as evidenced by Pennsylvania’s entry into the market.

period, the applicants predicted they could open in this order: Mount Airy, 2,500 machines in October 2007; Tropicana, 3,000 machines in December 2007; Pocono Manor, 1,500 machines in a temporary facility by December 31, 2007 and 3,000 machines by January 2009; Sands Bethworks, 3,000 machines in July 2008; and Crossroads, 3,000 machines in January 2009. Assuming a worst case scenario that the market in these locales could only support 3,000 machines, the time frame which Crossroads projects the receipt of any tax benefit to the citizens of Pennsylvania is too far off in the opinion of the Board when compared to the other applicants. The Mount Airy and Tropicana projects promise the most revenues the soonest, with the staggered opening of Pocono Manor providing some revenue at the end of 2007, but not increasing those revenues based on 3,000 machines until 2009. The Sands Bethworks project provides revenues by July 2008 which is in the middle of the opening dates. Because the Board has an interest in the Casino's opening and providing revenues for the Commonwealth, the earlier opening dates of the full permanent facilities of Mount Airy, Tropicana, and to a lesser degree Sand Bethworks, favors those applicants for licensure.

**ii. Creation of jobs**

The Board finds credible evidence that each of the proposed projects would create new jobs and economic development. Of course, the extent of the new jobs or economic development is also related to the size and scope of the project and the amenities provided. Whether the scope and use of those amenities are fully realized leading to the fulfillment of the projected job numbers is speculative based upon the development of subsequent phases of the properties and the success of the facility and amenities.

The Board notes that applicant estimates for job creation range at various points in the record from approximately 1,000 jobs at Crossroads and Mount Airy, to 1,300 for Tropicana, 1,825 for Sands Bethworks, and nearly 4,000 for Pocono Manor. Based upon the totality of the evidence presented, the Board is suspect of the 4,000 jobs to be created by Pocono Manor. The total projected investment of Pocono Manor in the project is \$1.4 billion through the completion of all phases and that the 4,000 jobs is based upon that investment, the Pocono Manor project is actually committed to its Phases 1A and 1B which have an investment of \$705 million. While this commitment is substantial, the Board has no way of forecasting if or when the later phases of development (Phases 1C, 2 and 3) will occur to bring that remaining \$700 million investment and those other jobs. Nor has the Board been presented with credible estimates of the job creation by the committed-to phases. Therefore, the Pocono Manor estimate of 4,000 jobs is not afforded any great weight to set it apart from other similar applicants due to the uncertainty that the project would be substantially more beneficial than the other projects.

Likewise, each applicant represents that they are firmly committed to hiring a substantial percentage of their employees from the local employment markets. Based on the portion of the total projects that the applicants are committed to complete, the Board does not find any credible evidence that there appears to be any appreciable difference between the applicants in this regard.

**iii. Economic development**

The Board also finds that each of the proposals will bring economic development to their respective locales. The size and scope of the applicants' economic commitments



to the initial phases of their projects span a rather wide range, with Crossroads at the low end of \$350 million, to Tropicana at \$352 million, Mount Airy at \$502 million, Sands Bethworks at \$600 million and finally Pocono Manor at \$705 million. Undoubtedly, any and all of these projects would provide a significant economic boost to their respective labor markets beginning with the construction phase and proceeding through opening. Likewise, each applicant provided substantial evidence that its respective project would generate additional spin-off jobs based upon the need for additional restaurants in the communities as well as to provide goods and services to those employed by the construction and casino trades. Thus, the Board clearly finds that economic development both at the casino sites and in the nearby communities will be greatly enhanced by the grant of a license. However, in the comparative setting to which these licenses are subject, the Board finds that the economic benefit of Crossroads and Tropicana, given the smaller economic commitments, likely will not be as significant as the benefits which will occur by virtue of the larger commitments and the spin-off business associated therewith of the Mount Airy, Sands Bethworks and Pocono Manor projects.<sup>9</sup> This again is a factor which the Board weighs in favor of those applicants.

The Board does acknowledge a significant campaign and effort by the Mayors of both Allentown and Bethlehem on behalf of their respective Cities in an attempt to gain licensure for the applicant in their jurisdiction to provide a much needed economic boost and revitalization to those Cities. Both locations provided persuasive testimony about the

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<sup>9</sup> The Board does not suggest that these projects would not provide economic benefit to the respective communities or that the jobs which would be created would not be needed. Every community can use economic enhancements and these communities are no exception. However, given the limited number of licenses and the tough decisions which have to be made with respect to these five applicants, the Board finds that the economic benefit of the commitments of the Mount Airy, Sands Bethworks and Pocono Manor projects will be broader in scale than Crossroads and Tropicana which is a factor the board can consider in making its decisions of approving applicants for licensure.

need for the economic stimulus that a casino would bring. The Board finds that due to the proximity of the two projects, there will be substantial benefit to both communities due to the likelihood that employees for the construction phase as well as of the new casino would come from a cross-section of the communities. In addition, testimony was presented indicating that the cities of Allentown and Bethlehem had agreed to a revenue sharing agreement, albeit not equally, so that both cities would benefit by a casino being located in the Allentown-Bethlehem area. Testimony presented by the Mayor of Bethlehem was that the local share tax, which is provided for in Section 1403 of the Act, would be divided pursuant to an agreed upon formula between Allentown, Bethlehem and their respective county governments depending upon which applicant received the license. The Board commends the cooperative spirit between these two cities to share in these benefits and finds that the joint effort by these cities to place the interests of their collective communities to the forefront of the licensing debate favors a casino being located in the Allentown/Bethlehem area.

**iv. Atlantic City competition**

Throughout the final hearing process and in comparative evidence, Sands Bethworks presented testimony concerning competition of Atlantic City casinos and cross marketing of properties. The issue raised was whether, if a casino operator such as Tropicana in Allentown owned a casino in Atlantic City, would that operator use its primary population market as a feeder market to gain patrons who would then be diverted to the Atlantic City property through promotional marketing in order to gain advantage of the lower tax rate for the casino in Atlantic City. In other words, the operator will obtain

more profit from the same dollar gambled in Atlantic City than it will in Pennsylvania because of the much higher tax rate which the operator must pay here.

The evidentiary record establishes that Tropicana's parent company owns a casino property in Atlantic City. Sands Bethworks does not own or control any Atlantic City properties. With respect to the Philadelphia applicants where this issue was of more prominence given two casino applicants which had Atlantic City properties and a closer distance, the Board has considered the fact of competing Atlantic City properties as a negative factor for licensure. While the Board believes that each applicant desires to make a profit in Pennsylvania if granted a license, the Board also is cognizant of its duty to license casinos in Pennsylvania which are in the best interests of the Commonwealth. Although the distance from the Allentown/Bethlehem market to Atlantic City is greater than the Board encountered with the Philadelphia applicants, the Board does not find that it is so much further that patrons would not travel to Atlantic City or that the Atlantic City properties would not attempt to lure Pennsylvania patrons to Atlantic City to obtain the benefits offered by the more tax-friendly state. The Board also finds that Sand Bethworks, not having an Atlantic City casino, has great incentive to focus its entire efforts at the Bethworks site without distraction. Therefore, the Board finds that licensing a casino in the Allentown/Bethlehem market which does not have common ownership with Atlantic City facilities may further the interests of the Commonwealth and the public which stands to benefit through increased revenues obtained by the Pennsylvania properties.

Furthermore, based upon the evidence concerning the location, design and amenities proposed by Sands Bethworks at its project, the Board believes that Sands

Bethworks project can compete with the Atlantic City properties and potentially draw business from the New York and northern and central New Jersey areas and away from the Atlantic City properties.

**v. Community and other commitments**

Each applicant made various commitments and promises to the communities served. These commitments typically are promises to provide funding for various projects or services in the communities and are factors which the Board can consider either in support of economic development, 4 Pa.C.S. §1325(c)(2), and to mitigate costs of meeting the increased demand for public health care, child care, public transportation, affordable housing and social services. 4 Pa.C.S. §1325(c)(9).

**Sands Bethworks** has donated about 9 acres of the Bethworks site to non-profit organizations for development including for a public broadcasting television station, a museum and an art gallery.

**Mount Airy** has made community commitments including certain roadway improvements, to be responsible for certain maintenance costs and fees associated with Woodland Road and to provide Paradise Township with a maintenance facility with dedicated land to Paradise Township, equipment, annual funding and resource materials necessary to maintain Woodland Road. Mount Airy has agreed to fund a traffic study at School Road and Woodland Road and to pay for traffic signalization if needed, as well as to provide a school zone warning device and a crossing guard during peak school traffic periods. Mount Airy also has completed several community commitment projects including the removal of several buildings and the donation of equipment for work on local athletic fields.

Finally, the Mount Airy Foundation will be created to oversee charitable giving to improve the quality of life within Paradise Township and Monroe County by providing assistance to youth, low income, at-risk and disadvantaged people and programs related to job creation, vocational and professional training, and community and economic development. Although Mount Airy states it will provide the principle financing for this foundation, it has not indicated a minimum amount of funding which will be provided.

**Crossroads'** proposal commits to providing a grant of \$1 million annually to the Borough of Gettysburg to begin one year after Crossroads would begin operations. The grant was in recognition that although Straban Township (the site of Crossroads) would benefit from the casino, the nearby Borough of Gettysburg would be impacted in terms of municipal services and infrastructure needs.

**Pocono Manor** has agreed to donate approximately 15 acres of land to Monroe County for the creation and operation of a proposed Regional Intermodal Rail and Bus Transportation Center, to donate approximately 30 acres of land to Tobyhanna Township for the development and use of recreation and sports fields, to fund specialized training for the local fire department, to purchase and donate a new ladder fire truck (approximately \$250,000), and to donate an additional 1 acre of land for the creation of an on-site emergency medical service facility.

**Tropicana** pledged that upon substantial completion of the site, to make a contribution of \$1.25 million to assist the City of Allentown for the purchase of a new ambulance, a new ladder truck and construction of a new police substation. Tropicana also pledged \$500,000 over 5 years to local agencies to fund programs to treat gambling

addictions. Finally, Tropicana committed to pay \$250,000 to establish a program to help employees of Tropicana become homeowners.

Clearly any commitments to any community organizations or needs are beneficial and to be commended. Each applicant has committed to different kind of community support through their project. While different from each other, none is so significantly better than another that would sway the Board to consider this criteria as a substantial factor in choosing one applicant over another.

**D. Diversity Plans**

Each of the applicants has presented a good faith plan to recruit, train and upgrade diversity in all employment classifications. No evidence has been presented to suggest that any applicant does not have the required, good-faith diversity plan or that it has failed to support diversity in other business endeavors.

**E. History of Developing Tourism Facilities Ancillary To Gaming**

**Crossroads** is a new entity which has not previously owned or operated facilities in the gaming industry and it does not have any prior history of developing tourism facilities ancillary to gaming.

**Mount Airy** is a new entity which has not previously owned or operated facilities in the gaming industry and it does not have any prior history of developing tourism facilities ancillary to gaming.

**Pocono Manor** is a new entity which has not previously owned or operated facilities in the gaming industry and it does not have any prior history of developing tourism facilities ancillary to gaming.

**Sands Bethworks** is a new entity which has not previously owned or operated facilities in the gaming industry. However, the Las Vegas Sands Corporation, as a parent of Sands Bethworks, has an impressive resume of building world-class resorts with extensive amenities in Las Vegas and Asia. Included within this impressive stable of properties are the Venetian Resort Hotel Casino and the Palazzo in Las Vegas, the Guggenheim Heritage Museum, and properties in Macao, Hengqin Island and Singapore.

**Tropicana** is an entity and it does not have any prior history of developing tourism facilities ancillary to gaming. However, Tropicana's parent company Wimar and Wimar's subsidiaries which, after the merger, include Aztar Corporation, have an established history of developing hotel, spa and retail establishments in Las Vegas, Atlantic City and Evansville, Indiana.

**F. Record of Applicant in Meeting Community Commitments**

The record of the applicant in meeting community commitments to local agencies, community-based organizations and employees in other locations is a factor which the Board may consider in assessing and evaluating the applicants. 4 Pa. C.S. §1325 (c)(8).

**Sands Bethworks** has established its position as a good corporate citizen and supporter of the communities it serves. Of significance to the Board is the fact that Sands Bethworks has already donated over \$194,000 in 2005 and 2006 to various charitable causes. The Board finds this commitment to the community even before a license was awarded to be indicative of a company who will support the community through future commitments as well. In addition, the Sands parent, Venetian has a history of charitable giving in the Las Vegas community where it is well established.

**Mount Airy** as a new entity having no prior existence has no prior history of meeting community commitments. However, Louis DeNaples, the sole owner of Mount Airy has an extensive history of community commitments, primarily in Northeast Pennsylvania. The record is replete with evidence of his commitments to the community and to charitable causes throughout his life. The record indicates that DeNaples has served on various boards of charitable, educational, and civic organizations including the Scranton Preparatory School, the University of Scranton, Blue Cross, the Community Medical Center, the St. Francis Soup Kitchen and Allied Health Services and that he has made substantial contributions to countless charitable causes including educational institutions, local Boys and Girls Clubs and the United Way.

**Crossroads**, as a new entity having no prior existence, has no prior history of meeting community commitments. However, David LeVan, Chairman and CEO of Crossroads Gaming has provided evidence that he and his wife, who are residents of the Gettysburg area, have been involved in community and charitable activities and have directly or through a family foundation, contributed over \$4 million over the last ten years to local organizations including the Majestic Theater, the Lincoln Train Center and through endowments of scholarships at Gettysburg College to name a few.

**Pocono Manor**, as a new entity, has no history of meeting community commitments. Pocono Manor has not presented sufficient evidence of prior commitments to communities by its principals to allow the Board to draw any inferences with respect to this factor.

**Tropicana** provided testimony during its final licensing hearing concerning its parent company's commitments to the community through its Casino Aztar in



Evansville, Indiana and reaffirmed its commitment to Allentown. Specifically, in Evansville, emphasis was placed on hiring employees from the most economically disadvantaged areas of Evansville, of enhancing tourism for the County, and purchasing goods and services to support minority and women-owned businesses. Further, Casino Aztar received numerous awards and recognition in Evansville for its commitment and accomplishments, including 11 awards from the United Way, and was been named Evansville Chamber of Commerce's business of the year for 2006. *See* Tropicana final licensing hearing transcript at pp. 48-50.

To the extent these applicants or their parent corporations and owners have developed a history of providing assistance to local communities, they are commended. The Board finds that the types of commitments made in other locations by Sands Bethworks and Tropicana and by the principals of Mount Airy and Crossroads are of the sort which are expected. Based upon the lack of evidence presented by Pocono Manor on this factor, the Board is unable to find that Pocono Manor or its principals have satisfied this factor to a similar level as the other applicants.

#### **G. Potential Adverse Effects**

As stated above, traffic concerns are the primary identified adverse affect that each project will bring to the respective casino locations. While increases in traffic cannot be avoided, their impact can be mitigated through roadway and intersection modifications. The assurance of such modifications will be addressed through conditions of the license consistent with the input of the traffic and planning engineers who provided input to the Board during the licensing review and hearing process.

The Board also recognizes potential adverse effects of gaming in terms of gambling addictions. This is an issue which will arise no matter who the licensee is or where the project is located. Therefore, the Board believes the most appropriate way to deal with this potential effect is through the strong enforcement of a compulsive gambling plan to be established and monitored by the Board through conditions of licensure.

Finally, in terms of potential adverse effects, the Board notes the nature and amount of public comment in support and in opposition to the proposed projects. The numbers of written comments received by the Board varied widely depending on location. For instance, Mount Airy only caused the receipt of 10 written comments with 9 in support and 1 in opposition. Tropicana had 20 comments in support and none in opposition. Pocono Manor has 64 total written comments with 61 in support, 2 opposing and 1 general suggestion. Gettysburg had 426 supporting comments and 280 opposing comments. Sands Bethworks had 6,193 supporting comments and 838 opposing comments. In addition, 7 written comments were received generally opposing gaming in the Pocono Mountain region and 83 comments were received opposing gaming generally in the Allentown/Bethlehem area. While the Sands Bethworks project may have received the greatest number of comments, only 11.9% of the total comments directed to the Sands Bethworks project were comments opposing the project. The remaining 88.1% of the comments were supportive of the project.

The Board notes that the opposition groups and individuals can be divided into two categories: those who oppose specific projects for identifiable reasons and those who simply oppose gaming on moral grounds. The concerns of the former groups are taken

into account by the Board with respect to the specific concerns raised. As to the second group, *i.e.* those who simply oppose gaming, it must be noted that the General Assembly has, through the enactment of the Pennsylvania Race Horse Development and Gaming Act, already established the policy in this Commonwealth that gaming establishments as outlined in the Act will be licensed. Included within this mandate is the establishment of two facilities in revenue or tourism-enhanced areas. The Board's duty is to award those two licenses to two applicants if it finds, in its sole discretion, that the applicants are eligible and suitable under the criteria of the Act. The Board will not and indeed cannot countermand the intent and will of the General Assembly by refusing to issue licenses based upon those who oppose the spirit of the validly enacted statute.

As to those members of the public who opposed specific projects for other specified reasons, the majority of reasons (with the exception of the Crossroads project) included the affects of traffic and the proximity of the projects to neighborhoods. The Board cannot eliminate traffic and cannot avoid all impacts on the local neighborhoods. The Board finds, however, that those adverse effects can be minimized through roadway improvements and site selections which provide buffers from residential areas, while at the same time providing substantial benefits for the community in terms of jobs, infrastructure improvements and infusions of monies to social needs. In sum, the Board believes based upon the evidence presented that a balance can be achieved in which the benefits to the public obtained through the gaming industry will offset and compensate for any negative effects.

We note particularly the opposition to the Crossroads proposal in Gettysburg. During the public input hearings in April and May, 2006, community group

representatives and individual members of the community testified overwhelmingly in opposition to the project. Opposition was strongest in relation to the proximity of the casino to the historic Gettysburg battlefield areas and the effect the casino would have on the traditionally rural nature of the community. Section 1102(10) of the Act instructs that “the public interest of the citizens of this Commonwealth and the social effect of gaming shall be taken into consideration in any decision or order made.” While the Board duly noted and considered the degree and proportion of public opposition, the Board’s decision was not based solely on this factor.

**H. Record of Applicant in Complying With Employment and Wage Laws**

The Board has not been presented with any credible evidence demonstrating any significant difference among the applicants with respect to the applicants’ records regarding compliance with Federal, State and local discrimination, wage and hour, disability and occupational and environmental health and safety laws; State and local labor relations and employment laws, or the applicants’ records in dealing with its employees and their representatives at other locations. *See* 4 Pa.C.S. §1325(10)(11). There being no evidence of record sufficient to establish that any one applicant is appreciably better as to this factor, the Board does not find that any applicant will fulfill the requirements of these laws in any substantial or appreciably better manner than any other applicant. Accordingly, this factor for consideration, while examined by the Board, does not lead the Board to find that one applicant is more suitable for licensure than another.

**I. Other matters**

Finally, the Board finds that the long-time commitment of Louis DeNaples to the

Northeastern Pennsylvania area is very significant. As a lifetime resident of that area, Mr. DeNaples has demonstrated a long-standing commitment to economic development projects in the region. Mr. DeNaples is the sole owner of Mount Airy, and therefore, given the ties to the area, is more likely to retain the revenues from the Mount Airy casino for use within the region. The record establishes that this commitment to the Poconos has extended to Mount Airy where permits have been obtained and construction has already commenced on the resort in order to make Mount Airy a tourist destination in a timeframe unrivaled by his competitors.

### **CONCLUSION**

As demonstrated, the decision to award the Category 2 license in revenue or tourism-enhanced locations was based upon an analysis of a wide variety of factors and evidence presented in the evidentiary record. The decision was complicated by the fact that five applicants presented five eligible and suitable proposals for licensure under the Act in a thorough and professional manner. This meant that the Board was required to, and did, consider a multitude of factors related to the applicants and had to arrive at a decision in the exercise of its discretion as to which two of the five suitable applicants should receive the licenses.

Upon reviewing all of the factors in the Act, the Board finds, in its opinion, that Sands Bethworks was chosen to be awarded a license because of its location in the very strong Lehigh Valley market with easy access to New York and Central and Northern New Jersey, the large site which reclaims a portion of the former Bethlehem Steel plant and plans a large-scale redevelopment for the benefit of the entire Lehigh Valley, the record of success of the Sands corporation and the developer in prior ventures, the

absence of a facility in New Jersey, the projected revenue generation abilities of this project and the Sands management which has now developed the largest gaming market capitalization in the world. Because the Board chooses and approves Sands Bethworks as its first choice for a Category 2 license, the Board is mandated to deny the application of Tropicana, which also presented a very good proposal, due to the mileage restrictions placed in the licenses in Section 1304(b) of the Act.

Among the remaining sites, the Board believes based upon its review of the evidence that the Mount Airy proposal will also best serve the objectives of the Act and should be granted a Category 2 license. The location of Mount Airy in the Pocono Mountains will provide a location conducive to economic development and gaming without overburdening local services. The design of the facility is consistent with the local atmosphere and region and it promises to restore the once-famed Mount Airy Lodge to the Pocono Mountains, which will enhance the draw of tourists to the region and generate gaming revenue for the Commonwealth. The Mount Airy structure is presently under construction, other approvals have been obtained and the prospect of bringing gaming to the Poconos is accelerated substantially over any other proposal. As such, the economic benefits will flow to Pennsylvania's citizens sooner for the betterment of the Commonwealth. Further, in comparing to other applicants, the fact that Mount Airy is locally owned by a lifelong resident of the area who has demonstrated a lifetime commitment to the development of businesses in the area and the growth of the community through his charitable endeavors, is seen as a positive factor for Mount Airy since the profits from the venture will remain in Pennsylvania as an asset to other economic development and community commitments.

Because the Board chooses and approves Mount Airy for the second Category 2 license, the Board is mandated to deny the applications of Pocono Manor and Crossroads because only two licenses can be granted. In addition, Pocono Manor, in light of its proximity to Mount Airy, must be denied due to the mileage restrictions placed on the license in Section 1304(b) of the Act.

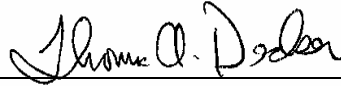
Based upon the findings of fact, conclusions of law and discussions set forth above, which are supported by the evidentiary record, the PGCB finds that **Sands Bethworks Gaming, LLC** and **Mount Airy #1, LLC** have satisfied the requirements of 4 Pa.C.S. § Category 2 license, are eligible and suitable to receive a license and that it is in the best interest of the public and the Commonwealth that these two entities be granted the two available Category 2 slot machine licenses allocated by the General Assembly to the revenue or tourism-enhanced locations, subject to the terms and conditions placed on the license by the PGCB.

The grant and issuance of this Category 2 license does not give either **Sands Bethworks Gaming, LLC** or **Mount Airy #1, LLC** a property right and the PGCB may, at its discretion, revoke or suspend the license of either **Sands Bethworks Gaming, LLC** or **Mount Airy #1, LLC** if the PGCB finds that either **Sands Bethworks Gaming, LLC**, or **Mount Airy #1, LLC**, their officers, employees or agents have not complied with the conditions of the license, the provisions in the Act, or the PGCB's regulations and that it would be in the best interest of the public to revoke or suspend the slots license.

In light of the PGCB's decision to grant **Sands Bethworks Gaming, LLC** and **Mount Airy #1, LLC** the two (2) Category 2 licenses allocated to a revenue or tourism-enhanced location, the applications for a Category 2 slot machine license by **Crossroads**

**Gaming Resort & Spa, LP, Pocono Manor Investors, and Tropicana Pennsylvania, LLC** are hereby DENIED.

BY AND ON BEHALF OF THE PENNSYLVANIA  
GAMING CONTROL BOARD:

A handwritten signature in black ink, appearing to read "Thomas A. Decker", is written over a horizontal line.

THOMAS A. DECKER  
CHAIRMAN