

PENNSYLVANIA GAMING CONTROL BOARD

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SUITABILITY HEARINGS

IN RE: POCONO MANOR INVESTORS, LLP

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PENNSYLVANIA STATE MUSEUM

300 NORTH STREET

HARRISBURG, PENNSYLVANIA

DECEMBER 5, 2006, 9:30 A.M.

\* \* \* \* \*

BEFORE:

TAD DECKER, CHAIRMAN

RAY ANGELI

MARY DiGIACOMO COLINS

JEFFREY W. COY

JOSEPH W. MARSHALL, III

KENNETH McCABE

SANFORD RIVERS

REPORTER: KENNETH D. O'HEARN

REPORTER - NOTARY PUBLIC

I N D E X

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EXHIBITS

IDENTIFIED

MOVED

NONE OFFERED

1                   CHAIRMAN DECKER:

2                   Good morning. I'm Tad Decker. I'm  
3 chairman of the Pennsylvania Gaming Control Board.  
4 Today we will be hold the Category 2 license hearing  
5 for Pocono Manor Investors, followed by the  
6 continuation of the Mt. Airy hearing which began  
7 yesterday.

8                   Before entering into these proceedings,  
9 again, I would like to call everyone's attention to  
10 the Code of Conduct and the media guidelines for the  
11 licensing hearing. If you've not already picked up a  
12 copy, they're outside on the table, again, just  
13 outside the room.

14                  As in all of these hearings, I request  
15 your assistance to ensure that courtesy prevails  
16 amongst the audience, the presenters and the speakers.  
17 We also welcome members of the media to this hearing,  
18 and again, ask that they observe the guidelines  
19 distributed to them as they came in. In general, we  
20 ask that the media follow the same type of protocol  
21 that would exist in a formal court proceeding and,  
22 again, that the reporters and interviewers not  
23 interfere with the hearing in any way and that they  
24 conduct interviews with speakers, to the extent they  
25 wish, outside the hearing room. Finally, a reminder

1 to the media that the Board will not be available for  
2 interviews during or after these hearings.

3           Yesterday afternoon we began the  
4 licensing hearing process directed to Category 2  
5 licenses to be located in revenue or tourism-enhanced  
6 locations under the authority of Section 1304 of the  
7 Pennsylvania Race Horse and Gaming Act by opening the  
8 hearing on Mt. Airy, Number One LLC. That hearing has  
9 not yet been completed. This morning we are  
10 conducting the hearing, as I said before, of Pocono  
11 Manor Investors. This afternoon we will resume the  
12 hearing on Mt. Airy.

13           There are five applicants for the two  
14 licenses located in the revenue or tourism-enhanced  
15 locations, otherwise known as the at-large  
16 subcategory. The Board will be conducting hearings  
17 for all five applicants. We'll consider and evaluate  
18 all five applicants, and then we'll have the task of  
19 exercising its discretionary authority to select the  
20 applicants which the Board believes will best serve  
21 the Commonwealth's and the public's interests, as  
22 outlined in Act 71.

23           The purpose of these proceedings are to  
24 provide the applicants a final hearing to introduce  
25 testimony and evidence to prove to the Board's

1 satisfaction that their eligibility and suitability is  
2 acceptable, as well as to convince the Board that the  
3 applicant should be selected for available licenses.  
4 In addition, these hearings will provide the  
5 opportunity for the applicants to answer any questions  
6 that the Board may have relating to their application.

7           The public has previously had  
8 opportunities --- maybe I should read that again. The  
9 public has previously had opportunities to be heard  
10 with respect to these applicants during the public  
11 input hearings and through written comments and  
12 correspondence. All of that public testimony and  
13 comments will be available and taken into  
14 consideration by the Board when deliberating on each  
15 applicant.

16           Factors that the Board will take into  
17 consideration when reviewing these applications, as  
18 with all applicants, are defined in Section 1325 of  
19 the Act. Upon conclusion of the five hearings, the  
20 Board will take the matter of awarding these Category  
21 2 licenses under advisement. As required by the Act,  
22 a decision of the Board will not be forthcoming on  
23 this group of applicants until such time as the Board  
24 has the opportunity to deliberate and vote on all  
25 final licenses, collectively and together. As

1 previously stated in other proceedings, we intend to  
2 do so before the end of this year.

3           Following that, I call to order now this  
4 meeting of the Pennsylvania Gaming Control board in  
5 the matter of the Category 2 hearing for Pocono Manor  
6 Investors, LP. Like all other applicants, the  
7 application has undergone --- this application has  
8 undergone an extensive review by staff. This hearing  
9 is to provide a final opportunity for the applicant to  
10 demonstrate to the Board's satisfaction not only that  
11 it is suitable for the license but that it should  
12 receive one of the available licenses.

13           The procedure which we intend to follow  
14 during this hearing is the same as in other  
15 proceedings. Would all the representatives now please  
16 --- from Pocono Manor Investors and the Board who may  
17 present testimony please stand to be sworn in? Thank  
18 you.

19 -----

20 WITNESSES SWORN EN MASSE

21 -----

22                           CHAIRMAN DECKER:

23           How many days is your presentation? And  
24 when I talked about public input, I was not just  
25 addressing your application. I was trying to address

1 the fact that we have had public input on all  
2 applications, which seems sometimes to get overlooked.

3           Okay. I'll now ask our Executive  
4 Director, Anne Neeb, to address the review of this  
5 application by staff. Anne?

6           MS. NEEB:

7           Thank you, Chairman Decker. Good  
8 morning, members of the Board. The application of  
9 Pocono Manor Investors, LP, was filed with the  
10 Pennsylvania Gaming Control Board on December 28th,  
11 2005. I will review the events which have occurred  
12 since that time to promote the review of the applicant  
13 for both its eligibility and suitability under the  
14 Act.

15           First, a public input hearing was held in  
16 Lake Harmony, Pennsylvania, on April 27th, 2006,  
17 during which time Pocono Manor Investors made a  
18 presentation concerning its project, including oral  
19 testimony, as well as the submission of documentary  
20 exhibits. During the course of those hearings, 17  
21 speakers presented either their support for or  
22 opposition to the proposed project. This hearing was  
23 recorded and transcribed.

24           Second, the Pennsylvania Gaming Control  
25 Board placed materials submitted by Pocono Manor

1 Investors on its web site for the public to have  
2 access to the information concerning the proposal, the  
3 projections, the studies and all materials presented  
4 to the Board. These documents included a diversity  
5 plan, a local impact report which consists of a  
6 traffic impact study, economic report, retail  
7 feasibility and an economic impact report. The  
8 dissemination of this information permitted the  
9 Board's receipt of written submissions both in support  
10 of and opposition to the project. As of June 2nd,  
11 2006, the deadline for submissions, we received 64  
12 submissions. Sixty-one (61) were in support of the  
13 application. Two were in opposition. And one comment  
14 containing suggestions only. In addition, the Bureau  
15 of Licensing, the Bureau of Investigation and  
16 Enforcement and the Bureau of Corporate Compliance  
17 have undertaken the review of the application  
18 consistent with the mandates of the Act. The result  
19 of this licensing and investigative phase of the  
20 application process is the creation of the suitability  
21 report, which summarizes the findings of the bureaus  
22 as to the applicant's compliance with the Act's  
23 licensing eligibility and suitability requirements.

24                   Further, in the application Pocono Manor  
25 Investors, LP submitted a traffic study. The

1 Pennsylvania Gaming Control Board retained the form of  
2 McCormick Taylor to review the study and issue a  
3 report. They will be here today to present their  
4 findings. Since that time, the applicant has  
5 responded to the McCormick Taylor Report and has had  
6 an opportunity to present its position.

7           At this time, I'd like to turn over the  
8 proceedings to Frank Donaghue, our chief counsel, to  
9 discuss stipulations and exhibits for the record.

10           ATTORNEY DONAGHUE:

11           Thank you, Anne. The parties have also  
12 entered into a stipulation regarding the procedure  
13 employed by the Bureau's of Licensing, Investigation  
14 and Enforcement and Corporate Compliance. This  
15 stipulation has been marked as Exhibit Eight. The  
16 culmination of this work since the end of 2005 has  
17 resulted in an evidentiary record which includes the  
18 full application, local impact statements, traffic  
19 studies, the transcript of the public input hearing,  
20 the written comments presented to and received by the  
21 Board, the licensing suitability report and the  
22 stipulated testimony. The parties have entered into a  
23 stipulation that each of these items, which are  
24 identified and offered as Exhibits One through Nine,  
25 are to be admitted into the record as stipulated

1 evidentiary record for the Board's consideration. In  
2 addition, the transcript of these proceedings and any  
3 other evidence submitted and admitted as exhibits in  
4 connection with this applicant's licensing hearing  
5 today would likewise be part of the record for the  
6 Board's review and consideration.

7 CHAIRMAN DECKER:

8 Thank you. In light of the stipulation  
9 regarding Exhibits One through Nine being admitted to  
10 the evidentiary record in this matter, may I have a  
11 motion?

12 MR. MARSHALL:

13 I move acceptance.

14 CHAIRMAN DECKER:

15 Thank you.

16 MS. COLINS:

17 Second.

18 CHAIRMAN DECKER:

19 All in favor?

20 AYES RESPOND.

21 CHAIRMAN DECKER:

22 Any oppose? The motion carries. The  
23 exhibits are admitted with the usual caveat that, to  
24 the extent there is confidential or proprietary  
25 information in there, that information will remain

1 confidential, pursuant to Act 71. Okay? Anne?

2 MS. NEEB:

3 Yes. At this time, I'd like to call up  
4 our representative from McCormick Taylor to give its  
5 report on the traffic studies.

6 CHAIRMAN DECKER:

7 Thank you.

8 MR. FEDERICO:

9 Good morning. My name is Al Federico. I  
10 am the project manager from McCormick Taylor  
11 responsible for the review of the traffic studies  
12 submitted on behalf of the Pocono Manor gaming  
13 facility. The review that was completed by McCormick  
14 Taylor evaluated the study to determine if it complied  
15 with applicable standards for traffic impact studies,  
16 validated the traffic data that was used in the study,  
17 included an evaluation of the recommended  
18 improvements, as well as a site visit and coordination  
19 with the local municipality and PennDOT district.

20 The initial review of the applicant's  
21 material was completed in July of this year. A  
22 detailed review was completed in November. Additional  
23 information was then submitted by the applicant, which  
24 was again reviewed and an addendum issued November  
25 29th. I would add that it is my understanding within

1 the last two weeks further information has been  
2 submitted, a more current revised study that had not  
3 been thoroughly reviewed by the time of this hearing.

4           The traffic study completed on behalf of  
5 the applicant, we consider it an extensive study.  
6 They looked at a wide area around the proposed  
7 facility, 12 external intersections, including two  
8 interchanges, the interchange of 380 and --- I-380 and  
9 PA Route 940 and the interchange of PA Route 940 and  
10 PA Route 314. This site is proposed to have two  
11 accesses, both to PA 314. The applicant evaluated  
12 morning, evening and Saturday peak periods. The  
13 morning is because this is ultimately a mixed-use  
14 development that was evaluated by the study, including  
15 an office component, a significant retail component,  
16 as well as a residential component, in addition to the  
17 gaming facility.

18           The trip generation is considered very  
19 high, particularly relative to the other applicants,  
20 the amount of traffic that was assumed by this study.  
21 In part, that was due to the other uses. It was also  
22 due to the fact that the applicant assumed 8,000  
23 gaming positions. And it is our understanding that  
24 this was done to provide an absolute worst-case  
25 evaluation of the traffic impacts, assuming potential

1 for additional gaming positions beyond what is  
2 currently permitted. However, I would say that it  
3 makes a comparison with some of the other applications  
4 not as easy. But based on the 8,000 slot machines and  
5 the other uses, the proposed development is  
6 anticipated to generate 7,800 trips total during the  
7 peak period, the Saturday evening peak, of which 6,400  
8 of that is from the gaming use.

9           There are numerous improvements proposed  
10 as a part of this study. Probably the most  
11 significant are to the two interchanges that I had  
12 previously mentioned. There are proposed  
13 reconstruction of several of the interchange ramps, as  
14 well as several of the overpass structures, including  
15 widening of 940 over 380 and the widening of 314 as it  
16 goes under 940, which would require work to the  
17 overpass structure on 940. Additionally, they're  
18 proposing some improvements, the signalization of PA  
19 611 and 314, as well as contributing to an  
20 intersection which is notorious in the local area,  
21 referred to as the Five Points Intersection in Mount  
22 Pocono Borough. The borough is currently pursuing an  
23 improvement to that. And the applicant has committed  
24 contributing towards that improvement.

25           In conclusion, a lot of what we looked at

1 at this study was based on, you know, the really  
2 substantial estimates of the proposed development. I  
3 would add that there was a second study submitted for  
4 a temporary facility of only 1,500 slots that was much  
5 less on the impact. But ultimately, for the full  
6 buildout, there is a significant number of  
7 improvements that are proposed. And because of the  
8 significant nature of some of these improvements, they  
9 have the potential to have an extensive approval  
10 process because they may be getting into more  
11 complicated than what you might typically see. Thank  
12 you.

13 CHAIRMAN DECKER:

14 Thank you. Any questions from the Board?

15 MR. MARSHALL:

16 Mr. Federico, you have not had a chance  
17 to see the subsequent --- the November 29th study?

18 MR. FEDERICO:

19 There was a study dated November 21st.  
20 We did get a copy of it last week and had a chance to  
21 start looking at it but have not thoroughly gone  
22 through it. It appears that there was addition of a  
23 change to the improvements along 940, adding another  
24 lane for a small section. And they've revised some of  
25 the other analysis. But other than 940, it seems to

1 be the same improvement scenario.

2 CHAIRMAN DECKER:

3 Could you send us a copy of your review  
4 of that when you have it finished? Or could you do a  
5 review of that?

6 MR. FEDERICO:

7 I believe we can --- yeah, the local ---.

8 CHAIRMAN DECKER:

9 Just to complete the ---.

10 MR. FEDERICO:

11 Yeah. The local PennDOT district I know  
12 is currently completing a review of that. And  
13 possibly we can, through them, get something.

14 MR. MARSHALL:

15 If we assumed 5,000 slot machines, does  
16 that make you more comfortable? I know we're really  
17 going over about three different reports, so ---.

18 MR. FEDERICO:

19 We did briefly try to back down some of  
20 the assumptions from the gaming component. And if you  
21 back it down to 5,000 slot machines, it seems like all  
22 of the improvements they're proposing will adequately  
23 serve the traffic impacts of this study --- of the  
24 proposed development.

25 MR. MARSHALL:

1           So your conclusion would be, to us now,  
2 assuming 5,000 slot machines, you're comfortable with  
3 their proposed traffic mitigation?

4           MR. FEDERICO:

5           That is correct.

6           MR. MARSHALL:

7           And it's your understanding that there is  
8 at least some thought about going beyond that, and  
9 you're looking at that study now?

10          MR. FEDERICO:

11          Yes. Yeah, there is --- but at the 5,000  
12 level, what they're proposing should adequately serve  
13 the proposed development.

14          MR. MARSHALL:

15          Thank you.

16          CHAIRMAN DECKER:

17          I'm sorry. Ms. Colins, go ahead.

18          MS. COLINS:

19          Thank you, Mr. Chairman. Mr. Federico, I  
20 might have missed this. And if I did, I'm sorry. But  
21 is there any way that you can, in your expertise, give  
22 us an estimate of how long it would take or when the  
23 required modifications or the suggested modifications  
24 would be completed?

25          MR. FEDERICO:

1           For the proposed buildout, it would be  
2 several years. I think they're still in the process  
3 of scoping this out with the applicable regulatory  
4 agencies. My understanding is that, as of the last  
5 conversation, the Federal Highway Administration has  
6 not required some of the more extensive studies.  
7 However, there will probably still be some  
8 environmental studies. And that may prove to be the  
9 more critical element on the timeline, is the actual  
10 approval process. But several years, I would expect.

11           MS. COLINS:

12           Thank you.

13           MR. MCCABE:

14           I have one on the approval process to get  
15 these modifications completed. Will that then affect  
16 their schedule to have the facility built?

17           MR. FEDERICO:

18           It wouldn't affect the site work. I  
19 mean, they could build the facility, but it would, I  
20 think, as they're making these improvements, affect  
21 access to the site, because these improvements all  
22 affect the primary access routes.

23           CHAIRMAN DECKER:

24           So your conclusion is that this --- I  
25 think you mention in your report the deficient level

1 of service after the modifications would change if you  
2 got the 5,000 versus 8,000.

3 MR. FEDERICO:

4 That is correct. And the deficient  
5 levels of service that we noted in the report were  
6 based on the 8,000. If you backed it down to the  
7 5,000, those appear to go away.

8 CHAIRMAN DECKER:

9 Thank you. Any other questions for Mr.  
10 Federico?

11 MR. MARSHALL:

12 So does the applicant know something we  
13 don't?

14 MR. FEDERICO:

15 That wasn't for me, right?

16 CHAIRMAN DECKER:

17 No, no. Thank you. At this point, we'll  
18 turn it over to the applicant. Thank you.

19 ATTORNEY CARROLL:

20 Mr. Chairman and Board members, good  
21 morning. My name is Bob Carroll. And my law partner,  
22 Guy Michael, and I have the privilege to represent the  
23 applicant, Pocono Manor Resort Casino. We're here  
24 today with the principal owners and various  
25 professionals on our development team to make what we

1 hope to be a succinct presentation to you about the  
2 many beneficial aspects of our project.

3           Initially, we'd like to express our  
4 sincere thanks to the Board, and especially your  
5 staff, for all the diligent work and courtesies that  
6 you have provided to all of the applicants. Guy and I  
7 have spent much of our professional careers in either  
8 government or, thereafter, exclusively in the gaming  
9 industry, and we know the daunting responsibility that  
10 was thrust upon you by Act 71.

11           From any perspective, your personnel have  
12 been dedicated and thoroughly professional. To  
13 complement your efforts, we have and remain committed  
14 to meet every Board deadline and continue our spirit  
15 of regulatory respect, open communication and complete  
16 transparency in our operational features. We've done  
17 that to this date and we pledge that that will  
18 continue.

19           Your staff has already referenced our  
20 voluminous application materials, and they're  
21 obviously incorporated into the record. Our purpose  
22 today is to minimize repetition of that submission and  
23 instead just highlight some of the areas of our  
24 project that we believe clearly convey why choosing  
25 Pocono Manor will maximize revenue, aggressively

1 promote tourism in the Poconos, all while providing  
2 the much needed economic development in northeastern  
3 Pennsylvania.

4           In a moment we will be making some  
5 introductions of some key members of our development  
6 team, who will then directly address some of the key  
7 points. To make the information and the material more  
8 understandable, and we hope interesting, we're going  
9 to present some focused PowerPoint material. And then  
10 we hope that that will convey visually, as well as  
11 through testimony, the scope, the breadth of our  
12 project and the quality of the project. We also hope  
13 to have the opportunity to play for you a very special  
14 DVD.

15           One final comment. All of the key  
16 persons who are working on our development team are  
17 here today. Obviously, even though many stood up to  
18 be sworn, we have no intention on calling everyone.  
19 Some will testify and some may be called to --- in  
20 response to some questions that you may have. They  
21 are here, however, for your purposes.

22           With your permission, we'd like to start  
23 with a brief introduction of our team of professionals  
24 and get this underway. Mr. Michael?

25                   ATTORNEY MICHAEL:

1                   Thank you, Mr. Chairman, members of the  
2 Board. What we'd like to do briefly, as Mr. Carroll  
3 has mentioned and as the Chair observed earlier, we  
4 have a lot of people here with us here today. And  
5 that's because this has been a team effort from the  
6 beginning, among a group of very talented people. And  
7 we thought it would be useful if we took just one  
8 moment to introduce them to you so you can put a face  
9 to the name. Greg Matzel, who is a principal; Morris  
10 Bailey, another principal; Dennis Gomes, who would be  
11 the Chief Executive Officer of the casino and gaming  
12 manager; Jane Bokunewicz, our diversity consultant;  
13 James Darcy, who has worked with us on compliance;  
14 Kevin Tubrighty (phonetic), the president of New  
15 England Design, worked with us on the design of the  
16 facility; Andrew Bennett, from Pennoni Associates, who  
17 has worked as a consultant on the project; Michael  
18 Pollack, from Spectrum Gaming, our gaming advisor;  
19 Doctor Martin Perry, from Rutgers University,  
20 economics expert and advisor; Aviv Laurence, who has  
21 worked with us as an advisor from Merrill Lynch;  
22 Robert Gurman (phonetic), another financial advisor  
23 from Mr. Bailey's office; Harvey Perkins, from  
24 Spectrum Gaming, also a gaming advisor; Cory Morowitz,  
25 from Morowitz & Company, who has worked on accounting

1 with us; Jim Cahill, vice-president of land  
2 development for Matzel Development and a key employee  
3 qualifier; Marilee (phonetic) Scott, who is here as a  
4 key employee qualifier; Richard Manfraydi (phonetic),  
5 who is here today, representing Tobyhanna Township;  
6 Arnold Wexler (phonetic), here as a compulsive  
7 gambling advisor; and Matt Driver (phonetic), who is a  
8 key employee qualifier; and Stephanie Nielsen  
9 (phonetic), who has worked with us on entertainment  
10 consulting. So as you can see, we've got a full  
11 complement. And they are here, as Mr. Carroll has  
12 mentioned, and stood to be sworn just in case those  
13 who are not personally testifying, in case you have  
14 any questions that they might be able to answer so  
15 that you have all the information you need to make an  
16 informed judgment.

17 ATTORNEY CARROLL:

18 Thank you, Mr. Michael. The first  
19 witness, with your permission, that we will call today  
20 is Mr. Greg Matzel. Mr. Matzel is, along with Morris  
21 Bailey, one of the two persons that had the vision for  
22 Pocono Manor Resort Casino. They are the lead  
23 principals of the project. Mr. Matzel has a Bachelor  
24 of Science in Hotel, Restaurant & Casino Management  
25 from Fairleigh Dickinson. He's the president and

1 managing manager of Quest Property Management, a New  
2 Jersey real estate management and development entity.  
3 And he and Mr. Bailey have put together the team that  
4 you see before you today. Without further ado, we'd  
5 like to have Mr. Matzel get right into the project  
6 description and I think provide some information that  
7 you'll find helpful. Greg?

8 MR. MATZEL:

9 Thank you. Mr. Chairman, Board members,  
10 my intent this morning is to run through a PowerPoint,  
11 highlighting the benefits, the attributes, the  
12 amenities of our project. After myself, we will have  
13 Mr. Bailey speak, along with Aviv Laurence, relative  
14 to the financing aspects and the capital aspects of  
15 our project. He will be or they will be followed by  
16 Dennis Gomes, who will touch on some of the  
17 operational issues, along with Jane, who will talk  
18 about diversity. The Spectrum group will talk about  
19 some of the economic numbers and the financial  
20 impacts. And then Andy Bennett from Pennoni will  
21 touch on the traffic and some of the civil engineering  
22 issues. So I will try and run through our  
23 presentation as quickly as possible. I know a lot of  
24 the information ---. Okay.

25 What we have here is a basic aerial of

1 our site, obviously at a very high level. The  
2 property is basically everything in here where the  
3 pointer is. It's approximately 3,000 total acres, 5.5  
4 square miles. The property is so large it has its own  
5 post office and own ZIP code. All the mail is  
6 delivered to Pocono Manor, Pennsylvania. You can  
7 clearly start to see the highway infrastructure here.  
8 Interstate Route 80 runs east and west, bringing  
9 traffic out of New York City and out of northern New  
10 Jersey to points west and also from the south. We  
11 anticipate approximately 75 percent of our traffic  
12 flow will come out on Route 80 to the project.

13           Interstate 380 heads in a northerly  
14 direction off of Interstate 80. Obviously, both  
15 federal interstates' major highway infrastructure  
16 already in place in terms of our project. As you can  
17 see, it directly adjoins our property and comes in  
18 with the intersection, as previously stated by your  
19 traffic consultant, with Pennsylvania Route 940.

20           Currently today, on Interstate 380, at  
21 our doorstep 23,000 cars a day pass our site. Route  
22 80 currently handles a traffic load of 55,000 cars a  
23 day. Those are based on various 2000 and 2006  
24 numbers, which Andy will go into a little bit more.  
25 As you can see from our site, because of our proximity

1 and direct interchange access, we have a very minimal  
2 impact on roadway infrastructure. I will let Andy  
3 Bennett respond relative to the traffic requirements  
4 and the traffic improvements. They'll be a little  
5 more in detail in my presentation as we come along  
6 also. Interstate 314 bisects our --- I'm sorry, not  
7 interstate Route 314 bisects our property. We have  
8 frontage on 314, direct frontage, about almost two  
9 miles' worth.

10                   Lastly, Route 611, the Five Points  
11 Interchange that was referred to before, which we've  
12 agreed to contribute, is up here where the pointer is.  
13 It's one of the most troublesome interchanges in the  
14 entire region. We have taken a good neighbor policy,  
15 even though we will not have a major on that  
16 interchange, to help alleviate any issues that are  
17 there. In addition, approximately where my pointer is  
18 now is the Mt. Airy location, out here off of Woodland  
19 Road, up in the upper --- whoops, sorry. The pointer  
20 just disappeared. There we go. Up on Woodland Road,  
21 next to the school district.

22                   We can see the Pocono Municipal Airport  
23 up in yellow, which we've had contact with them  
24 relative to being able to fly in private charter  
25 planes and so forth. And they are looking forward to

1 being able to accommodate our needs. We've also  
2 worked with them relative to the FAA, height  
3 restrictions for our buildings, airport approach and  
4 so forth, all of which we are in compliance with. It  
5 doesn't want to seem to go back for me. Also on the  
6 back side of our property, which I'll just highlight  
7 with the pointer, is Sullivan Trail down here. That  
8 is a rural road which heads out towards Camelback  
9 Mountain. That will become important later on when we  
10 talk about our reclaimed water and some of our unique  
11 features to our site.

12                   The property here, which you can see just  
13 coming in, is adjoined by the railroad line. As many  
14 of you may be aware, there's a proposition to allow  
15 commuter rail service through northern New Jersey,  
16 into New York City, on the rail line. We have met  
17 with the Monroe County Transportation Authority, which  
18 has now joined Lackawanna. We have agreed to donate  
19 in this area right here where the pointer is now  
20 approximately 17 acres for an intermodal bus and rail  
21 station. This will serve currently to be a busing hub  
22 for the county bus system. They currently do not have  
23 any busing hub. When and if rail transportation ever  
24 does come through, it will then also handle rail  
25 service and commuter buses as well in the interim.

1           On site, currently, there's an existing  
2 257-room inn. It has meeting and convention space to  
3 handle about 2,000 people, along with banquet space.  
4 We could have just simply added slot machines to the  
5 existing inn and its amenities. It also has an 8,000  
6 square foot spa, two restaurants, a nightclub. But in  
7 our opinion and those of our consultants, that really  
8 wouldn't accomplish the goals of Act 71 in terms of  
9 being an economic catalyst. It's going to take a  
10 project of much greater size to have a regional impact  
11 that we feel is what the goal of Act 71 was.

12           We have on site an existing village of  
13 approximately 60 homes. Fifty (50) percent of those  
14 are occupied by seasonal inhabitants. The balance are  
15 year-round residents. The existing east golf course  
16 was built in 1912. It's a Donald Ross golf course.  
17 It's had a number of televised events, including  
18 touring pro, Art Wall, Jr., who won the Master's in  
19 1959, who was our pro here for a while. His son is  
20 currently our pro on site. There's also a second golf  
21 course currently on site, the west golf course, built  
22 in the late '60s. This course will be relocated in  
23 order to make room for the new resort and convention  
24 center.

25           We have on site, currently, an Orvis fly

1 fishing school and shop. We have several miles of fly  
2 fishing streams located on site. In addition,  
3 obviously, there's a golf shop to go along with our  
4 golf course and pro shop, along with restaurant there.  
5 We have a 21-station trap and skeet range on site,  
6 along with a rod and gun club currently, all of which  
7 will remain.

8           The existing equestrian center on site  
9 that has about 25 miles of trails there will wind up  
10 also being relocated for the new development.  
11 Currently, the overall property and the proposed  
12 development will be serviced by several wells on site,  
13 which are approved. Well number one is an existing  
14 well. Well number two, also an existing well. Both  
15 have sufficient capacity currently permitted to handle  
16 the existing resort amenities, the existing inn and  
17 the residences, along with the proposed development  
18 that we're talking about here today. We have applied,  
19 at the request of the DEP, for a third backup well,  
20 okay, which is a requirement based upon certain  
21 gallons and so forth. That well has been approved by  
22 the DEP. It has been drilled. It has been tested,  
23 and we're awaiting the operating permit for that well.  
24 And again, those wells have sufficient water capacity  
25 for everything that we're currently proposing.

1           There's an existing water tank on site,  
2 which will remain and continue to service the  
3 residences, as well as the existing inn. It will also  
4 service the temporary casino that will be housed in  
5 the arena during the initial phases of construction.

6           Our existing sewage treatment plant is  
7 permitted for 140,000 gallons a day, and it's located  
8 where it just popped up on the screen.

9           Now, looking into the project design, at  
10 some of the resort features, what's highlighted in red  
11 is the two casinos that are part of our current  
12 proposal. They represent 110,000 square feet of net  
13 gaming floor area. We will open with 3,000 slot  
14 machines, 1,500 temporarily, in our arena, which will  
15 convert into the facility. And we've allowed space to  
16 bring that up to the permitted 5,000 slot machines  
17 from the start. Another important factor is all of  
18 our backup house is located below our casino floor.  
19 This is the 750-room tower and its proximity well set  
20 back from the interstate and from Route 940. Again,  
21 it meets the FAA standards in terms of height. And  
22 the height has been approved by the Board of  
23 supervisors back in December of last year and  
24 reaffirmed this year.

25           The arena here, with a walkway

1 connection, starts out as a temporary facility with  
2 1,514 slot machines. It also will convert, when the  
3 slot machines are moved into the permanent facility,  
4 to a 60,000 square foot arena that has seating  
5 capacity for 6,000 people. It will also function as  
6 extra --- meaning a convention space. Our central  
7 plant, located outside of our building, will have all  
8 of our emergency facilities' backup up power, electric  
9 generators, along with our heating and cooling. And  
10 we'll be talking about some of the unique features  
11 there, because one of the things we've programmed into  
12 our proposal from the start is to be as green as we  
13 possibly can.

14                   The retail component is shown here in  
15 red, approximately 600,000 square feet, including  
16 parking garages, in a two-story adjoining the casino.

17                   The relocated golf course --- the west  
18 golf course will be rebuilt, circling the facility.  
19 And we've allowed for --- the presentation shows 450,  
20 but the actual submission to Tobyhanna wound up being  
21 475 time-shares. We have an offer on the table from a  
22 local group to develop the time-shares, and we're  
23 going through the motions with them currently, right  
24 now.

25                   We allowed for a three-acre green,

1 village green here. That's to allow for outdoor  
2 festivals, outdoor entertaining venues, concerts,  
3 craft fairs, holiday celebrations, multi-location  
4 events. We've had discussions with Camelback, with  
5 the trace track about having multi-location functions  
6 in order to spread the tourism dollars around, you  
7 know, things like a jazz festival, having multiple  
8 bands, multiple locations and tying in with the other  
9 tourist attractions in the area.

10           At the center we're building a 12-acre  
11 lake which serves as a recreational amenity, as well  
12 as handling our storm water storage, which I'll go  
13 into a little more detail in a few minutes. And our  
14 project was constructed from traffic purposes with a  
15 loop-road system in order to really be able to handle  
16 all of the traffic on our site in an adequate fashion.  
17 We allow for a connection through the Sullivan Trail  
18 in the background, which also serves as to carry water  
19 to Camelback later on.

20           We have three parking garages proposed on  
21 site. The first one, the largest one, in the red, up  
22 in the upper left corner, is built as part of Phase I  
23 of the casino. The second one here allows for a  
24 second parking garage if we need additional parking  
25 spaces in the future because of an expansion in the

1 casino. As you know, we ran our traffic numbers with  
2 a very high count so --- in order to be very  
3 conservative. We've allowed for expansion  
4 opportunities should the gaming legislation change in  
5 the future, whether it be to allow additional slot  
6 machines, whether it be to allow additional gaming  
7 tables. We've incorporated all of that up front into  
8 our design proposal. And then the parking garage here  
9 in red is to serve as the retail portion.

10           There's surface parking. Between our  
11 surface parking and our garage parking, we have over  
12 12,000 parking spaces on site, with plenty of  
13 expansion capability if we needed additional. We will  
14 be building a new water tank as part of our project.  
15 Up on the top of our property here, where the red dot  
16 is, that will allow us --- it will tie into the  
17 existing Pocono Manor water system. It will hold  
18 approximately two million gallons of water. And it  
19 provides for adequate fire and water storage for the  
20 proposed resort and any firefighting needs should they  
21 arise.

22           We will be building and constructing a  
23 new 1.2 million-gallon-per-day sewage treatment plant.  
24 Our Act 537 has been accepted by Pocono Township.  
25 It's been distributed to Pocono Borough and Tobyhanna

1 Township, which are reviewing it currently. We will  
2 be building a state-of-the-art five-five tertiary  
3 treatment plant, which actually will produce drinking  
4 water quality. That's really important when I go into  
5 later on detail because we will be using that water on  
6 site in various aspects for recycling.

7           We have two marquis signs located along  
8 interstate 380, an additional two signs located at the  
9 entrances on Route 314. And in the bottom left-hand  
10 corner here are the lands that we will be dedicating  
11 to Tobyhanna Township. We will be building parks and  
12 recreation fields for them, including two multipurpose  
13 fields, a baseball field, a basketball court, two  
14 children's playgrounds and associated lavatories and  
15 public parking.

16           Construction on site commences with the  
17 temporary facility, which is our arena, and the  
18 associated improvements that you see highlighted here.  
19 Again, it will house 1,500 slot machines. It will be  
20 serviced by the existing on-site water and sewer  
21 system and the existing traffic infrastructure, which  
22 Andy will go into in more detail. Our project was  
23 designed and phased so that traffic improvements could  
24 be constructed while construction commences on the  
25 permanent facility.

1                   The temporary casino will open  
2 approximately nine months after breaking ground, with  
3 the full facility opening up approximately 30 months  
4 after breaking ground. And we anticipate ground  
5 breaking on our current schedule to be sometime in  
6 late spring.

7                   There's a new water main that will be run  
8 as part of the --- to service the temporary facility,  
9 connecting to our existing water wells on site that  
10 are already there, approved and functioning. And the  
11 same goes for sewer improvements. They will be hooked  
12 into the existing improvements on site.

13                   This gives you a feel for the overall  
14 resort and the traffic improvements, which Andy will  
15 go into in more detail, obviously. As part of our  
16 traffic study, we have proposed improvements to  
17 Interstate 380, Route 940, 314, et cetera, again, all  
18 taking in very conservative estimates. We  
19 overestimated our traffic flow so that nobody would  
20 come back and point to us and say you underestimated.

21                   The relocation, as I mentioned before, of  
22 the golf course will be part of the secondary phasing  
23 of construction. All of the water improvements on  
24 site from the new plant to service the new resort will  
25 be constructed as part of Phase I. The same goes for

1 the sewer improvements. And again, that will be  
2 connecting into the new sewage treatment plant. Our  
3 existing sewage treatment plant will be decommissioned  
4 when our project is complete. It's also important to  
5 point out that we have the endorsement of the Brodhead  
6 Watershed Authority because of our recycling and the  
7 amount of things that we're doing to green engineer  
8 this particular project.

9           The equestrian center gets relocated to  
10 the back of the property to actually its original  
11 location from the early 1900s. There are three points  
12 of ingress, point number one coming off of Interstate  
13 380 onto 940 to a new service road we will build. And  
14 ingress two and three are off of Route 9 --- sorry,  
15 Route 314.

16           Looking at our traffic flow on site for  
17 the full resort, cars would come in the main entrance,  
18 circulate through either to self-parking or to the  
19 valet parking. They would be exiting in a fashion  
20 where they come through, pick up patrons, carry  
21 through the loop road and back out, exiting onto 314  
22 and then commencing on their way, whether they're  
23 going onto 940, ultimately to 380, et cetera.

24           The main flow to the valet coming in from  
25 the site, follow the red dot through the

1 porte-cochere, through valet parking. Valets would  
2 then pick up the car when the people are ready to  
3 leave. Comes through. It's important to point out  
4 our parking and traffic flow here for ingress and  
5 egress, in and out of the casino, is done in a manner,  
6 which the cars do not cross. So you do not have a  
7 typical situation with most casinos where there is a  
8 stack-up of cars. Ours was designed to allow for free  
9 flow through the porte-cochere, with a pick-up  
10 adjacent but in a separate area. And the cars  
11 literally --- one goes over, one goes under, so you  
12 eliminate all that stack-up and traffic problems.

13                 Flow to the temporary casino would come  
14 off of 314. Cars would come through the valet parking  
15 or self parking, pick up and then continue upon their  
16 way, exiting the site, again back out to 314 and  
17 ultimately onto 940 and, most probably, 380.

18                 Our bus depot, we have parking for --- I  
19 believe it's 40 buses. I'm sorry, 20 buses, interior  
20 parking. Exterior parking for four shuttle buses.  
21 The bus parking will come in through 314 to a  
22 dedicated bus area. The bus drop-off is in the back  
23 of the building, in the area right here. And you'll  
24 see later on how that flows up into our floor area.

25                 Shuttle bus. We will have an on-site

1 shuttle bus system that will go both on and off site  
2 to other area attractions that we have relationships  
3 with, places like Camelback, the racetrack, the  
4 Crossings Mall, all of which we've had discussions  
5 about providing shuttle bus service to them. The  
6 buses will come through again, go through the same  
7 dedicated loop system, not using the front  
8 porte-cochere.

9           Deliveries to the site will come in  
10 through the back. There's a separate delivery area  
11 here where all of our deliveries will come in. They  
12 come in underground, in the dedicated delivery area,  
13 so that they do not cross with the incoming traffic.

14           Retail deliveries to the retail will come  
15 in using the same rear entrance. And again, retail  
16 delivery will be dropped off here. Where the cursor  
17 is is where our retail delivery area is.

18           And then the overall traffic flow on site  
19 will function at a multitude of levels, with cars  
20 coming in and off the interchanges, stacking the  
21 various lights. And you get a feel for traffic coming  
22 and going on site and cuing.

23           Again, the overall sewage plant here for  
24 the new resort and convention center, tying into the  
25 new plant and it is designed to handle everything that

1 we are proposing. Again, the new location, adjacent  
2 to the existing location, a 1.2 million gallon  
3 state-of-the-art tertiary plant. We will be  
4 constructing new gravity lines to replace old lines in  
5 the new plant. And we have a return conveyance  
6 system. We intend to live within our existing  
7 permitted 140,000 gallons a day discharge permit,  
8 which is current and existing. The balance of our 1.2  
9 million gallons will be used on site in several  
10 aspects. First, the water will be treated at the new  
11 plant and pumped into the holding lagoons around the  
12 golf course. The water will then be distributed ---  
13 the recycled water will then be distributed from there  
14 to irrigate our golf courses, as well as the park  
15 systems for Tobyhanna and all of the on-site  
16 landscaping through the entire project and any further  
17 development phrases. We will also use reclaimed or  
18 recycled water in the hotel and casino in all the  
19 urinals, okay. That reduces our amount of fresh water  
20 draw, and it obviously is a very environmentally  
21 friendly thing to do. It's why the Brodhead Water  
22 Creek Association is endorsing our plan. In addition,  
23 our central plant will be cooled with recycled water.  
24 That will utilize and eliminate the need for  
25 approximately 250,000 gallons of fresh water a day.

1 And in the wintertime we've come up with a very unique  
2 plan to provide recycled water to Camelback Ski  
3 Mountain for snowmaking. So in the winter, rather  
4 than Camelback drawing fresh water out of the streams  
5 over on Camelback Mountain, they'll be using recycled  
6 water coming from our facility. It's important to  
7 note also that even without the snowmaking, we can  
8 handle all of our recycled water needs 100 percent on  
9 site.

10 Our storm sewer collector system designed  
11 to collect all of the rainfall. The water will be  
12 treated to the Pennsylvania DEP standards. It will be  
13 funneled back into our lake. We will also provide  
14 ground water recharge underneath our parking lots to  
15 infuse the fresh water, the rain water, back into the  
16 ground.

17 Next, for a quick tour of the internal  
18 makings of the resort, this slide shows the overall  
19 interconnection between the casino and the retail. As  
20 part of Phase I of our project, the \$750 million  
21 proposal that is currently before the Board includes  
22 Casino One, Casino Two, all the associated amenities,  
23 the convention center, the 1,800-seat theater, which  
24 I'm going to highlight, as well as the temporary arena  
25 and the parking garages. The retail development is

1 not part of that \$750 million. However, it will be  
2 developed relatively concurrent with the casino. We  
3 currently, today, actually yesterday, reached an  
4 agreement with the Gordon Group to come in and  
5 co-develop and manage the retail for us. The Gordon  
6 Group has developed the retail, the new retail pier in  
7 Atlantic City, at Caesars, approximately 400,000  
8 square feet, retail, dining and entertainment.  
9 They've also developed the Forum shops in Las Vegas.  
10 They are the premier developer of casino-related  
11 retail projects. We're proud to have them as our  
12 partner on this project. And we're very excited as  
13 they are --- they are actually, this week, at the ICSE  
14 in New York City, beginning to pre-lease the property.  
15 As soon as we have leases in effect, we will  
16 securitize our financing for the retail as well.

17           The brown area here is our porte-cochere  
18 and main entry into the casino and resort. The hotel  
19 lobby directly behind it, to the right there, is the  
20 check-in counters. This is the main aisleway coming  
21 up from the bus loading, which is down below in back.  
22 The buses would drop off approximately here, where my  
23 pointer is, and folks would come in through a  
24 dedicated corridor directly up into the first floor of  
25 the facility and into the main lobby and then disperse

1 from there.

2           Our main entry-supplying corridor, which  
3 you'll see from the renderings later, has actually got  
4 a glass roof, bringing a lot of the outdoors indoors,  
5 and serves to function as the main spine of the resort  
6 and the various amenities and features running through  
7 the casino down to the retail.

8           The corridors leading to come off the  
9 main supply and leading to the theater and the  
10 convention center. And this is the corridor and  
11 escalators to the self-parking garage. And this is  
12 the overall corridors when combined and completed  
13 between the retail and the resort, and it's meant to  
14 function as an integral facility.

15           Our hotel tower is 750 rooms, here  
16 highlighted in red. Where the pointer is, we have  
17 allowed for an additional hotel tower, should it be  
18 needed in the future. We have the ability there to  
19 expand up to an additional 1,000 rooms. The current  
20 tower of 750 rooms, again in red, will have 146  
21 suites, only 40-some odd rooms --- will have 40-some  
22 odd less suites than Mr. Airy has total rooms.

23           Casino Areas One and Two, all built as  
24 Phase I, part of the \$750 million. Again, 110,000  
25 square feet of net casino floor area, with the

1 majority of the back of the house, inservices, in the  
2 areas below --- on the floor below.

3           We have allowed for 60,000 square feet of  
4 additional casino area. If the needs arise in the  
5 future where there perhaps are some changes to the  
6 current legislation to allow for table games, perhaps  
7 additional slot machines or alternative machines and  
8 venues, we've allowed 60,000 square feet right in our  
9 current design for future expansion. But that is not  
10 part of the \$750 million of Phase I. Excuse me one  
11 second. Thank you.

12           Part of Phase I, we have an 1,800-seat  
13 theater in order to attract national entertainment  
14 acts. The theater will function with everything from  
15 concerts, plays, fest --- holiday renditions, visiting  
16 troops, ballet, dance, et cetera. It also has the  
17 ability for speakers and so forth. We have 120 and  
18 some odd thousand --- actually over 120,000 square  
19 feet of meeting and convention space. The two green  
20 blocks represent 50,000 square feet minimum blocks of  
21 connected convention space. The block to the front,  
22 the smaller block up front, is all of our board rooms  
23 which you'll see from the renderings later on in our  
24 breakout meetings all overlook the lake on a second  
25 floor with balconies. And that is --- the convention

1 aspect of this was specifically designed to compete  
2 with New York City and Atlantic City for the midweek  
3 convention business. The way you drive revenue to this  
4 area and what it really needs is mid-week revenue. If  
5 you look at the comments of Bob Yukochini (phonetic)  
6 from the Visitor's Bureau and you talk to the local  
7 community leaders up on this marketplace, they need  
8 midweek business. The way you drive it, a meeting and  
9 convention center. The gaming business is certainly  
10 wonderful. It's going to bring in an amount of new  
11 tourism, but not half as much in terms of economic  
12 impact to the market as this meeting and convention  
13 center will. And we'll go into some of those revenue  
14 numbers in a little bit.

15                   We have 600,000 square feet of retail  
16 space. There is 43,000 in the red or in the kind of  
17 fuchsia area up in here in the main casino, which is  
18 all built as part of the \$750 million proposal. And  
19 again, from here down is all part of the retail  
20 village, which, you know, we understand from the  
21 Board's perspective we don't have a commitment on that  
22 yet, so you certainly can't consider that. But there  
23 is 43,000 square feet in the resort constructed from  
24 day one.

25                   Just showing the second floor of the

1 retail and the interaction with the first floor, our  
2 restaurant locations throughout, and I'll go into the  
3 numbers later on, but we have seven restaurants in the  
4 main resort constructed as part of the \$750 million  
5 facility. You will notice that the majority of the  
6 restaurants are located along here, where the cursor  
7 is now. All waterfront views, designed specifically  
8 to have waterfront views, several of those venues are  
9 multilevel. In addition, we have two or three  
10 nightclubs and piano bar, et cetera.

11           We also have approximately 10,000 square  
12 feet in players' lounges, where the cursor is right  
13 now. And we have a two-level players' lounge for  
14 mid-level and upper level clientele, private lounges  
15 for people who reach the certain limits of gambling  
16 per year, where they can go, relax in a living room  
17 type setting, get some quiet time, some food, and just  
18 relax also with some higher limit games in those  
19 areas.

20           Our spa is 20,000 square feet. We have  
21 about 10,000 square feet of rooftop terraces, which  
22 will include gardens. The spa overlooks the pool, as  
23 well as the lake. It's just an extremely serene  
24 environment for a spa. There is an existing 8,000  
25 square foot spa at the existing inn already on site.

1           Our pool is an indoor/outdoor pool. And  
2 you'll see in a slide in a few minutes we have a  
3 fireplace at our front entrance. The pool is actually  
4 heated year round by that fireplace. Again, green  
5 engineering. But the pool is a swim under pool where  
6 you can be inside. We've allowed for cabanas. We've  
7 allowed for entertainment venues in there. We'll also  
8 serve as for a convention, business as meeting  
9 location for client entertainment, client appreciation  
10 parties.

11           Our arena, which will open as a temporary  
12 casino, has been laid out, as you can see here, for  
13 1,514 slot machines. When you incorporate in the  
14 buffet and the lounges and the associated floor area  
15 in our 60,000 square feet, we were only able to, you  
16 know, accomplish 1,514. We've been very interested to  
17 be able to critique the Mt. Airy plans.  
18 Unfortunately, as the Board knows, they have declined  
19 to allow their plans and their reports to be public  
20 information. So we've had to piecemeal together  
21 information in order to be comparative to them. And  
22 so we may not have all of our facts right, but we see  
23 that they've listed in their reports that they only  
24 have a gross casino floor area of 68,000 square feet.  
25 You know, we remain to see how they accomplish their

1 gaming area with that.

2           The arena setup here after conversion and  
3 the slots move into a permanent facility for a  
4 sporting event, it will be able to accommodate  
5 approximately 5,200 patrons. As a concert hall, it  
6 can handle 6,000. And for meeting and convention  
7 space, it can function in various aspects here, laid  
8 out for exhibition space. It can be broken up into  
9 various meeting rooms and so on and so forth.

10           Here is a view of our porte-cochere  
11 coming into the project. Again, where the cursor is  
12 right now is the fireplace designed to beat the  
13 Guinness Book of World Records for the largest  
14 fireplace. That fireplace is a gas fireplace. It's  
15 also designed as an integral green feature in that gas  
16 fireplace provides hot water --- facilitates hot water  
17 and heat for the pool, as well as the hot water in the  
18 casino in the lavatories.

19           Our main entry corridor that I talked  
20 about before, you can see the corridor with the glass  
21 roof overlooking the hotel above. The Casino ---  
22 Floor Area One here is on the left. And our retail  
23 and restaurant promenade is to the right in this  
24 particular view. We've incorporated a lodge-type feel  
25 with a lot of stone, a lot of wood, carrying in the

1 old and new feel of wood, stone and glass.

2           Our convention area can also function as  
3 a ballroom. Here's a rendering showing its setup for  
4 a ballroom-type dinner facility or dinner ---. All of  
5 our boardrooms, as I said, in our small or medium  
6 rooms, which there's over 10,000 square feet, all are  
7 on the second floor with balconies overlooking the  
8 lake. The main casino floor area of Casino Two,  
9 again, all part of the initial \$750 million  
10 investment, here you get a feel for that again,  
11 incorporating the wood and the glass. We have  
12 holographic fireplaces which you can see in the  
13 background where the cursor is now. They look  
14 absolutely amazing. You would think they're real.  
15 Again, bringing in those feelings of the Pocono  
16 Mountains.

17           This rendering depicts the architecture  
18 of our timeshares, which are not included in the \$750  
19 million, but they are part of the approval plans we're  
20 going for currently before Tobyhanna Township. And  
21 they will get developed relatively concurrently. And  
22 as I mentioned, we have an offer currently from a  
23 local Pennsylvania group to develop those. But they  
24 were designed specifically to complement the  
25 architecture that's preexisting in the Poconos and in

1 Pocono Manor that --- a lot of --- again, the use of  
2 the stone and the wood, the roof lines, the  
3 turnbuckles and so forth with balconies, et cetera.

4           This is our indoor --- the indoor portion  
5 of our pool. It's a --- we gave it a sandy beach.  
6 The only thing Atlantic City has over us, as far as  
7 we're concerned, is table games and a beach, and the  
8 beach isn't that wonderful. So we incorporated one  
9 into our project. Really, it's a phenomenal,  
10 phenomenal amenity here, again, heated by the  
11 fireplace. But we've allowed --- as you can see,  
12 there is a tiki bar here to the left. We have private  
13 indoor cabanas inside that can service private client  
14 parties, marketing functions at night, for meeting and  
15 convention space and carry over as long as --- as well  
16 as private parties, weddings, et cetera.

17           The Retail Village, this is a shot of the  
18 retail --- the Village Green. You can gain a feel for  
19 the green with the village behind it, you know. And  
20 again, incorporating that feel of that architecture  
21 was very important to us, as well as Tobyhanna  
22 Township. You know, we worked very closely with them  
23 on the feel of architecture and things and trying to  
24 meet all of their desires as well.

25           Lastly, is a picture of the façade and

1 the porte-cochere of the arena. This, obviously, will  
2 function as the temporary facility and be converted  
3 later on to the arena.

4           This is a view from the intersection of  
5 Interstate 380 and Route 940. This was done by  
6 overlaying on an actual photograph that we took out  
7 there and plotting in all of the elevations and the  
8 heights and then drawn to true perspective. The  
9 township also asked us, which we accommodated them on,  
10 to give them a feel for the nighttime view. And we  
11 will be using what they call dark sky lighting  
12 fixtures. In other words, our lighting fixtures will  
13 not be blowing up and creating this huge cloud of  
14 light. We are not looking to make this building look  
15 like Atlantic City. To us, this is --- you know, this  
16 is Aspen, Colorado. This is Lake Tahoe. This is  
17 upscale. It's got a refined elegance to it. And that  
18 includes the lighting. Most of our lighting will be  
19 down lighting. It will be ambient lighting such that  
20 it complements the skyline that's there as opposed to  
21 being an intrusive ball of light.

22           I think I'm going to skip through, if the  
23 Board doesn't mind, all of the economic impact. I'll  
24 let the Spectrum guys go through that. I know that  
25 you've got the numbers and have all of the reports.

1 Obviously, they're staggering. And we'll talk --- and  
2 I'll let them talk about the convention attendees and  
3 specifically about how beneficial that is to the  
4 marketplace, meaning hundreds of millions of dollars a  
5 year. And the same thing, I'm going to let them  
6 handle all the jobs.

7                   And at this time, that really concludes  
8 my tour of our project. And if I can answer any  
9 questions, I'd be delighted to do so.

10                   CHAIRMAN DECKER:

11                   Well, we'll hold those until the end, if  
12 that's okay, in the interest of time.

13                   MR. MATZEL:

14                   That's fine, Mr. Chairman. Thank you.

15                   ATTORNEY CARROLL:

16                   Mr. Chairman, if you'd like to --- I know  
17 we've been going for some time. If you'd like to take  
18 a break or we can go right to the next witness.

19                   CHAIRMAN DECKER:

20                   How long will your next witness be, 15  
21 minutes or so?

22                   ATTORNEY CARROLL:

23                   Yes.

24                   CHAIRMAN DECKER:

25                   Yes. Let's take a break at quarter of

1 11:00.

2 ATTORNEY CARROLL:

3 Okay.

4 ATTORNEY MICHAEL:

5 The next witness is --- I'd like to call  
6 Morris Bailey. Mr. Bailey is a principal in the  
7 project. And as you know, he's been intimately  
8 involved in it from the very outset. His skills and  
9 his experience and his financial wherewithal are  
10 essential to the project. And he's going to describe  
11 to you his background and the financial aspects of the  
12 application.

13 MR. BAILEY:

14 Thank you, Guy. Good morning. I think  
15 my role is --- just to give you a little of my  
16 background, my relationship with the Pocono Manor and  
17 to give a comfort level as to our experience in  
18 getting this job done. And I'm going to try to focus  
19 on those areas.

20 I'm going to give a little brief  
21 biography, very brief. I've been really active in  
22 business all of my adult life. I started my own  
23 business at 19 years old. I was forced to work at 13.  
24 And I've spent --- I am a committed --- my wife calls  
25 it a workaholic, but I like to achieve, and I have fun

1 at it, and I like it. I've been involved with some  
2 extraordinary projects. We've been around a long  
3 time. I was born in 1938, so I think that makes me 68  
4 years old. And I've done about everything you can do  
5 in the --- in many different businesses, but primarily  
6 the real estate business.

7                   When I started out, I was in the  
8 amusement business, then I quickly went into the fast  
9 food business. I had go-cart tracks in Coney Island,  
10 the first go-cart in New York. I went to --- after  
11 what was then considered a huge success for me, I  
12 decided I needed 12 months of vacation, so I went to  
13 Puerto Rico. I lived there for three years. At that  
14 point in time, I realized I needed a food facility. I  
15 had independent --- these go-cart tracks independent  
16 on major highways. I opened up my first restaurant  
17 called Goodies and ultimately moved to New Jersey and  
18 developed a chain of fast-food restaurants. We were  
19 basically copies of McDonald's. We built it to about  
20 20 units. When the majors came into the east coast,  
21 McDonald's and Burger King, all of our independents  
22 had a tough time competing, I don't know, Wetsons and  
23 Carrolls, there was a bunch of us. And I decided  
24 instead of fight, I'll join the team. So I converted  
25 to Burger King 14 of my units. I became a major

1 Burger King franchisee that grew to about 50 units. I  
2 was the largest independent Burger King franchisee.  
3 That's at the time that Pillsbury was running it. I  
4 certainly was not the typical --- I was very young, by  
5 the way, at that point, but I was not the typical  
6 franchisee, and therefore, Pillsbury brought me in to  
7 many of the committees. I was always --- I  
8 represented other franchisees at their board meetings.  
9 They were a good group of guys, but they never knew  
10 how to run a fast-food industry. And that's why  
11 McDonald's has eclipsed them in sales. But it was a  
12 tremendous --- that really is my first life, was the  
13 fast food business. That's a great business to learn  
14 skills. And the skills you learn are, first, consumer  
15 awareness. That's all about taking care of people's  
16 needs. You learn to work in a structured environment.  
17 If your ideal food course is off a quarter of a point,  
18 then you know you have problems. So you know the  
19 detail of operating a consumer business. And also it  
20 really has helped me tremendously as I entered my  
21 second world, which was the real estate business.  
22 First of all, the development of the Burger Kings  
23 really, in many senses, was a development of a real  
24 estate function. I can't tell you how many board  
25 meetings I've gone to. At those days it was pretty

1 tough to get approvals. Maybe they're even harder  
2 now. But we had to get variances and worried about  
3 the kids hanging out and the papers, et cetera, et  
4 cetera. So it was a great experience for me over the  
5 years that when I returned to my --- as I said, my new  
6 and hopefully permanent function as a real estate  
7 investor and developer, those skills were invaluable.

8           In 1982 I opened up my first --- I bought  
9 my first real estate asset in New York City. It's 150  
10 Broadway. And from there, I quickly, very quickly,  
11 because I hit the market right and my skills helped me  
12 and I had a great financial ability because of my  
13 Burger King relationships in the banking industry, I  
14 developed a very interesting, diverse portfolio,  
15 primarily in New York, but also outside to a certain  
16 extent. And that is what I do now. A couple of years  
17 ago, more than a couple years ago --- actually, my  
18 first building, I gave my 25 percent of the ownership  
19 to my two young daughters. And that was at '82. So I  
20 had planned even then for estate planning to take care  
21 of my kids. Recently, I've decided that I should take  
22 care of my grandkids, and that is why --- I'm not an  
23 owner of this project, I'm listed as an advisor,  
24 because all the ownership is in primarily my  
25 grandkids' name at this point, one daughter and my

1 grandkids. It's the kids and the grandkids.

2 I've had a --- as I said, a diverse  
3 history in real estate. I've been known to be and  
4 have a reputation, for the guys who know me, that I  
5 enhance value, I reposition assets, and I have some, I  
6 should say modestly, some vision when it comes to  
7 being able to evaluate assets and where they should  
8 be. I can go over a long list, but I'll just go over,  
9 I think, some projects that reflect on what we're  
10 doing here.

11 I was in the hotel business. I bought a  
12 hotel called the Howard House Hotel way back in '86, I  
13 think it was, maybe '85, converted it to the Marriott  
14 East Side, which it now presently is. It's a  
15 700-room hotel. We just sold --- before I was  
16 partners with Marriott --- we sold it about six years,  
17 and it did very well. But that was a project where I  
18 took and gutted out, repositioned an old asset very  
19 successfully. I also bought from Intercontinental a  
20 hotel they had in Houston, across from the Galleria.  
21 There was an empty building next door. I converted it  
22 into a convention center, not the size of ours, but a  
23 small little convention center. And that is now one  
24 of the most prominent hotels in Houston called the ---  
25 what's it called, the J.W. Marriott across from the

1 Galleria.

2                   In retail I've had extensive experience.  
3 We still own the building across Macy's on Sixth  
4 Avenue in New York. We bought --- it was empty. We  
5 convert --- at the time they said vertical retail  
6 malls don't work, and they were right. It was very  
7 difficult. But ultimately, it does work, and it's  
8 very successful. We still own it. It's called Harold  
9 Center. We own the other building --- we own two of  
10 those corner buildings, very high profile, you know,  
11 buildings and probably the busiest retail corner maybe  
12 in the world. And we also reconverted that. So we've  
13 had --- we've had experience in different areas. And  
14 as I say, we enjoy it, we like the challenge, and I  
15 look to do that for many more years. That's the end  
16 of my biography.

17                   I met Greg Matzel back about ten years  
18 ago, Greg. I guess it's ten, right? About ten years.  
19 Greg comes from a great family. His father, Bruce, is  
20 with us today. We're in primarily residential  
21 development in New Jersey. They sold out that name.  
22 Bruce is fooling around in Florida. I'm not sure if  
23 he's having a good time, making some money on the  
24 side. And they have --- they always had a reputation  
25 for being quality guys, quality both in their product

1 and how they dealt within the system. Now, all of  
2 us --- or any of us who have been in development knows  
3 that, you know, developers could have certain  
4 personalities that, you know, they develop. So you  
5 have to be optimistic and always moving forward. I  
6 found that the trait that I liked much, and I still  
7 do, about the Matzels is that they were conservative.  
8 You could depend on what they say. When they walked  
9 into a township, they got immediate response, which  
10 was phenomenal. I saw it work. I had a project ---  
11 the project that we started with, I had acreage in a  
12 town called Keyport in New Jersey, two major highways.  
13 I got into something that was too tough for me to  
14 handle. There was two gas stations that had leaking  
15 gasoline that went under the highways and required a  
16 lot of different issues that had to be resolved, and I  
17 didn't have the time or energy to do it. And Greg  
18 became my partner. He performed extraordinarily. He  
19 solved all problems in a way where I couldn't believe  
20 in the time frame that he did it. That's because he  
21 had the credibility in working with all of the  
22 agencies, the environmental agencies, the traffic  
23 agencies or whatever. And in addition to all the  
24 public officials who knew him on the local towns. So  
25 that was my introduction to Greg. And we have since

1 formed a partnership, the purpose of which was to find  
2 properties, get them zoned correctly and develop them  
3 primarily for residential use. And that's what we  
4 have, in the last several years, been accomplishing.

5           Greg came to me a couple years ago and  
6 said, Morris, I like eastern Pennsylvania. That's  
7 where the growth is. New Jersey is pretty much, you  
8 know, their zoning and their, pretty much available  
9 land is getting too expensive. And the future growth  
10 is in eastern Pennsylvania. I said, fine, Greg, go  
11 ahead and get it done. So he went to eastern  
12 Pennsylvania. He bought a couple of smaller projects  
13 that we're involved in now, very successfully may I  
14 add. And then he came upon this project of Pocono  
15 Manor.

16           Now, Pocono Manor is, I think, a one-in-  
17 a-lifetime type of property to come along. It's 3,000  
18 acres, as you know. It's a beautiful property, well  
19 maintained by a fine family who had run it for many  
20 years. It has amenities that are almost unheard of  
21 built already. We get them. We have the golf  
22 courses and the riding academies and the fishing  
23 lakes, et cetera. So it was an extraordinary  
24 opportunity for us, and we both fell in love with the  
25 property, and we bought it. When we bought it, we

1 didn't know about the fact that gaming was coming into  
2 Pennsylvania. Maybe we should have. I don't know if  
3 our due diligence was great, but we were into, you  
4 know, building housing. That project, by the way, of  
5 developing the housing, which is probably 5,000 to  
6 6,000 units will be a ten-year project. It will be  
7 done in ten different sections. And of course, we  
8 have others that will be --- you have an existing inn  
9 that's being upgraded. You have timeshare that will  
10 be built relatively quickly. But the project is  
11 really a long-term development project on the 3,000  
12 acres. You have the 380 acres of commercial property  
13 that really is the subject of what we're talking about  
14 today. That's going to be --- I'm not going to get  
15 into --- obviously, Greg gave a pretty detailed  
16 description, so I'm not going to get into our project.  
17 But the combination of the hotel and casino and  
18 convention center, which, by the way, I believe is a  
19 convention center. I could be the convention director  
20 there because all my friends in New York are just  
21 committed to come to us once we open up. So I can't  
22 wait for that to happen. But in any event, it's going  
23 to be an extraordinary, extraordinary project. And  
24 the concept that I believe, and Greg did also, was  
25 let's put the best team together. Let's do our best

1 to build a real world-class destination location. And  
2 what you see here is exactly that. Pictures don't  
3 even really --- it's going to be --- and the east  
4 coast really doesn't have anything like this, frankly.  
5 Atlantic City is Atlantic County, and we could talk  
6 about that. I was born in Atlantic City, so I  
7 shouldn't say anything derogatory, but they have their  
8 limitations. This is a site you can get to in your  
9 car in about an hour and 15 minutes. Get on Route 80  
10 from New York and get on 380 and it just leads right  
11 into our parking lot. So it's extraordinary. And I  
12 believe it will be the best project for the State of  
13 Pennsylvania in creating a revenue and revitalizing  
14 the economy of the Poconos. I think it's --- I didn't  
15 want to get into this because it's not my area really,  
16 but I think that the gaming industry now has changed  
17 drastically. It's going to be --- New York has  
18 approved slots. Delaware has them, as you know. I'm  
19 a racetrack --- owner and breeder, and I race in  
20 Maryland. Maryland is shortly going to be ---  
21 especially since after the last election, they're  
22 going to certainly have slots in their racetracks. So  
23 to be competitive in this market, you can't just have  
24 a slot parlor. I don't even think it's a good  
25 investment, frankly. What you need --- and the whole

1 industry has shown that without nongaming revenue and  
2 activity, you don't make it any longer. The old  
3 hotels in Vegas and New York have to just either get  
4 demolished and rebuilt because they're not going to be  
5 competitive with the Borgatas and all the other really  
6 new era facilities that have more gaming ---  
7 non-gaming revenue than gaming revenue. So I believe  
8 not only is our project the best possible project we  
9 have for the Poconos and maybe even for --- well, I'm  
10 not familiar with it. I shouldn't say that. But it's  
11 a concept that you need to have in order to meet your  
12 objectives. And I'm not even sure that, absent that,  
13 it's such a great investment or it's even going to be  
14 competitive. I mean, why would you go to a 200-room  
15 hotel, even a racetrack, from New York. You're not  
16 going to do that. But if you want to get New York and  
17 New Jersey type of dollars into your state, you're  
18 going to have to have a product that appeals to them.

19 I'm going to quickly, because I know one  
20 of the areas --- I'm involved --- our family is really  
21 funding this project. We've put up the capital.  
22 We're arranging the financing. That's what I do, and  
23 that's my primary role. I wanted to --- I didn't want  
24 to get into this detail as much, but I'm going to do  
25 it because I felt after reading through some material

1 that it's good to give you a comfort level as to our  
2 ability to get this done.

3           There have been three major projects in  
4 the last several years that I've been involved in and  
5 frankly led --- and my family owns, in most cases, the  
6 majority, if not all of their assets. The first  
7 project I want to talk about is one --- it's not going  
8 to be long, but it's going to be one in Scottsdale.  
9 Scottsdale had a big building built I don't know how  
10 many years ago, 12 years ago probably, where that was  
11 called the Galleria. They had redesigned their whole  
12 structure, their whole traffic structure to encompass  
13 this million-plus square foot --- it was supposed to  
14 be a retail center, and it failed right away. And  
15 they couldn't find a use for it. It was there for  
16 many years. We went in, we bought it. We worked with  
17 the city extensively. It was a very complex deal. At  
18 that point, Scottsdale was difficult to work with  
19 because they had some issues with development, and  
20 this was one of their issues. We worked with the city  
21 and we were very successful in creating a class A  
22 office building, which is now almost --- it's not ---  
23 it's office and retail, which is now almost a hundred  
24 percent rented.

25           Now, I'm going to --- I asked for letters

1 of recommendation. You can get a lot of guys to say  
2 good things about you, but I wanted the letters to  
3 relate to assets that were built, so it has some  
4 relevance to what we're talking about. So I limited  
5 these letters of recommendations to projects that were  
6 just completed so it has meaning to what the purpose  
7 here is all about. So I have a letter here from Mary  
8 Manross, who is the mayor. She just got reelected.  
9 She's a good woman. She learned a lot. And she's a  
10 real asset for that town. And I'll just paraphrase  
11 something here. I want to take a moment to tell  
12 you --- it's addressed to me. Well, actually, I  
13 couldn't get her to address to the Gaming Commission  
14 because she's an anti-gaming woman, but --- so she was  
15 fine. But she wishes us well. She said, I want to  
16 take a minute to tell you how much I appreciate the  
17 leadership and partnership role you have played for  
18 downtown Scottsdale. I have to tell you, since we  
19 started on that project and repositioned it, downtown  
20 Scottsdale has just exploded. It's become like a  
21 great place to be. And she credits me and many other  
22 people --- not me, my people and our team, for  
23 creating that environment to get it done, because  
24 that's what we did. By refurbishing the old vacant  
25 Galleria, which we considered a white elephant, an

1 eyesore, in parentheses, and helping to create an  
2 important theater experience, 4301 --- I built a  
3 theater that we donated to the city, and it's been a  
4 huge success. You have activated the downtown  
5 streetscape and significance of our downtown. She  
6 goes on to say some other very good things about me,  
7 but that's the primary point there. So that was a  
8 project which was somewhat typical of what we've done,  
9 is taking an asset, repositioning it, working with the  
10 town and creating a whole different environment that  
11 impacted the whole township.

12                   Another project which I just read about,  
13 we're involved in just --- we completed the structure  
14 and the financing, but we are in the midst of building  
15 it, is in Montreal. About nine, ten years ago I went  
16 to Montreal. I acquired an asset. It's since then  
17 grown substantially there. So we have a substantial  
18 asset base in Montreal. I went down --- I don't know  
19 if you know Montreal, but there's a west side of the  
20 town, which used to be the English side of town and  
21 still is, it's where all the major buildings are.  
22 That's the west side. The east side of downtown was  
23 really --- I bought a great asset called Place Dupuis,  
24 million square feet, and it was dominant in that area,  
25 but the area needed a lot of work. So I bought that



1 Mayor of Montreal and from a commissioner on the ---  
2 for the province that I just want to read, and they  
3 all say, without me reading it, what a great guy I am,  
4 but I wanted to just ---. All right. Let me just  
5 read real quickly, in addition to their numerous  
6 long-term ownership positions they currently have,  
7 which keeps increasing in Canada, Morris Bailey's  
8 organization recently closed the largest single asset  
9 credit tenant lease, they call it CTL, transaction in  
10 Canada. The highly structured operation, financed  
11 through capital markets by the placement of a single  
12 class of pass-through certificates, was imagined,  
13 structured and orchestrated by Morris Bailey and his  
14 organization. I really put the whole financing  
15 package together. I provided financing at the lowest  
16 rate. And they, of course, have the government and  
17 the Triple A rated --- you'd think, you know, I  
18 wouldn't be able to perform that well because they  
19 have done it before, but it was very creative. By  
20 this project, an entire sector of the Montreal's  
21 downtown core has already seen an incredible positive  
22 transformation and impacts both in terms of its  
23 grandiose scale and its effects and its effect to  
24 maximize all surrounding values of our city. And it  
25 goes on and on. It's two pages. But that's the point

1 there.

2                   The third and last project that I want to  
3 discuss is a project in New York, my home state. I'm  
4 very active in civic matters, in Brooklyn primarily,  
5 where I was --- I was not born, where I lived now  
6 since --- for many, many years. But then I'm involved  
7 in many assets there. We just --- I just put together  
8 --- not just, it started about three years. It's now  
9 completed. The first in-city new power plant in New  
10 York City for over 60 years. We got approval for a  
11 thousand megawatts. Five hundred (500) were built.  
12 We had a tough time financing this because they said  
13 you can't build anything on time or on budget in New  
14 York, and especially a power plant hasn't been done.  
15 It was a challenge. We had a deal --- because we  
16 brought a lot of the materials from offshore because  
17 it was essential, but we dealt with the unions and we  
18 made everybody happy. And that now is now completed.  
19 It's operational. Five hundred (500) megawatts is  
20 completed, the first phase. It's now providing power  
21 into the grid system. We worked with the governor's  
22 office. We --- in fact, they helped us in some  
23 important areas. And I have to give Pataki's  
24 administration credit for that because they recognized  
25 the need and they responded. The Bloomberg

1 administration also was helpful. And it's been an  
2 extraordinary event to see happen and occur. So it's  
3 been a phenomenal project for us and completed on time  
4 and on budget, which is unheard of. I can't take  
5 credit for much of that. I had great partners who  
6 know their business. And that's one of the strengths  
7 I think I have is assembling or identifying with  
8 quality guys that can do the work for me. That's why  
9 I have Greg for.

10 I have a couple of letters from our  
11 partners I'm not going to read, but they talk about  
12 --- one is from Caisse de depot. Caisse de depot is  
13 the largest pension fund in Canada. They're my  
14 bankers in Canada. They're my partners in many  
15 different transactions. They put up a hundred million  
16 dollars for me and part of the equity that had to be  
17 raised as a partner there. I also brought in the  
18 third largest engineering firm called SNC-Lavalin to  
19 be a partner. They also guaranteed completion of the  
20 job because I needed their credit behind it. It was  
21 an undertaking that I'm very proud of because it's not  
22 only a good economic undertaking, it's something the  
23 City of New York needed very well. So those are three  
24 projects that I did. And to tell you the scope of the  
25 dollars, the power plant was about a billion dollars

1 for --- this is for the first phase. The second phase  
2 will be less because there's a lot of infrastructure  
3 that's now in. We needed \$300 million in equity which  
4 I raised through my partners and my own resources.  
5 And we had financing originally from CSFB, who was ---  
6 and I just --- we got by the dangerous development  
7 area part, we were able to refinance it with Calyon.  
8 Calyon is a lender that was originally Credit Leonay  
9 (phonetic). They merged with another foreign bank and  
10 they are now one of the top lending institutions in  
11 the world, highly rated. They claim they're number  
12 two in the world. Someone said it was number six.  
13 Whatever they want to claim is fine.

14 CHAIRMAN DECKER:

15 Mr. Bailey, we're going to have to take a  
16 break.

17 MR. BAILEY:

18 I'm almost finished.

19 CHAIRMAN DECKER:

20 You're almost finished? Okay. No,  
21 please.

22 MR. BAILEY:

23 Fine. You want to take ---?

24 CHAIRMAN DECKER:

25 It depends on how long you're going to

1 be. I'm not trying to cut you off. I don't want to  
2 do that. But we need to get up and walk around a  
3 little bit.

4 MR. BAILEY:

5 Well, why don't you take a break?

6 CHAIRMAN DECKER:

7 Okay. We'll be back in about ten  
8 minutes. Thank you.

9 SHORT BREAK TAKEN

10 CHAIRMAN DECKER:

11 We'll back from our recess. Counsel, how  
12 many more witnesses do you have and how long do you  
13 think you'll be, for our planning purposes?

14 ATTORNEY CARROLL:

15 Mr. Chairman, we have about five  
16 witnesses, all of which we expect to be short,  
17 obviously subject to questioning. And we'll move  
18 quickly. And then at the end we'll probably defer to  
19 the Board's desire, if you want to see the DVD, which  
20 we think is about 15 minutes.

21 CHAIRMAN DECKER:

22 Okay. Well, we'd like to see that if we  
23 could.

24 ATTORNEY CARROLL:

25 Okay.

1                   CHAIRMAN DECKER:

2                   But if you can move this along a little  
3 bit, that will be great.

4                   ATTORNEY CARROLL:

5                   Okay. Thank you.

6                   MR. BAILEY:

7                   I'm just going to conclude by reviewing  
8 how we capitalized this project. Our project, as you  
9 know, is \$750 million for the casino, hotel,  
10 convention center. We interviewed several high-level  
11 investment banks, well known to all of us. And we  
12 decided to engage Merrill Lynch to provide our senior  
13 debt at this point. You know them as well as  
14 everybody. They are now, I think, representing four  
15 or five potential applicants, the applicants actually.  
16 They are well known in the industry, and I think they  
17 have the best relationships with the lenders for this  
18 industry, and that's why we picked them.

19                   We got a commitment from them for \$550  
20 million out of the \$750 million. For the balance of  
21 \$200 million, I am going to commit --- I have now  
22 invested --- my family has invested approximately \$60  
23 million in this project to date. I'm prepared to  
24 provide for another \$40 million and invest \$100  
25 million in the --- as capital from my family's assets.

1 In addition to that, I have a commitment from Calyon  
2 to provide the balance of the equity in the form of  
3 subordinated debt, which would give us an extra \$100  
4 million cushion in the event I need it. As I said,  
5 I've been involved in these projects, so I know the  
6 security of having additional funds available. So  
7 we're going to have approximately \$100 million in  
8 excess available in the event we need it. I think  
9 what's going to happen is I might take down less of  
10 that preferred debt because we feel very strongly  
11 about this asset and commit the full \$100 million. Of  
12 course, if it's needed, then we could take as much as  
13 we need of the preferred debt. So I guess that's the  
14 complete capitalization plan.

15 CHAIRMAN DECKER:

16 Thank you.

17 ATTORNEY CARROLL:

18 Thank you, Mr. Bailey.

19 ATTORNEY MICHAEL:

20 Next witness is --- we'll call Aviv  
21 Laurence. Mr. Laurence represents Merrill Lynch.  
22 He's a director in their gaming and leisure investment  
23 banking division, and he'll explain to you in a little  
24 more detail Merrill Lynch's role in the project, their  
25 agreement to participate and their reasons for it.

1 Mr. Laurence?

2 MR. LAURENCE:

3 Good morning, Mr. Chairman, members of  
4 the Board. My name is Aviv Laurence. I'm a director  
5 of Merrill Lynch's gaming and leisure investment  
6 banking group. Merrill Lynch has been engaged to act  
7 as lead arranger and underwriter for the debt  
8 financing of the Pocono Manor Resort and Casino  
9 Project. Merrill Lynch is a top global underwriter of  
10 debt and equity securities and a lead strategic  
11 advisor to corporations, governments, institutions and  
12 individuals worldwide. In the gaming sector, Merrill  
13 Lynch is one of the leading investment banks in the  
14 industry, globally. Over the last two years Merrill  
15 Lynch has led, either solely or jointly with other  
16 banks, over 20 gaming transactions in the debt  
17 markets, raising nearly \$10 billion for commercial,  
18 Native American, international gaming clients,  
19 including last month's successful closing of a \$300  
20 million credit facility for the PA Meadows Casino  
21 Project in western Pennsylvania.

22 I am here today to affirm Merrill Lynch's  
23 support for the Pocono Manor Project. Merrill Lynch  
24 has provided Pocono Manor with the financing  
25 commitment for \$550 million of debt capital. Merrill

1 Lynch's willingness to make this commitment is  
2 predicated on our completion of business, legal and  
3 financial due diligence in receiving our senior  
4 management's and Commitment Committee's approvals.  
5 The three key areas of diligence for us were the  
6 project costs, the projections and the sponsors and  
7 management team.

8           In terms of the project costs, we have  
9 reviewed the project costs provided by management and  
10 are comfortable with the estimates put forth based on  
11 recent experiences with the construction projects in  
12 the region and extensive construction experience of  
13 the development team. Morris Bailey is a well-known  
14 real estate developer of both top-quality hotels and  
15 retail properties in the region. In addition, he has  
16 first-hand experience completing large-scale  
17 developments, such as the one being presented today,  
18 including his most recent \$1 billion project in New  
19 York City.

20           Greg Matzel, of Matzel Development, has a  
21 20-plus year track record of construction and  
22 development in the mid-Atlantic area, including an  
23 extensive resume of successful lodging, leisure and  
24 luxury residential projects. This financing plan will  
25 fully finance the Pocono Manor project costs.

1           The projections. In the case of Pocono  
2 Manor, our comfort level with the projections is based  
3 not only on the validation by Spectrum Gaming Group,  
4 the internationally renown third-party market  
5 consultants, but also our intuitive sense of the depth  
6 of the market for the casino product being offered.  
7 The project has two main factors going for it,  
8 convenience and a spectacular array of amenities.

9           Convenience. If built, the Pocono Manor  
10 project will be the closest full-scale resort casino  
11 to New York City. It will be closer than Atlantic  
12 City, Bethlehem or Allentown or either Connecticut  
13 casino. In addition, the site is right off I-80,  
14 which makes it more likely to capture drive-by  
15 customers than a casino ten minutes off the highway.  
16 In a competitive environment, we believe convenience  
17 matters.

18           The second factor is amenities. Over the  
19 last five years, we have seen numerous examples of the  
20 success of multidimensional casino entertainment  
21 resorts. Pocono Manor, with its first-class hotel,  
22 championship golf course, 6,000-seat entertainment  
23 arena, luxury retail area, spa facilities, high-end  
24 food outlets, all-season pool area, horseback riding,  
25 skeet shooting, fishing, meeting and convention space,

1 will offer more amenities than any casino resort east  
2 of the Mississippi. Typically, casino facilities  
3 develop these amenities over time. Pocono and the  
4 Commonwealth of Pennsylvania will benefit  
5 significantly from the facility opening as a complete  
6 destination resort from the outset.

7                   Sponsors and management team. We believe  
8 we are underwriting a highly experienced and credible  
9 management team at Pocono Manor. As noted previously,  
10 the development team, led by Morris Bailey and Greg  
11 Matzel, are both highly regarded developers with  
12 extensive construction and development expertise in  
13 building projects in the region on time and on budget.  
14 Merrill Lynch has known Mr. Bailey for many years and  
15 has completed several successful transactions with  
16 him. In addition, the management team is led by one  
17 of the most highly talented and respected gaming  
18 executives in the industry, Dennis Gomes. His  
19 extensive experiences of developing, opening and  
20 operating leading casino facilities around the  
21 country, including most recently the Quarter at the  
22 Tropicana AC property, complements this first-class  
23 management team. This project has first-class  
24 sponsorship and management and is a team Merrill Lynch  
25 is excited to back.

1                   In summary, Merrill Lynch believes in  
2 this project. We believe in the financability of the  
3 project and the success that it will bring to the  
4 Commonwealth of Pennsylvania, as demonstrated by our  
5 capital commitment and our presence here today. Thank  
6 you.

7                   ATTORNEY MICHAEL:

8                   Thank you, Mr. Laurence. You've now  
9 heard from the developmental principal and the  
10 financial principal. Our next witness is the  
11 management and operational principal, Dennis Gomes,  
12 who will briefly provide you information about his  
13 background, his experience and his plans for the  
14 property.

15                   MR. GOMES:

16                   Mr. Chairman and members of the Board, my  
17 name is Dennis Gomes. If Pocono Manor is fortunate  
18 enough to be awarded a license to operate in  
19 Pennsylvania, I will serve as the president and CEO of  
20 that facility. Today I would like to take a few  
21 minutes to go over with you the background and  
22 experience that I would bring to that position and  
23 give you a general idea of what sort of plans I have  
24 for its operation.

25                   I've been involved in the gaming industry

1 for most of my adult life. I am also a trained CPA  
2 and have a Bachelor's of Science degree in accounting  
3 and a Master's degree in Business Administration, with  
4 a specialty in finance. Before beginning a law  
5 enforcement career in 1971, I worked as an auditor for  
6 one of the world's largest international accounting  
7 firms, Peat, Marwick, Mitchell & Company. And later,  
8 after obtaining my Master's degree, I worked as a  
9 management consultant for another Big Eight firm by  
10 the name of Coopers & Lybrand.

11 I began a law enforcement career in  
12 Nevada, with the Nevada Gaming Control Board, in 1971.  
13 In that capacity, we were all trained peace officers  
14 with the right to carry firearms and a mandate to  
15 investigate and to bring to prosecution numerous types  
16 of criminal activities. I ultimately worked as its  
17 chief of Audit and Special Investigations Division.  
18 The gaming regulation was in its infancy then, and we  
19 were confronted with the form of the casino industry  
20 that has become the stuff of novels and movies. I and  
21 the many dedicated people who I worked with were  
22 responsible for changing a lot of that. I supervised  
23 a number of high-profile regulatory law enforcement  
24 investigations, including the Tropicana Casino's  
25 infiltration by the Chicago and other mob families,

1 the Aladdin's infiltration by the St. Louis Mob,  
2 Caesar's Palace involvement with some of Meyer  
3 Lansky's protégées in the Argent Corporation case,  
4 which included the Stardust Hotel and Casino, the  
5 Marina Hotel and Casino, the Hacienda Hotel and Casino  
6 and the Freemont Hotel and Casino.

7           In regard to the Argent case, I and two  
8 other agents broke that case wide open with a  
9 late-night raid that subsequently proved wide-scale  
10 organized crime control and major-related skimming at  
11 every one of those casinos. As a result of that  
12 investigation, several of my informants were murdered  
13 and tortured, and I was subject to many subtle and not  
14 so subtle threats. I lived the need for casino  
15 regulatory control. My professional and personal  
16 attitudes were forged by my experience in helping to  
17 create those controls. I was instrumental in drafting  
18 the first set of investigative procedures and internal  
19 control regulations for the industry in Nevada.

20           I then took what I had learned to New  
21 Jersey in 1977, when gaming started there. I was the  
22 first chief of the Special Investigations Bureau for  
23 the New Jersey Division of Gaming Enforcement and  
24 along with Guy Michael, one of our attorneys on this  
25 project, set up the procedures for license

1 investigations and for the design of the system of  
2 internal controls still used there and now in many  
3 other legal gaming jurisdictions.

4           I went back to Nevada in 1979 and entered  
5 the private sector. There I served as vice-president  
6 of the Old Thunderbird Hotel & Casino and the  
7 vice-president of casino operations at the Frontier  
8 Hotel & Casino. Later, I was appointed the senior  
9 vice-president of all casino operations in Nevada for  
10 the Hilton Hotel Corporation, reporting directly to  
11 Barron Hilton. That included responsibilities for the  
12 Las Vegas Hilton, the Reno Hilton and the Flamingo  
13 Hilton in Las Vegas. I subsequently served as  
14 president of the Aladdin Hotel and Casino, president  
15 of the Dunes Hotel and Casino and, finally, president  
16 of the Golden Nugget Hotel and Casino, all in Las  
17 Vegas.

18           In 1991, I returned to New Jersey to  
19 become the president of the Taj Mahal Casino. While  
20 in that position, I increased operating profits from  
21 \$84 million per year to \$148 million per year during  
22 my four-year tenure there. In 1995, I became the  
23 president of the Tropicana resorts and eventually  
24 transformed that Atlantic City property with the  
25 creation and construction of the Quarter, a \$300

1 million mixed-use shopping, entertainment, restaurant  
2 and hotel development. That complex was the first of  
3 its kind in Atlantic City and has been said by many  
4 newspaper and magazine writers as a development that  
5 was principally responsible for changing the nature of  
6 Atlantic City for the better. In brief, that project  
7 was a huge success both for the Tropicana Hotel and  
8 Casino and for Atlantic City. I bring all this  
9 experience now to Pocono Manor. I am excited about  
10 this opportunity to again be involved, as I was in  
11 both Nevada and New Jersey, at the birth of another  
12 gaming jurisdiction. If we are honored to be chosen,  
13 I pledge to do all I can to be part of its success and  
14 to participate in placing Pennsylvania among the  
15 highest ranks of gaming venues in the country. I  
16 won't be doing that alone. One of the advantages of  
17 having been around so long is that I've been working  
18 with some of the most talented people in the industry.  
19 I intend to bring that talent to Pocono Manor. I have  
20 contacted and obtained commitments from management  
21 staff, including vice-presidents of administration,  
22 operations, slot operations, hotel operations, and  
23 food and beverage. I would love to be able to parade  
24 those people in front of you today, but as I'm sure  
25 you understand, people with these types of credentials

1 have jobs, and they don't want to lose them. If we  
2 are honored with a license, however, their names will  
3 soon become known to you.

4           Throughout my management career, I have  
5 been guided by a few basic principles. I can  
6 summarize them into three categories, integrity,  
7 loyalty and diversity. Let me talk first about  
8 integrity. This is the cornerstone of any gaming  
9 business. The public must have faith that casinos are  
10 properly and fairly run. They must be able to take  
11 for granted that the games are honest. This is not  
12 just good public policy it is also good business. No  
13 one bets on professional wrestling. People play slot  
14 machines when the odds are true and the outcome is  
15 random. If we want people to come to our casino, and  
16 we surely do, then we have to operate that casino with  
17 the level of integrity that is transparently obvious.  
18 I have always done that, and I will do that here.

19           Second, loyalty. Casinos are a people  
20 business. In order for the customer to feel a sense  
21 of trust and confidence in the casino, those same  
22 attitudes must prevail within the management of the  
23 casino as well. I have sought to instill these  
24 feelings among the staff wherever I have been. As a  
25 result, I have worked with the management team

1 consisting of many of the same individuals for many  
2 years. And when I say team, I mean it in the best  
3 possible sense. We know each other like family. We  
4 do not let each other down. We know our respective  
5 strengths, and we know our roles. We have been  
6 efficient and successful and we intend to repeat those  
7 successes here.

8           Finally, there is a concept of diversity.  
9 Everyone comes up here and tells you how they will  
10 emphasize diversity in their staffing and vendor  
11 policies. I am now telling you the same thing, but  
12 let me tell it to you by telling you also that my  
13 track record gives you every reason to believe that.  
14 Jane Bokunewicz will go into more detail about her  
15 plans later in our presentation, but let me just point  
16 out what I was able to accomplish at Tropicana in New  
17 Jersey.

18           As part of our submission, we provide you  
19 a chart comparing Tropicana's diversity statistics  
20 with those of both the New Jersey State Government and  
21 the Federal Government. We exceeded their statistics  
22 in every single category. Diversity is not just a  
23 legal obligation for me it is a heartfelt duty. The  
24 casino resort of the type contemplated by Pocono Manor  
25 becomes a central part of the community. It should be

1 a meeting place for that community. It should be a  
2 source of pride for that community. And it should  
3 look like that community. While I could tell you much  
4 more about our plans, we have a lot of people who want  
5 to speak to you today and who will go into more detail  
6 later. I hope I provided you with a worthwhile  
7 summary of who I am and what I will do. I am  
8 certainly open to any questions you may have. And  
9 thank you very much for allowing me the privilege of  
10 addressing you.

11 CHAIRMAN DECKER:

12 Thank you, Mr. Gomes. We'll take up  
13 questions in a little while. Thank you.

14 ATTORNEY CARROLL:

15 Mr. Chairman, if we can, we're going to  
16 move right into the area of diversity quickly with Ms.  
17 Jane Bokunewicz, who's our next witness.

18 Just for purposes of introduction, Jane  
19 is currently a professor at Drexel University in the  
20 School of Hospitality. She's developed curriculum for  
21 concentration in gaming and resort management. She  
22 teaches class in those subjects. She has an MBA from  
23 Monmouth College, a B.S. in Business Administration  
24 from Indiana University of Pennsylvania, and she's  
25 pursuing a doctorate degree. In addition to that

1 educational foundation, Jane also has 22 years of  
2 experience in the casino industry, having specifically  
3 worked for 12 years as the vice-president of  
4 administration for Tropicana Resort and Casino. She  
5 had direct responsibility for human resources, which  
6 included hiring, recruiting and purchasing, and which  
7 included selection of vendors and bidding processes.  
8 She also specifically worked with our gaming manager,  
9 our proposed gaming manager, Mr. Gomes, and is in a  
10 position today to comment on Dennis' historical  
11 performance regarding diversity, as well as the plans  
12 going forward. We will move this along as quickly as  
13 possible. Jane?

14 MS. BOKUNEWICZ:

15 Thank you. Good morning, Mr. Chairman  
16 and members of the Board. As Bob said, I had the  
17 pleasure of working for Dennis Gomes for ten years as  
18 the vice-president of administration at the Tropicana.

19 The Pocono Manor team is committed to  
20 diversity. We're passionate about our diversity plan,  
21 we take it seriously, and we're very committed to it.  
22 We have a proven track record of a successful  
23 diversity program. In September, we held a diversity  
24 forum up at Pocono Manor, and it was really very well  
25 attended. We were thrilled with the results of the

1 forum. We did it as a way to reach out to the  
2 community and to build relationships with minority and  
3 women focus organizations. And there were very many  
4 of them who attended the forum. It was heartwarming  
5 to see the community people that came out in support  
6 of our project and how excited they were about the  
7 opportunities that they feel they can have working  
8 there in the future. At the end of the forum, we had  
9 one-on-one discussions with them, and they could see  
10 that our philosophy --- they were able to talk to us  
11 about our philosophy on diversity, and they were very  
12 --- you could tell they were very engaged with Dennis  
13 right away. They could tell he was a sincere person.

14           As Dennis said, at Tropicana we had a  
15 workforce of over 4,000 employees. And 47 percent of  
16 them were women, and 63 percent of them were  
17 minorities. We're very proud of that record. As  
18 Dennis said, this is more than double the percentage  
19 of federal civil service workers for minorities.

20           One thing we are very proud of is Dennis'  
21 executive team at the Tropicana was more than 50  
22 percent women. And this is the top executives in the  
23 company. There were 11 executives, and six of them  
24 were women. Dennis promoted the second woman  
25 president in all of Atlantic City to president under

1 his leadership. He also promoted one of the only  
2 woman vice-presidents of the casino games operation,  
3 which was typically a male-dominated position in  
4 Atlantic City. He promoted a woman to be in charge of  
5 leases for the Quarter. And at that time, that was  
6 the most strategic position in the company. The  
7 tenants --- filling the Quarter with tenants was the  
8 most important thing at the time, and he entrusted a  
9 woman to that position. He promoted a woman to VP of  
10 Asian Games. And incidentally, Dennis created the  
11 first Asian game rooms in Atlantic City. It was a  
12 gaming pit that celebrated the culture, the Asian  
13 Culture, and it was very popular with the Asian  
14 people.

15                   Dennis encouraged entrepreneurship, and  
16 he helped many women and minority-owned firms get  
17 their start in the casino industry. Just a few  
18 examples. Java Time Café, it was an African-American  
19 entrepreneur who approached Dennis about opening a  
20 coffee shop in the Transportation Center. It was a  
21 very successful venture. And the person had the idea  
22 to not only operate the coffee shop in the  
23 Transportation Center, but also in the concourse of  
24 the hotel. And his business really thrived after that  
25 point.

1           There was a ten-minute massage company  
2 that was owned by an Asian --- Asian people. And they  
3 had a really unique concept of massage. They opened a  
4 shop at the Tropicana, and then they also had the  
5 unique idea of giving massages to our poker players as  
6 they were playing. This enabled --- it was very  
7 popular, and it enabled them to really expand their  
8 business. It was one of the most successful ones we  
9 had.

10           Chester's Flowers was a discount flower  
11 shop, a woman-owned company right in our neighborhood  
12 in Atlantic City, right by the Tropicana. And she  
13 started out as a discount flower shop. By the end of  
14 Dennis' term as president, she was doing our New  
15 Year's Eve party, which is the most prestigious event  
16 of the year at the Tropicana. And that was because  
17 Dennis entrusted her with such an important party.  
18 She was able to really grow her business from a  
19 discount flower shop to a major decorator and flower  
20 provider.

21           TSOP was one of the first  
22 African-American nightclubs in Atlantic City in recent  
23 times. And Dennis helped that entrepreneurial firm  
24 get their financing through the CRDA, and he gave them  
25 special lease arrangements just to get their foot in

1 the door.

2           Dennis encouraged employees at all levels  
3 to reach their highest potential. The first thing he  
4 did when he came to the Tropicana was he increased the  
5 tuition reimbursement. He really believed that people  
6 should have the opportunity to move up through the  
7 ranks. He provided upward mobility training and  
8 specialized training for the executives and for  
9 management that showed potential for being advanced  
10 into higher levels.

11           Another unique thing that he did was we  
12 had a lunchtime karate program that Dennis started.  
13 And I'm proud to say I was able to get my third-degree  
14 Black Belt as part of that program. And when I  
15 started I couldn't do a single pushup. So he really  
16 had an impact on my life personally, as he did on  
17 many, many employees at the Tropicana.

18           Okay. We do have a detailed eBop plan on  
19 file which I was going to go over. But to save some  
20 time, I'll just answer any questions about it. And  
21 you know, it was submitted. But the basics of the  
22 plan are effective community outreach, upward mobility  
23 and opportunities for minority and women-owned  
24 businesses in fare-bidding and procurement policies.

25           I want to reassure everyone that we are

1 very, very passionate about diversity on the Pocono  
2 Manor team. It's something we believe in, as Dennis  
3 said, not because it's regulated but because we  
4 believe in our hearts it's the right thing to do. And  
5 we're very, very excited about the potential for  
6 implementing our plan. And thank you very much for  
7 your time.

8 ATTORNEY CARROLL:

9 And Mr. Chairman, for the record, we have  
10 submitted a complete --- as she's indicated, a  
11 diversity plan to the Board for its review.

12 ATTORNEY MICHAEL:

13 The next witness is --- we'd call Michael  
14 Pollack to the stand. Mr. Pollack, as I'm sure you  
15 know, is affiliated with the --- is managing director,  
16 actually, of the Spectrum Gaming Group, which is an  
17 internationally renowned --- as Mr. Laurence has  
18 noted, an internationally renowned gaming consulting  
19 firm. He's formerly the editorial page editor of the  
20 Press of Atlantic City, served as spokesperson for the  
21 New Jersey Casino Control Commission, has written  
22 award winning studies of the casino industry,  
23 publishes the newsletter The Gaming Industry Observer,  
24 has spoken in the past before Congressional and other  
25 legislative bodies. And we're pleased to have him on

1 our team and testify here today.

2 MR. POLLACK:

3 Thank you, Mr. Chairman and members of  
4 the Board. In recent years I've traveled from London  
5 to Wilkes-Barre, from the Catskills to Guam, speaking  
6 to individuals in groups in areas that are considering  
7 casinos. And I often hear the same questions, do we  
8 need a casino? Will a casino help or hurt our tourism  
9 economy. My answer is consistent. Those are  
10 precisely the wrong questions. The right question is,  
11 will the establishment of a casino attract capital  
12 investment, which will in turn attract a greater  
13 number and a greater variety of visitors. The success  
14 of casino gaming in advancing public policy and in  
15 helping a local economy is inextricably linked to the  
16 level of capital investment.

17 Two conditions must be present to justify  
18 an acceptable return on that investment. One, the  
19 business plan should position gaming as a key amenity  
20 among other amenities, offering a variety of amenities  
21 to ensure that you will attract a variety of visitors  
22 who will travel greater distances and spend more time  
23 and money.

24 Two, a tourism infrastructure should  
25 already be in place. This could include some

1 combination of lodging restaurants and other  
2 attractions. The analysis we performed on the  
3 proposed Pocono Manor Resort and Casino indicates that  
4 both of these ingredients are present. The Pocono  
5 region is one of the most beautiful in the northeast,  
6 but the Poconos has not been immune to an economic  
7 malady that has plagued other vacation spots in the  
8 northeast, from the Catskills to Asbury Park, to Coney  
9 Island, to Atlantic City before casinos, and that  
10 malady is something called disinvestment.

11           Disinvestment strikes an economy when  
12 local business owners begin to fear that the future is  
13 not as bright as the past. Their business practices  
14 begin to change. Business owners take whatever they  
15 can out of the business and put as little as possible  
16 back in. They don't see any potential returns on such  
17 investments, and so they choose not to invest. The  
18 old clientele stop coming in, so revenues decline  
19 further. Now, this process should not be allowed to  
20 spread anywhere. A casino is not an antidote to  
21 disinvestment and certainly not a magic bullet. The  
22 only known cure is well-deployed capital investment in  
23 a sufficient amount that can change perceptions,  
24 attract new visitors and spark further investment by  
25 other businesses.

1           In examining the economic landscape of  
2 the Poconos, Pocono Manor is the best --- is the  
3 applicant best positioned to attract additional  
4 capital to this region. Now, Pocono Manor's ambitious  
5 plan begs the question, can it work. Why invest \$750  
6 million in a Pennsylvania casino when the standard for  
7 most other applicants hovers at about half that  
8 amount? The answer is that not only can it work at  
9 that level of investment, it would enjoy a strong  
10 likelihood of success at that level of investment.  
11 That might seem counterintuitive, particularly in a  
12 high tax jurisdiction such as Pennsylvania, but it  
13 makes perfect sense in light of Pocono Manor's  
14 business plan. Gaming would be an amenity that would  
15 allow Pocono Manor to reach both the gaming-centric  
16 customer, who wants to play slots for a few hours, as  
17 well as the affluent adult, who chooses to spend money  
18 in various ways, from dining to entertainment to  
19 gaming.

20           In the northeastern United States,  
21 particularly in the population-rich markets of  
22 Pennsylvania, New York and New Jersey, there are many  
23 more adults in the latter category than in the former.  
24 By our calculation, affluent adults who are not  
25 gaming-centric outnumber gaming-centric adults by a

1 ratio of at least four to one. In our analysis we  
2 looked at the number of adults within the region who  
3 might be tempted to take that drive along Route 80 or  
4 other highways that could reach Pocono Manor. We  
5 looked at the prospects for a convention business, a  
6 market segment that, at present, is effectively  
7 untouched by any property in the Pocono region. Our  
8 analysis leads us to conclude that by targeting these  
9 other markets and moving beyond the convenience-driven  
10 local market, Pocono Manor would have the ability to  
11 succeed financially and would be able to advance  
12 several public policy goals. How do we know this?  
13 Because this is not a new model. This model has been  
14 proven to work in markets ranging from Connecticut to  
15 Las Vegas to Atlantic City. Las Vegas did not skip a  
16 beat when California, its largest feeder market,  
17 created its own rather large homegrown casino  
18 industry. Similarly, properties such as Borgata in  
19 Atlantic City, as well as numerous other developers  
20 looking to build in that market are not particularly  
21 concerned about competition from Pennsylvania or New  
22 York. The only difference is that this business model  
23 has never been tried in Pennsylvania, where admittedly  
24 the tax structure is daunting. But that hurdle can be  
25 overcome by good planning, good assets and a healthy

1 dose of capital investment. And I want to thank you  
2 for this opportunity.

3 CHAIRMAN DECKER:

4 Thank you.

5 ATTORNEY MICHAEL:

6 Before our next witness, I'd just like to  
7 point out that in addition to Mr. Pollack's testimony  
8 in person here today, Doctor Martin Perry, whom we  
9 introduced earlier, is present. He has submitted a  
10 report which is an exhibit and intended to be  
11 introduced in evidence, and he echos many of the  
12 opinions offered here and the feasibility and  
13 economics of the project. And we'd ask your  
14 consideration of that report as well.

15 CHAIRMAN DECKER:

16 Thank you.

17 ATTORNEY CARROLL:

18 Our next witness will be Andy Bennett  
19 from the Pennoni Company. Just before he testified,  
20 again to save time, I'll give a quick summary of Mr.  
21 Bennett. Mr. Bennett is the regional manager of the  
22 northeast offices for Pennoni Associates, a well-known  
23 Pennsylvania license consulting engineering firm. He  
24 has a Bachelor's degree in Fundamental Sciences, a  
25 Master's in Civil Engineering from Lehigh University.

1 He's certified as a Pennsylvania Professional  
2 Engineer, and he's affiliated with various  
3 professional organizations. In addition to that,  
4 apart from his education, he has professional training  
5 and licensing, as well as a wide variety of civil  
6 engineering experience, specializing in a variety of  
7 water-related transportation-related disciplines. He  
8 has specific project experience, including designing,  
9 permitting and constructing residential, commercial  
10 and industrial subdivisions and facilities, wastewater  
11 management, large earth embankments, power generations  
12 and some words that I can't even pronounce, like geo  
13 something and hydro something, but it sounds real  
14 good. Okay. Thank you. Mr. Bennett will give you an  
15 overview and the status of our project. We just would  
16 like to, again, highlight for the Board our focus on  
17 the traffic and water and the other aspects of this  
18 project and how much time and effort has been put in,  
19 and he'll give an overview of that. Mr. Bennett?

20 MR. BENNETT:

21 First of all, I'd like to say that  
22 Pennoni is a 750-man, 21-office firm, primarily  
23 located in Pennsylvania and the adjoining states.

24 MR. MARSHALL:

25 You have no women?

1                   MR. BENNETT:

2                   What's that?

3                   MR. MARSHALL:

4                   You have no women?

5                   MR. BENNETT:

6                   Rough crowd right off the get go. I  
7 would like to say that we are very impressed with this  
8 client. This client has, in our opinion, basically  
9 been willing to undergo an extensive analysis on every  
10 level, has hired the most expert staff possible to  
11 evaluate, to investigate and to design their way  
12 through every obstacle that's come before them. They  
13 have not flinched in the face of opposition or  
14 problems that may have arised, and they have not tried  
15 to circumvent any of those problems. They have met  
16 willingly with every review agency, every  
17 municipality, every group that has come before them on  
18 any level. And for that, we applaud them.

19                   Pennoni is fortunate enough to handle  
20 design efforts in four different disciplines, land  
21 development, water supply, wastewater management and  
22 transportation. In all the cases, we have actively  
23 had meetings with the review agencies prior to  
24 initiating any investigation or design process.  
25 Throughout the entire design process, its submission

1 and now entering into the review processes, we've  
2 continued those ongoing discussions and meetings not  
3 only with the review agencies and municipalities but  
4 also with outside groups, such as the Brodhead  
5 Watershed Association and homeowners associations that  
6 would be affected or believe they would be affected by  
7 our design.

8           We believe that through the conversations  
9 with the different agencies and through our own  
10 extensive experience, and we do have extensive  
11 experience on large-scale projects, that these time  
12 frames that are before you are achievable. The  
13 permits are all achievable. The time frames are  
14 achievable. And the construction is achievable.

15           In regards to land development, in  
16 December of 2005, we --- well, I should say Tobyhanna  
17 was kind enough to allow us to prepare a 22-page  
18 zoning amendment, which the Board of Supervisors  
19 passed, which allowed our facility to be permitted use  
20 within their municipality. It also allowed us to have  
21 a height of 300 feet.

22           We submitted land development plans for  
23 the facility on September 14th. We revised those  
24 plans in October, based on some initial engineering  
25 comments. We received Planning Commission

1 recommendation for approval on November 16th, and we  
2 were before the Board of Supervisors last night, who  
3 made a general motion of support and are meeting with  
4 us again on this coming Monday to review the plan in  
5 full.

6           In regards to water, we have performed  
7 all the necessary investigations. We confirmed our  
8 assumptions, looking at known similar entities, and we  
9 submitted all the applications and are awaiting  
10 review. With the wastewater supply, we have done the  
11 same. Let me state that we have not only met with  
12 state agencies, we have met with the Delaware River  
13 Basin Commission as well. So we have performed all  
14 the necessary investigations. We have met with the  
15 agencies. We have submitted our applications and are  
16 going through the review process right now.

17           In terms of the transportation, we  
18 submitted our initial study to the Board in December  
19 of 2005. We revised that study in July of 2006, not  
20 for the Board but actually for an upcoming meeting  
21 that was with PennDOT and the Federal Highway  
22 Administration. As Greg's slides indicated  
23 previously, we are fortunate to be in close proximity  
24 to some major highway systems. The fortunate part  
25 sometimes becomes double edged when one of them is in

1 Interstate 380 and you have now the Federal Highway  
2 Administration involved. So in this particular  
3 project we have PennDOT, the Federal Highway  
4 Administration, the township and some local concerns,  
5 and we're addressing all of them. So it becomes  
6 somewhat dynamic. But every one of them has admitted  
7 that this is --- has basically said to us it's an  
8 achievable process. So we revised the study in July  
9 of 2006 to --- in preparation for the upcoming meeting  
10 with the Federal Highway and with PennDOT. PennDOT,  
11 at that time, asked us to revise the number from 5,000  
12 slots upward to what we thought would be a potential  
13 full buildout if the legislation were ever to be  
14 changed. That is why, in July of 2006, the number was  
15 changed to 8,000. It was not on our request or our  
16 thought process, but basically the point that was  
17 conveyed to us is that they only want to make those  
18 improvements to the interchange once. And that's  
19 understandable. So we went with that conservative  
20 approach. And that's not unlike a lot of the other  
21 conservative approaches we've made throughout this  
22 entire process.

23 PennDOT and the Federal Highway  
24 Administration and township met with us on September  
25 13th. We met again with some local homeowner

1 associations, one of which may have a relocated access  
2 as per direction from PennDOT. We revised our traffic  
3 impact study again on November 6th in response to the  
4 Gaming Hearing Board's traffic consultant. And we  
5 revised it again on November 21st, in response to the  
6 traffic consultant. We believe that we have been  
7 actively and aggressively pursuing all permits that  
8 are necessary for this project, and we believe that,  
9 again, that they are all achievable.

10           In regards to the previous testimony of  
11 your traffic consultant, let me first agree that we  
12 have done an extensive study. I think if you look at  
13 the breadth and the depth of all the information  
14 that's been provided to this Board, you would agree  
15 that this client has done their homework. We are  
16 dealing with four different groups, as I stated. That  
17 makes a dynamic process. But the process is  
18 converging to a solution, and that is the point, that  
19 we evaluate each one of their options. We've done  
20 maybe four or five different scenarios as this point,  
21 and we're closing in on the solution. And with the  
22 Board's providing us a license, we'll actively pursue  
23 to complete that process as readily as possible.

24           We have submitted a temporary casino  
25 permit application on November 3rd to PennDOT which

1 will allow us to open the temporary casino, and will  
2 also allow us to construct the full casino while the  
3 rest of the designs and construction are ongoing for  
4 the other roadway improvements.

5           The roadway improvement design is  
6 scheduled to be completed by early 2008, and we  
7 believe the construction can be completed by 2009.  
8 Again, these are not --- as I stated in a previous  
9 response, I believe, this is a privately-funded  
10 project. There is no government money. Therefore,  
11 the process gets streamlined, and it alleviates a  
12 number of studies.

13           One of the points that was made in a  
14 submission that was given to the Board by an  
15 opposition group was that we needed a point of access  
16 study. That is not correct. The Federal Highway  
17 Administration has reviewed our application and said  
18 we are --- that is not necessary. So that takes out a  
19 large portion of the time frame.

20           There was --- we believe, again, that the  
21 approvals are achievable. And there are some  
22 deficiency levels, as noted by your transportation  
23 engineer, but I'd like to note that those deficiencies  
24 were worse in the existing or projected existing  
25 scenario without us. So we've actually improved those

1 intersections, which is what PennDOT asked us to do.  
2 Yes, they may operate it at D, but they were operating  
3 at F now or they were predicted to operate at F in the  
4 near future. That's about a wrap of it.

5           The time frame, I think I predicated the  
6 time frame. But again, we'll be achieving that  
7 temporary casino application --- or a temporary casino  
8 HOP in the very near future. We believe that we can  
9 complete the design for the full improvements in early  
10 2008, and construction can be completed in 2009, which  
11 should match all the deadlines and goals of this body.

12           CHAIRMAN DECKER:

13           Thank you.

14           ATTORNEY CARROLL:

15           Mr. Chairman, with your permission, Mr.  
16 Matzel would like to go back and just complete his  
17 statement on a couple of points to the Board.

18           CHAIRMAN DECKER:

19           Sure.

20           ATTORNEY MICHAEL:

21           One more procedural point before that as  
22 well. After that, with time permitting and at the  
23 Board's discretion, there's a video presentation.

24           CHAIRMAN DECKER:

25           Your last witness?

1                   ATTORNEY MICHAEL:

2                   Yes, this will be the last witness.

3                   CHAIRMAN DECKER:

4                   Great.

5                   ATTORNEY MICHAEL:

6                   In preparation for the video  
7 presentation, however, some of the people on the video  
8 didn't testify personally here today but were sworn in  
9 as part of the group swearing in, so we'd request that  
10 that information be considered sworn.

11                   CHAIRMAN DECKER:

12                   That's fine. No objection?

13                   MS. NEEB:

14                   No objection.

15                   MR. MATZEL:

16                   As she's pulling up the comparative  
17 analysis, one of the points I wanted to point out  
18 also, last night, at the Board of Supervisors  
19 meetings, the Board voted five to zero in favor of  
20 supporting our project and communicating their support  
21 to the Commission here today. And we have a letter  
22 that was hand carried here by Mr. Manfraydi, the  
23 township administrator and representative. And I  
24 think --- have we given that in? And we have provided  
25 the Board a copy of that letter. And we're just

1 waiting for this to load it looks like. Just one  
2 moment.

3 OFF RECORD DISCUSSION

4 MR. MATZEL:

5 What we just wanted to quickly do is do  
6 some comparing and contrasting between ourselves and  
7 the other applicants or some of the applicants in some  
8 of the areas. And as I stated earlier, this was  
9 somewhat of a difficult task for our team because a  
10 lot of the information that we would like to have  
11 contrasted was not allowed public disclosure by Mt.  
12 Airy and some of the other applicants. So to the  
13 extent that we have numbers that aren't 100 percent  
14 accurate, I apologize up front. But we've had to draw  
15 them from their press releases, in some instances from  
16 the township, and in some instances you'll see things  
17 that we have not, indeed, not disclosed. The Board  
18 may be privy to some of that information, but we have  
19 been unable to obtain it.

20 So I think one of the biggest things  
21 right off the bat is understanding the difference in  
22 the economic model and the business model. I mean,  
23 clearly, we're a destination resort and convention  
24 center. Mt. Airy Lodge is a convenience slot  
25 parlor/casino. Gettysburg falls to a great degree in

1 that same convenience category. As Mike Pollack had  
2 pointed out, capital investment is the single driver  
3 that creates bringing in greater business, greater  
4 revenues to an area. Our project, in total, in the  
5 first few phases, is \$1.4 billion. That breaks down  
6 \$750 million for the hotel, casino and convention  
7 center, approximately \$250 million in the retail and  
8 dining and entertainment and about \$450 million in the  
9 timeshares. We looked through our reports --- and I'm  
10 just going to run through these quickly. We create a  
11 total of approximately 4,000 jobs. Mt. Airy  
12 originally came out and said they create 650. We saw  
13 a press release a week-and-a-half ago. They now say  
14 they create 950. We're not sure what changed in their  
15 project to increase the jobs. And Gettysburg reports  
16 923, including on site and off site.

17           We've demonstrated in our reports during  
18 construction that we create 5,345 construction jobs.  
19 Mt. Airy's original release is, they stated, 2,500.  
20 Last week they came out with a statement, or a week-  
21 and-a-half ago, that they now create 6,000  
22 construction jobs. We haven't seen any change in  
23 their development plans. I'm not sure how a 200-room  
24 slot parlor can create a thousand more construction  
25 jobs than the scope of our project. But again, we

1 weren't given the benefit of being able to get their  
2 reports to really digest and provide the Board with a  
3 more direct comparison. And Gettysburg lists  
4 approximately 1,400 construction jobs.

5           There will be almost 2,000 additional  
6 employees to outside businesses that will service us  
7 and service the meeting and convention business within  
8 the area. Other hotels will have to increase their  
9 staffs. Restaurants will have to do the same in order  
10 to be able to service those visiting visitors for the  
11 convention business. We will wind up increasing the  
12 direct visitor spending approximately 40 percent over  
13 the current rates that the Pocono Manor --- I'm sorry,  
14 the Pocono Mountain Visitors Bureau is demonstrating.  
15 We're also looking at having a 30-percent increase in  
16 the region's payroll in jobs created within the  
17 tourism industry. Again, other hotels having to add  
18 new employees in order to be able to service their  
19 higher occupancies and so forth. Gettysburg put out a  
20 statement that they have about a \$224 million regional  
21 economic impact, but we didn't see the basis of it.

22           Pocono Manor has, based on 90 percent  
23 occupancy, roughly 246,000 room nights available. Mt.  
24 Airy Lodge, 65,000. Obviously, it's pretty easy to  
25 understand. More room nights and more people in a

1 facility equal more gaming revenue. Gettysburg has  
2 approximately 73,000 room nights available.

3           Our facility will see annual visitors of  
4 approximately 5.7 million visits, 3.7 million coming  
5 to the resort and the convention center. Our retail  
6 will draw an additional 2 million annual visits. Mt.  
7 Airy Lodge hasn't put out any real numbers that  
8 they've disclosed that we've been able to find.  
9 Gettysburg demonstrates a number in some of their  
10 releases of 2.2 million.

11           The convention spending a year off  
12 premises --- and this is really the significant  
13 definer between us and almost all the competitors out  
14 there. Convention attendees will spend \$200 million a  
15 year outside of our property boundaries. That's on  
16 hotel rooms, lodging, its meetings, its office  
17 supplies. It's things that we're not even thinking  
18 about, like the local gas station and the local  
19 convenience store, florists, staples, paper goods.  
20 It's just unbelievable the amount --- and it's all  
21 midweek. And they tend to come for 3.5 days, okay,  
22 which is what the area is dying for. None of our  
23 other competitors have that component. Our convention  
24 attendees will occupy outside of our property  
25 boundaries up to 456 room nights a year at other

1 hotels in the area. We hear a lot about, oh, we  
2 designed our facility to be smaller, not to compete.  
3 The bottom line is, as you've heard here in testimony  
4 today, unless you design a world-class facility to  
5 compete not just with that which is in Pennsylvania  
6 but within the adjoining states, you're not going to  
7 draw the repeat business. You're not going to draw  
8 from the wider areas. None of our competitors are  
9 drawing that meeting and convention business with all  
10 those discretionary dollars that aren't coming just  
11 for gaming. Now, will those people come and  
12 convention attendees gamble while they're here? Sure,  
13 a percentage of them will. But the dollars that they  
14 bring into this marketplace are staggering.

15           Annual gaming revenue, we've had a hard  
16 time --- I won't run through the numbers here. I know  
17 the Board has them. In nailing down where Mt. Airy's  
18 is and Gettysburg, we weren't able to get accurate  
19 disclosure of their gaming revenues. We open up with  
20 1,500 slot machines in 2007, the end of 2007, in the  
21 temporary casino, as construction commences. As Andy  
22 mentioned, we've already applied for and are in the  
23 approval process for our highway opening permit. And  
24 we fully anticipate having that facility open next  
25 year and then being able to construct the balance of

1 the resort and all of the traffic-related improvements  
2 over the ensuing 24 months after that.

3           We have over 1,023 parking spaces for our  
4 temporary facility. You know, Mt. Airy has, I think  
5 on one of the reports, 1,500 total parking spaces.  
6 It's hard to comprehend how they're going to do the  
7 business that they've stated in some of their releases  
8 with so little parking and amenities.

9           Casinos One and Two, in our facility  
10 designed to escalate to the 5,000 slot limit based  
11 obviously on the parameters of the legislation. We're  
12 not really sure, Mt. Airy's original approvals with  
13 the township, all of their reports showed 2,400 slot  
14 machines. We've seen some reports come out that say  
15 3,000 machines. We've --- we're not even sure what  
16 their net and their gross casino floor areas are, so  
17 it's hard. We have a two-level players' lounge in our  
18 facility. We've seen nothing in Mt. Airy's or  
19 Gettysburg's in terms of players' lounge. And player  
20 development is very important in terms of player  
21 reward. With the high tax rate, there's a lot of  
22 things that we have to do differently in order to be  
23 able to compete with the other states. We can't give  
24 the freebees away that the other states can do, and I  
25 know the Board is aware of that. So we can do it

1 intrinsically by virtue of our other amenities, okay.  
2 For us, things like our golf course, things like  
3 horseback riding, things like golf and skeet and fly  
4 fishing, things like the players' lounge, which have  
5 little cost associated beyond our initial capital  
6 investment into it, but have significant value to the  
7 player. And that's also what differentiates us, is  
8 that amenity offering functions as a marketing tool to  
9 be able to compete with the other states. You know,  
10 the casinos in Atlantic City can't give you golf on  
11 its site. They can't give you fly fishing. They  
12 can't give you snowmobiling. If you've got kids, they  
13 can't get your kids over to Camelback and let them go  
14 skiing in the winter or go to the water park in the  
15 summer. We can do all of those things to be able to  
16 compete and overcome that comp differential.

17           Hotel rooms, 750 as I mentioned earlier,  
18 with 146 suites. Mt. Airy's at 200. Gettysburg at  
19 224. Clearly, it has an effect on volume of revenue.  
20 Retail space, we have 43,000 inside the casino resort  
21 as part of the initial \$750 million development. And  
22 we haven't seen anything in the Mt. Airy or Gettysburg  
23 plans.

24           Quickly, in our initial phase is seven  
25 restaurants. Three of those are gourmet, pool grotto,

1 three nightclubs. Our fitness center is a 3,500  
2 square foot fitness center, 20,000 square foot spa.  
3 Our indoor pool and another big differentiator, we  
4 have on-site tennis, none of the other applicants do,  
5 and clearly the event arena and the ability to hold  
6 all kinds of national events of many sizes and  
7 categories. 1,800-seat theater, none of them have  
8 that, the convention space again. And I think that  
9 really --- I'm going to kind of leave off with that  
10 because the balance of the information clearly I know  
11 the Board has. And we think there's significant  
12 differences between us, and we appreciate the Board's  
13 consideration. And we're here to answer any questions  
14 now that the Board may have.

15 CHAIRMAN DECKER:

16 Do you want to show us the video or do  
17 you want to ---?

18 ATTORNEY CARROLL:

19 Yes. Yes. Yes, Mr. Chairman, we'd like  
20 to --- unless you'd like to take a break first? Just  
21 go right into it?

22 CHAIRMAN DECKER:

23 Go ahead and do it, and then we'll take a  
24 break.

25 VIDEOTAPE PRESENTATION BEGINS

1                   VOICEOVER:

2                   The Pocono Manor Resort, Casino and  
3 Convention Center is the largest, most comprehensive  
4 gaming proposal in the Commonwealth of Pennsylvania.  
5 The vision of the Pocono Manor Resort and Casino  
6 management team includes the development of a  
7 world-class destination resort, featuring a convention  
8 center and amenities designed to create the greatest  
9 amount of jobs, revenues, taxes and economic spillover  
10 for the Commonwealth and the Pocono region. Our goal  
11 today is to demonstrate how the Pocono Manor Resort  
12 and Casino Project far exceeds the potential of that  
13 of its competitors, most specifically the nearby Mt.  
14 Airy Lodge and Crossroads Gaming proposals.

15                   MR. MATZEL:

16                   One of the purposes of Act 71 was to  
17 award licenses to the proposals that generated the  
18 greatest amount of tax revenue for the Commonwealth of  
19 Pennsylvania. When you compare the revenues generated  
20 by Pocono Manor Resort, Casino and Convention Center  
21 to those of the Crossroads and Mt. Airy proposals, the  
22 difference is staggering.

23                   VOICEOVER:

24                   In fact, over a 15-year period Pocono  
25 Manor Resort and Casino will pay over \$3.4 billion in

1 taxes, over \$1.5 billion more than that of the Mt.  
2 Airy Lodge property. The resort, casino and  
3 convention center alone will create approximately  
4 2,000 new jobs, generating a direct casino/hotel  
5 payroll of about \$36.7 million. Also, it will provide  
6 another 2,000 jobs in the retail village, golf villas  
7 and timeshares and over 1,900 indirect jobs, resulting  
8 in a total annual payroll of about \$147.7 million.  
9 During construction, over 5,300 jobs will be created,  
10 with a payroll of \$267 million. Subsequently, it will  
11 become the largest employer in the region.

12 MR. MATZEL:

13 Dennis Gomes, Morris Bailey, our entire  
14 management team and I are committed to diversity in  
15 the workplace. It will be an ongoing commitment of  
16 the entire Pocono Manor management team, each of whom  
17 have proven their dedication to diversity throughout  
18 their careers.

19 MS. BOKUNEWICZ:

20 At the Tropicana in Atlantic City, we had  
21 over 4,000 employees, and 47 percent of them were  
22 women, and 63 percent of them were minorities, which  
23 was an excellent diverse group of employees. And we  
24 had one of the highest ratios of women on the  
25 executive team of any other casino in Atlantic City.

1                   VOICEOVER:

2                   Equally as important is Pocono Manor's  
3 management team's dedication to responsible gaming  
4 policies, programs and affiliations. Pocono Manor  
5 will have responsible gaming policies, programs and  
6 affiliations to help and support problem gamblers. As  
7 one of the most recognized casino executives  
8 advocating responsible gaming programs, Dennis Gomes  
9 has demonstrated his commitment to these important  
10 programs time and time again. Arnie Wexler, a  
11 recovering compulsive gambler, has dedicated his life  
12 to responsible gaming and recognizes the importance of  
13 integrating responsible gaming programs into daily  
14 casino operations.

15                   MR. WEXLER:

16                   I'm a recovering compulsive gambler. I  
17 placed my last bet on April 10th, 1968. And I've been  
18 working with compulsive gambling and compulsive  
19 gambling issues for over 38 years right now. I was  
20 the past executive director of the Council on  
21 Compulsive Gambling of New Jersey for eight years.  
22 And we've trained over 35,000 casino workers  
23 nationally and internationally. Dennis Gomes won the  
24 Educational Award from the New Jersey Council on  
25 Compulsive Gambling. I believe it was the year 2002.

1 And that was given to him, because he funded  
2 videotapes that the New Jersey Council on Compulsive  
3 Gambling uses in the educational program in the  
4 elementary and high schools in the State of New  
5 Jersey.

6 VOICEOVER:

7 One of the many advantages of the Pocono  
8 Manor Resort, Casino and Convention Center is the  
9 sheer size of its property. It's 3,000 acres,  
10 situated in Pennsylvania's fifth highest-ranked  
11 tourism market, will offer the widest array of  
12 amenities and nongaming facilities of all the  
13 proposals, allowing it to compete with  
14 nationally-known resorts and gaming facilities.

15 MR. PERRY:

16 Size is important because the casino  
17 resorts in the neighboring states are providing a lot  
18 of entertainment products and a lot of variety for the  
19 visitors there. And people enjoy visiting those  
20 casinos, but if a new casino like Pocono Manor  
21 provides that set of variety that's available with  
22 these other resorts, as well as additional  
23 entertainment products, then those visitors will spend  
24 some of their time and some of their visits and some  
25 of their budgets at the resort at Pocono Manor.

1                   MR. MOROWITZ:

2                   A billion-dollar project will be more  
3 than just a locals casino. It will drive patronage  
4 from well beyond the borders of Pennsylvania. So in  
5 terms of economic development, the ability to bring  
6 dollars in from outside of Pennsylvania's borders, and  
7 not just trade dollars, trade discretionary dollars  
8 from within the borders, I think lifts up the entire  
9 economy of Pennsylvania. It's, you know, the world  
10 trade argument, you know, localized to Pennsylvania.

11                   MR. MATZEL:

12                   One of the main advantages of the Pocono  
13 Manor Resort, Casino and Convention Center over the  
14 Mt. Airy Lodge and Crossroads proposals is the fact  
15 that the Pocono Manor proposal is a destination resort  
16 and convention center with gaming facilities.

17                   MR. MOROWITZ:

18                   A convenience casino is a casino that  
19 is --- that draws its customer base from close-in  
20 markets, usually within 30 to 40 miles away. It has a  
21 much smaller asset base than a destination casino. It  
22 is gaming-centric. It is basically selling gambling.  
23 A destination property is something that is more of a  
24 mixed-use, full-service type of property that draws  
25 customers from much wider distances, typically up to

1 an hour, two hours, and sometimes three hours away,  
2 that has a wider breadth of assets. It's selling more  
3 than just gaming. It's selling entertainment.

4           The Pocono Manor project will provide  
5 Pennsylvania with a much greater return because of the  
6 breath of its assets. Not only will they drive higher  
7 revenue --- higher gaming revenue, they'll drive  
8 higher nongaming revenues, which will be subject to  
9 other taxes, such as sales taxes. They'll drive a  
10 much larger cash flow on that income, which are  
11 subject to all the other, you know, Commonwealth  
12 taxes, corporate taxes, et cetera, and they'll have  
13 much larger payrolls. So overall, the financial  
14 returns to Pennsylvania from a Pocono Manor project  
15 are much higher than the Mt. Airy project, which is  
16 going to have a much smaller breadth of assets, lower  
17 employment, lower revenues, lower cash flows.

18           VOICEOVER:

19           The executive director of the Pocono  
20 Mountains Vacation Bureau was cited in a December 2005  
21 Pocono Record article that the addition of a  
22 convention center to the Pocono region would help the  
23 Vacation Bureau realize its goal to boost midweek  
24 convention business in the Poconos. The Pocono Manor  
25 Resort and Casino will provide the region's first

1 convention center, offering up to 120,000 square feet  
2 of meeting space and capable of accommodating groups  
3 of up to 6,000 people that will generate up to \$398  
4 million in local spending on nongaming services. It  
5 will be the largest convention hotel in northeast  
6 Pennsylvania, designed to compete with established  
7 convention centers in Atlantic City and New York City.  
8 Neither Mt. Airy Lodge nor the Crossroads gaming  
9 facilities include a convention center or meeting  
10 space of significance.

11 MR. POLLACK:

12 Having a convention facility at Pocono  
13 Manor benefits the region in a number of ways. First  
14 of all, it does attract midweek business that would  
15 otherwise not come to the region, and it would attract  
16 it in significant numbers. And these adults, and they  
17 are by and large going to be adults, are going to be  
18 looking for a number of things to do while they're  
19 there. And they do tend to spend money in a number of  
20 different cash registers, if you will, from dining to  
21 entertainment, to sightseeing to gaming itself.

22 VOICEOVER:

23 Again, neither the Mt. Airy nor  
24 Crossroads proposals offer any plans for a major  
25 entertainment venue in their current application.

1                   MS. NIELSON:

2                   I think the Pocono Manor Project is  
3 unique in that it will attract a variety of  
4 entertainment to this beautiful area. And also they  
5 have so much to offer in their plans because they're  
6 planning an 1,800 seat theater and a venue that will  
7 seat 5,000, that can be scaled down to 3,000.  
8 Entertainers, when they tour, they have their choice  
9 of where they can go. And maybe there's 15 or 16  
10 dates they're going to do. And the routing is  
11 absolutely perfect for the Poconos.

12                   MR. NEWTON:

13                   The Pocono region needs a major icon  
14 resort to reestablish the market's perception of the  
15 area as a premier leisure destination. And it is the  
16 intent of the Pocono Manor Resort and Casino to  
17 deliver on that need with a truly spectacular  
18 destination design, which will then raise the bar for  
19 all the projects in the competing Atlantic City and  
20 Connecticut markets.

21                   VOICEOVER:

22                   Perhaps the most compelling advantage the  
23 Pocono Manor proposal has over the Mt. Airy and  
24 Crossroads properties is its location. First and  
25 foremost, the Pocono Manor property will draw upon the

1 major northeast feeder markets of New York, New Jersey  
2 and Connecticut. Conversely, Crossroads' gaming  
3 resort will directly compete with two planned casinos  
4 in Philadelphia. Like the Philadelphia casinos,  
5 Crossroads will be looking to draw clients from the  
6 same southern feeder markets of Baltimore, Maryland,  
7 Washington, D.C. and the Virginia metro area. In  
8 addition, they will compete for the Philadelphia and  
9 New Jersey markets to the east. In fact, opponents of  
10 the Crossroads gaming resort have, to date, collected  
11 well over 62,000 signatures against the development of  
12 the Crossroads property.

13           The Pocono Manor Resort, Casino and  
14 Convention Center has already begun the process of  
15 ensuring that its development is as sensitive as  
16 possible to the natural environment of the Pocono  
17 region. Extraordinary measures and facilities are  
18 already in the planning stages.

19           MR. CAHILL:

20           Right out of the box, we made about a  
21 decision with our project to be as clean and green as  
22 possible. And we're doing that by building a new,  
23 state-of-the-art, tertiary-treated sewage treatment  
24 plant, which is the highest quality, drinking water  
25 quality. Then we will take that water and reuse it.

1 And we're going to reuse it by storing it in water  
2 features on our golf course and using it to spray  
3 irrigate the golf courses. We're building athletic  
4 fields for Tobyhanna Township. We're going to use it  
5 to irrigate those areas. We're also going to irrigate  
6 all the landscaping areas on our site. And we've come  
7 up with some unique things. Art Berry, the owner of  
8 Camelback, and myself came up with a way to take our  
9 recycled water stored in our lagoons, which are  
10 actually water features on our west golf course and to  
11 convey it via pipeline in December, when he needs it,  
12 to convey that water to Camelback in such a manner  
13 that they will be able to make snow with it on the ski  
14 mountain.

15 VOICEOVER:

16 In addition to a total project investment  
17 of \$1.4 billion, the Pocono Manor Resort Casino is  
18 also focused on supporting regional and local  
19 community services. This includes the dedication of  
20 15 acres of land to the Monroe County Transportation  
21 Authority for the intermodal bus and rail station, 30  
22 acres to Tobyhanna Township for athletic fields,  
23 funding for specialized training for the local fire  
24 department, plus the purchase of a new ladder truck,  
25 and the provision of one acre of land for on-site EMS

1 services. But most significantly, the Pocono Manor  
2 Resort and Casino's location at the junction of Routes  
3 380, 940 and 314 is at the heart of the region's  
4 highway travel infrastructure.

5           The Pocono Manor's highway location is  
6 far superior to the Mt. Airy location. The Mt. Airy  
7 property sits on the two-lane Woodland Road, a small  
8 country road, already congested with traffic, and is  
9 approximately five miles from the nearest interstate  
10 access. Increased traffic in the already crowded Mt.  
11 Airy area will only serve to further tax the existing  
12 infrastructure and the residents and visitors who must  
13 navigate it.

14           MR. BENNETT:

15           The problem with the competitive proposal  
16 is that it requires the majority of traffic to go  
17 along already extremely congested roadway systems.  
18 And the roadway systems are congested just naturally.  
19 And then you add into the roadway the major  
20 manufacturer that Avantis is. You add into that  
21 scenario the school system and its special events on a  
22 Friday or a Saturday evening. You add into that  
23 scenario the way the Five Points is, which is a major  
24 problem in that area in Mt. Pocono that is always ---  
25 people are always trying to renovate. I don't see how

1 this project could do anything but cause that traffic  
2 system to fail.

3 VOICEOVER:

4 Additionally, the Pocono Manor team's  
5 dedication of 15 acres of land to the Monroe County  
6 Transportation Authority will realize the vision of an  
7 intermodal transportation network that will serve the  
8 entire area.

9 MR. HAY:

10 I have had several conversations with  
11 Greg Matzel about putting in an intermodal center.  
12 And when we talk about an intermodal center, we're  
13 talking not only about the train service coming in but  
14 we're talking about the commuter buses, we're talking  
15 about taxi service, and also we're talking about our  
16 local and county transit system to be able to tie all  
17 the modes of transportation into one center.

18 VOICEOVER:

19 Most glaring, however, is the Mt. Airy  
20 property, which is already under construction within  
21 sight of and adjacent to the Pocono Mountain School  
22 District East Campus, Pennsylvania's 11th largest  
23 school district, educating over 12,000 students.  
24 Approximately 400 school bus trips per day travel to  
25 and from this campus. Nowhere else in the country

1 could there be found a commercial casino neighboring  
2 an elementary, middle or high school.

3 MR. BENNETT:

4 That interchange or intersection of  
5 Woodland Road and 611 is along the school district.  
6 In fact, the school district's property adjoins  
7 Woodland Road in a number of locations. And it is our  
8 understanding that the school district plans to build  
9 a new elementary school along Woodland Road, at the  
10 northeast section of their property. That property is  
11 also adjoining the competitor's proposal. These  
12 locations would have inevitably cause traffic  
13 conflicts, also placing school district children in  
14 close proximity to a gambling venue.

15 MR. MATZEL:

16 The Pocono Manor management team could  
17 have simply added slot facilities to the existing  
18 257-room Pocono Manor Inn. This would have cost us  
19 significantly less money to construct but still would  
20 have been larger than the competing Mt. Airy and  
21 Crossroad proposals, none of which meet as many goals  
22 of Act 71 as does the Pocono Manor Resort Casino and  
23 Convention Center.

24 CHAIRMAN DECKER:

25 Okay.

1                   ATTORNEY CARROLL:

2                   Mr. Chairman, thank you very much for the  
3 attention of yourself and the Board. At this point,  
4 we have no further witnesses, but we would certainly  
5 be available for questions. And we also have  
6 exhibits, obviously, to enter into the record.

7                   CHAIRMAN DECKER:

8                   Ann, do you want to ---?

9                   MS. NEEB:

10                  I think we have stipulations, unless they  
11 have exhibits they introduced today during the hearing  
12 that they want to add.

13                  CHAIRMAN DECKER:

14                  You have some exhibits?

15                  ATTORNEY MICHAEL:

16                  Yes. At the outset of the hearing, we  
17 had introduced Exhibits One through Nine into  
18 evidence. I believe we have Exhibits, now, 10 through  
19 16.

20                  MS. NEEB:

21                  Okay.

22                  ATTORNEY MICHAEL:

23                  And we'd move those into evidence as well  
24 as this point.

25                  MS. NEEB:

1 We have no objection.

2 CHAIRMAN DECKER:

3 Second, please?

4 MR. MARSHALL:

5 Second.

6 CHAIRMAN DECKER:

7 Thank you. All in favor?

8 AYES RESPOND

9 CHAIRMAN DECKER:

10 Any opposed? Motion carries. They're  
11 admitted to evidence. Thank you.

12 Now, why don't we open it up to  
13 questions, if that's okay with staff, and then we'll  
14 come back to staff. Any questions from the Board?

15 MS. COLINS:

16 Mr. Chairman?

17 CHAIRMAN DECKER:

18 Yes, please.

19 MS. COLINS:

20 I guess I'll kick it off.

21 CHAIRMAN DECKER:

22 Go ahead.

23 MS. COLINS:

24 All right. As I've listened to your  
25 presentation and your video and considered all the

1 evidence you've offered today, I'm impressed with the  
2 grandness of the design, the largeness of the project  
3 and I think of that movie Field of Dreams, build it  
4 and they will come, that type of theory. And then I  
5 look at the chart that you've offered, the PMRC  
6 Difference Economics, and one of the potential issues  
7 I want to ask you about is the possible lack of  
8 synergy that your project would have with the existing  
9 businesses and Pocono tourism. Let me ask you a few  
10 questions about your chart economics, specifically ---  
11 do you know what chart I'm talking about? It's the  
12 PMRC difference, the economics chart. And I'm looking  
13 at number five, employees to outside businesses. And  
14 you show 1,944 as a number. I'm assuming those are  
15 the number of employees that will be working in  
16 businesses outside of your project, your property? Is  
17 that what that means?

18 ATTORNEY CARROLL:

19 Excuse me, Judge Colins, but could you  
20 just give us the page number on the bottom so we  
21 know ---?

22 MS. COLINS:

23 I don't have one. It's the PMRC  
24 Difference. It's at the ---. Okay. I don't know who  
25 you want to --- maybe an economist or someone from

1 Spectrum would want to address this.

2 MR. POLLACK:

3 Real quickly, ---.

4 MS. COLINS:

5 So that 1,944 number represents jobs in  
6 businesses outside of your project; correct?

7 MR. POLLACK:

8 The essential source of that, there will  
9 be approximately --- there's 2,000 people who will be  
10 employed by the casino/hotel themselves. It's 1,471  
11 FTEs on site at the casino/hotel, which translates  
12 into about 2,000 positions, and some of them will be  
13 part time.

14 MS. COLINS:

15 So then ---?

16 MR. POLLACK:

17 Let me get to it. There's another 2,000  
18 that will be --- that Vibrant Development Corporation,  
19 a retail consultant, estimated would be employed at  
20 the retail facility that would come at a later phase.  
21 So that's a total of about 4,000 direct. We've  
22 applied what we consider to be a standard and rather  
23 conservative multiplier to that of 1.5 to get the  
24 indirect and induced employment.

25 MS. COLINS:

1                   So then 1,944 is the indirect employment  
2 number for people who will be employed within your  
3 project?

4                   MR. POLLACK:

5                   No, no. Other businesses. This is for  
6 third parties.

7                   MS. COLINS:

8                   Are you talking about the retail business  
9 that you're going to development? Are you talking  
10 about other businesses ---?

11                   MR. POLLACK:

12                   No. This will be in any number of areas,  
13 from suppliers to the casino/hotel, to suppliers to  
14 retail, to housing and public sector jobs and so  
15 forth. So it's all the indirect and induced  
16 employment.

17                   MS. COLINS:

18                   I'm thinking of existing restaurants off  
19 of your site, how will you impact the hospitality  
20 business that is not part of your project?

21                   MR. POLLACK:

22                   Essentially, in large degree, we  
23 anticipated that those are exactly the types of  
24 businesses that, in part, are going to benefit from  
25 the convention element of it and from just generally

1 as the business grows. And we anticipate the number  
2 of visits to --- 1.4 million adults are going to be in  
3 the area. Not all of them are going to be spending  
4 all their money at Pocono Manor, clearly. So there's  
5 going to be effective demand for a number of  
6 businesses. Restaurants, I would argue, are probably  
7 one of the primary beneficiaries, but they're  
8 certainly not the only ones.

9 MS. COLINS:

10 All right. And do you tell me that as a  
11 result of your expertise?

12 MR. POLLACK:

13 And experience in ---.

14 MS. COLINS:

15 And item six, overall incremental  
16 economic impact to region. Look at the 30 percent  
17 increase in the region's payroll and jobs created in  
18 the tourism industry.

19 MR. POLLACK:

20 As I recall, we looked at the ---  
21 essentially applying the impact that Pocono Manor  
22 would have, overlaying it on top of the existing  
23 Pocono region's employment base.

24 MS. COLINS:

25 And how do you get there? How do you get

1 to 30 percent? That's what I want you to tell me.

2 MR. POLLACK:

3 Well, as I recall, we looked at the  
4 existing payroll and looked at the incremental payroll  
5 from this project and multiplied it essentially.

6 MS. COLINS:

7 And is that a standard practice in the  
8 casino and/or tourism and hospitality industry,  
9 that ---?

10 MR. POLLACK:

11 It certainly is one that we do, so I  
12 would argue that it is, to some degree or another,  
13 yes.

14 MS. COLINS:

15 Just one more and then I'll give this up.  
16 Convention business --- next page, convention business  
17 projections for room nights per year off premises to  
18 others.

19 MR. POLLACK:

20 Right.

21 MS. COLINS:

22 Are you talking about the people who will  
23 come to conventions who will use rooms other than your  
24 facilities use?

25 MR. POLLACK:

1           Let me be careful on this as well. We  
2 looked at the estimated number of convention visitors,  
3 convention and meeting attendees at events to be held  
4 at Pocono Manor, and then we looked at the number of  
5 available room nights that will be allocated in  
6 conversation with management towards these. And then  
7 we looked at, in order to meet that demand, what level  
8 of overnight visits would have to be generated to  
9 other facilities. And I do want to point out that, as  
10 is their privilege in pulling this stuff out of our  
11 report, they did use the best case of up to 456,000.  
12 We ran three scenarios, as I recall, and --- for  
13 example, the number of rooms per night --- now, up to  
14 the range of 750, up to 3,100. That's based on  
15 depending what the occupancy rates would be. The  
16 details as to how we calculated this are in the  
17 report, but again, the 456,000 would be the best case  
18 in terms of the number of convention attendants.

19           MS. COLINS:

20           Just one final question. Have you  
21 considered what, if any, impact there would be on your  
22 project if there was gaming in the Catskills, if there  
23 were projects in the Catskills?

24           MR. POLLACK:

25           Well, in the Catskills, number one, we

1 anticipate that right now there would be one --- right  
2 now it looks like there will be one casino/hotel in  
3 the Catskills, a Class III. And in calculating the  
4 number of visitors that would likely come to Pocono  
5 Manor, we did run various scenarios. And yes, we did  
6 take that into account as being, I would argue, a  
7 likelihood. I think we took that into account in all  
8 three of our scenarios. That's correct.

9 MS. COLINS:

10 Thank you.

11 CHAIRMAN DECKER:

12 Please. Thank you.

13 MR. MARSHALL:

14 Switch gears just a little bit. Do I  
15 understand that you anticipate getting to 5,000  
16 machines by 2009, when you open?

17 MR. MATZEL:

18 No. 3,000 we'll open with. We designed  
19 the facility to house 5,000 from the start. I had  
20 indicated in my testimony earlier we're aware that  
21 there is a statutory time --- an amount of time you  
22 must be open, and there's an approval process. We've  
23 allowed for that expansion in the area that we're  
24 constructing, but all of the assumptions are run with  
25 the 3,000 number on opening.

1                   MR. MARSHALL:

2                   Okay. So trying to do apples and apples,  
3 your projection is about, by my count, about \$80  
4 million a year more in the stabilized year than our  
5 task force? I think 270 to 190, is that ---?

6                   MR. POLLACK:

7                   The difference in the revenue  
8 projections?

9                   MR. MARSHALL:

10                  Yes.

11                  MR. POLLACK:

12                  We did have conversations just recently,  
13 just towards the end of last week, with staff, and we  
14 actually are very supportive of their projections.  
15 They made it clear that they were looking --- the term  
16 was used a plain vanilla project from the outset in  
17 terms of what the Pocono region would generate in  
18 terms of revenue. And clearly, we endorse their  
19 findings because when you add in these various  
20 elements, these various other attractions, it can  
21 clearly reach our projections. And as I recall, ---  
22 in fact, our worst case was below their projections.  
23 So we're very comfortable with achieving those revenue  
24 projections.

25                  MR. MARSHALL:

1 Well, but we have to look at it, if  
2 they're right and you're not, I guess the question is,  
3 does the --- because your project is significantly  
4 higher in total cost than the two places you compared  
5 with. So if it is 190, what happens to your deal if  
6 the task force estimates are right?

7 MR. MATZEL:

8 Well, the task force estimates were based  
9 on a facility designed more like Mt. Airy than us. I  
10 mean, as part of the equation going into the estimate,  
11 you have to look at all the amenities and all the  
12 features of the facility, which is what the Spectrum  
13 Group did. As I understand it, your consultants ran  
14 generic assumptions for the Poconos. I mean, the ---  
15 obviously, the base assumptions our group has agreed  
16 to. For that type of a base, vanilla-box facility,  
17 that's what you would do. You now need to go back and  
18 incorporate into those projections all of the excess  
19 benefit of the convention center, the theater, the  
20 amenities, the amalgamation of all of the facilities  
21 that will draw additional people.

22 CHAIRMAN DECKER:

23 We hear you, but the question is suppose  
24 they're right and you're wrong, that there's a certain  
25 limitation of the marketplace, can you fund the

1 project? Can you still fund Phases IA and IB?

2 MR. MATZEL:

3 Yeah. I mean, we've got all of the  
4 funding for our phases based on our market study, yes.

5 CHAIRMAN DECKER:

6 Excuse me. That was your market study.  
7 My question, and I think Commissioner Marshall's  
8 question, is a little different, and that is based on  
9 the 190 or 200 million, whatever the number is, do you  
10 still have a financial commitment? And I guess that  
11 question is to Merrill Lynch. And can you still make  
12 the project work? And can you still probably move on  
13 to Phases IC, II and III? There's three different  
14 questions, I guess. First of all, do you have a  
15 financial commitment for the Phase I?

16 MR. MATZEL:

17 Well, the answer is yes. If we were to  
18 accept their numbers, you would be building a Mt. Airy  
19 project.

20 CHAIRMAN DECKER:

21 So what you're saying is you don't have  
22 the commitment --- if our numbers are right and yours  
23 are wrong, you don't have a commitment to build the  
24 Phases I and II ---

25 MR. MATZEL:

1 No, we have ---.

2 CHAIRMAN DECKER:

3 --- IA and IB? Just deal with the  
4 financials first. I'm not sure --- then you can talk  
5 about whether you can do it, you know, and get a  
6 return.

7 MR. LAURENCE:

8 I believe I understand what you're  
9 asking. I think I've answered this once before in a  
10 different situation.

11 CHAIRMAN DECKER:

12 I think you did, so you should be  
13 familiar with the question or anticipated it, in any  
14 event.

15 MR. COY:

16 Do you remember the answer?

17 MR. MARSHALL:

18 Don't forget, we have it on tape.

19 MR. LAURENCE:

20 I do, actually. The short answer here is  
21 that the commitments and our belief in the  
22 projections, one of the things I brought up in my  
23 testimony, is that the projections will be sufficient,  
24 given the size and scope of the amenities that this  
25 project provides, that we are confident and we are

1 still committed to building the facility out for the  
2 full 750.

3 CHAIRMAN DECKER:

4 So is that a maybe or is that in terms of  
5 a question?

6 MR. LAURENCE:

7 We are committed --- and I'll tell you  
8 the difference. The difference is that in the other  
9 situation, there was a time lag and they were looking  
10 to prove a market. And this is not the case. In this  
11 situation, we're going out for full financing,  
12 immediately we'll have a fully-funded project from day  
13 one that's part of the project plan.

14 CHAIRMAN DECKER:

15 But what we have is an obligation under  
16 the law to make sure the project is financially  
17 viable, okay. So the question that Commissioner  
18 Marshall and I, and I'm sure everyone on our Board is  
19 also asking, is if our numbers are right and yours are  
20 wrong, all right. If our task force is right and  
21 yours are wrong and it's a limitation of it, is the  
22 project still financially viable and would you still  
23 fund it?

24 MR. MARSHALL:

25 He's got to fund it.

1                   MR. LAURENCE:

2                   My point is that the project is already  
3 funded.

4                   CHAIRMAN DECKER:

5                   So you're committed to this ---?

6                   MR. LAURENCE:

7                   We're committed to this project ---

8                   CHAIRMAN DECKER:

9                   Regardless?

10                  MR. LAURENCE:

11                  --- because we are comfortable with the  
12 current projections. We will take this to the market,  
13 commit to it, all of the funds will be there day one.

14                  CHAIRMAN DECKER:

15                  So you have a full commitment, no matter  
16 what, right?

17                  MR. LAURENCE:

18                  Yes.

19                  CHAIRMAN DECKER:

20                  Okay. Thank you.

21                  MR. MARSHALL:

22                  But my question is just a little  
23 different, and that's what happens to your project if  
24 it turns out to be 190? Is there enough play in the  
25 project --- you know, you make less money or does the

1 thing collapse?

2 CHAIRMAN DECKER:

3 This was our second question, okay. This  
4 goes to the operations.

5 MR. LAURENCE:

6 This really goes to the equity holders at  
7 this point.

8 MR. MATZEL:

9 I mean, at that point the project is  
10 funded and up and constructed. So you know, the  
11 shortest answer would be that we would be looking at  
12 whatever it takes to make the facility viable. I  
13 mean, what you're suggesting --- what I think I'm  
14 hearing the suggestion is, is, hey, what if you get  
15 up, you build this and all of a sudden the revenue  
16 isn't there? And it's the same answer with any other  
17 business in any other area in any other revenue. And  
18 the same thing goes for any other project within this  
19 --- you know, within this process. You're going to  
20 have to figure out you make it work. Clearly, a  
21 facility doesn't go away. The good news is with our  
22 resources, with our amenities and with our product  
23 offering, you've got the most secure and the greatest  
24 amount of insurance and a hedge against that happening  
25 comparative to the other states and the offerings in

1 the other states.

2 MR. BAILEY:

3 I just want to interject a few things  
4 here on the economics. Number one, the preferred debt  
5 has no --- which is the equity, has no need or  
6 obligation to be paid down in that set of  
7 circumstances. And I believe even under the numbers  
8 that you're discussing, we'd have enough to pay off  
9 the basic senior debt of \$550,000, so there wouldn't  
10 be a default.

11 Number one, I'm a little confused because  
12 I happen to believe that the projections that we have  
13 utilized are very conservative, frankly. And I was  
14 told that the drive --- what's it called, the drive-by  
15 analysis, drive-time analysis, did not take into  
16 account the individual project. I'm not even sure  
17 that your staff, who gave those numbers, are saying  
18 that that's what our volume projections are because it  
19 doesn't take into account anything. It doesn't take  
20 into account that we have a highway in front of 380  
21 and some other competitor might have to go five miles  
22 on roads that are clogged up. It doesn't take into  
23 account the retail development. It doesn't take into  
24 account the size and the number of rooms. I don't  
25 think ---.

1                   CHAIRMAN DECKER:

2                   Are you putting the retail and  
3 development in in the first phase?

4                   MR. BAILEY:

5                   No. No. I'm sorry. Well, actually,  
6 there will be some within the hotel/casino itself. It  
7 doesn't take into account the amenities. In other  
8 words, that wasn't meant to specifically detail the  
9 estimated revenues of each of the entities because  
10 that's what we have our consultants who are considered  
11 the most in the country, one of the most reliable and  
12 I believe conservative. So I don't even believe that  
13 your staff meant to say that that's what they believe  
14 that our ---.

15                   CHAIRMAN DECKER:

16                   We'll hear from them in a second.

17                   MR. BAILEY:

18                   Okay. Fine. But in any event, as the  
19 equity backer here, I have full confidence in the  
20 numbers. But we're all businessmen. If they're not  
21 there, --- the equity is there, it will stay there.  
22 If it needs any more, I put it up.

23                   CHAIRMAN DECKER:

24                   Thank you.

25                   ATTORNEY CARROLL:

1           Mr. Chairman, I just want to add one  
2 other thing. The drive-time report that you've  
3 referred to that had those numbers in, we've had  
4 continuing discussions with staff about that, about  
5 these variables and how we are so much different.  
6 There was also a response given to staff that should  
7 be in the file. And I would, you know, strongly  
8 suggest that if you do get the opportunity to look  
9 that over, I think it does explain what we're saying  
10 in a fashion that takes into these variables.

11           CHAIRMAN DECKER:

12           We understand what you're saying. That  
13 wasn't the question. We understand what you're  
14 saying. What we wanted to hear --- it was very  
15 comforting to hear from Mr. Bailey about what he would  
16 do under certain circumstances. So that's all  
17 comforting. But just --- we have an obligation under  
18 the law to understand where you are on this situation.  
19 What other questions do we have, please?

20           MR. ANGELI:

21           I just want to follow up on Commissioner  
22 Colins' comment about jobs. I have several questions  
23 here, but they're all kind of related. We talked  
24 about 4,000 jobs. And are the 4,000 jobs for the  
25 total project, the \$1.4 billion, or is that part of

1 the \$750 million?

2 MR. POLLACK:

3 Well, let me be clear on this. The  
4 casino/hotel itself, I mean, the four walls of  
5 the ---.

6 MR. ANGELI:

7 And I realize there are two parts to  
8 this, the casino jobs, ---

9 MR. POLLACK:

10 Yes, that's correct.

11 MR. ANGELI:

12 --- because you talked about the  
13 full-time equivalents. And that's what I'm going to  
14 try and get ---.

15 MR. POLLACK:

16 1,471 full-time equivalents. We  
17 anticipate that some of those positions for staffing  
18 and other purposes are going to be part time. So  
19 there will be 2,000 individual ---.

20 MR. ANGELI:

21 So roughly 1,500 full-time equivalents.  
22 Is that for the \$750 million or is that for the  
23 total ---?

24 MR. POLLACK:

25 No, that's for the \$750 million.

1                   MR. ANGELI:

2                   That's for the \$750 million.

3                   MR. POLLACK:

4                   And the other 2,000, that came into  
5 account --- we were asked with respect to the second  
6 phase, with respect to the full retail, which I think  
7 at that time that we did the estimate was about  
8 600,000 square feet of projected retail. That was the  
9 additional 2,000 on-site employment.

10                  MR. ANGELI:

11                  So let me --- because I'll get to what  
12 I'm trying to get to. So roughly --- what is the pay  
13 scale, on an average, for those say 1,500 jobs; do we  
14 know?

15                  MR. POLLACK:

16                  Yeah. On average, I think it was around  
17 \$27,000, \$28,000 was the --- \$27,000.

18                  MR. ANGELI:

19                  And from a standpoint of where you're  
20 going to get those employees and where are they going  
21 to live, has someone done an analysis of that, what  
22 kind of housing? Because that's a very difficult  
23 market up there for housing.

24                  MR. POLLACK:

25                  No. And that's true. And while we did

1 not do the housing impact analysis, we think one of  
2 the factors is that the --- there's a number of people  
3 in the area. Because it's a tourism-based economy,  
4 you've got a number of individuals in the area. And  
5 the same factors that make it easy to drive to for  
6 visitors also make it easier to attract employees.  
7 But there is clearly a corp of people in various  
8 capacities familiar with and experienced in the  
9 hospitality industry in that region.

10 MR. ANGELI:

11 Thank you. And just trying to follow up  
12 on the phases, because they got a little confusing as  
13 we moved through here, the amenities offerings, the  
14 golf and the fly fishing and the snowmobiling and the  
15 riding, do they all come in on the first --- are  
16 they ---?

17 MR. MATZEL:

18 They're all preexisting in there today.

19 MR. ANGELI:

20 But I thought when I was looking at the  
21 chart that you're moving a lot of these?

22 MR. MATZEL:

23 Just the equestrian center and one golf  
24 course.

25 MR. ANGELI:

1 Is that all moved in the first phase?

2 MR. MATZEL:

3 The equestrian center will be moved, and  
4 then the golf course will be coming in. It's all part  
5 of that first phase.

6 MR. ANGELI:

7 Thank you. On the waterline out to  
8 Camelback, is that in a certain phase or is that ---?

9 MR. MATZEL:

10 That's part of the first phase.

11 MR. ANGELI:

12 The first phase. And I guess this is a  
13 question --- what is the stream there, the Brodhead?

14 MR. MATZEL:

15 Swiftwater Creek on site?

16 MR. ANGELI:

17 Yes.

18 MR. MATZEL:

19 Yes.

20 MR. ANGELI:

21 Is that an exceptional quality stream; do  
22 you know?

23 MR. MATZEL:

24 Is it a what?

25 MR. ANGELI:

1                   Exceptional quality stream. Is that why  
2 you're doing the tertiary treatment?

3                   MR. MATZEL:

4                   High quality.

5                   MR. ANGELI:

6                   High quality? And the sewage treatment  
7 plant that you're developing, is the municipality  
8 going to be able to use that also?

9                   MR. MATZEL:

10                   No.

11                   MR. ANGELI:

12                   That's solely just for ---?

13                   MR. MATZEL:

14                   Solely for us. And it's --- currently we  
15 have a plant down there that is --- a 1902 plant at  
16 30/30. The new plant at 5/5 will cut down on --- Andy  
17 is going to tell you.

18                   MR. BENNETT:

19                   What am I telling him? Basically we're  
20 going to hold as PennDOT --- as the DEP requires.  
21 They hold their permit limit to flow. And the permit  
22 limit right now, my recollection is it's about a 30/30  
23 plant. We're talking about reducing it through  
24 tertiary treatment to a 5/5 plant, but still holding  
25 that same flow limit. So essentially what you've done

1 is you dramatically reduced the total maximum daily  
2 limits or total maximum daily contamination that's  
3 provided into any stream from an effluent discharge.  
4 The rest of it will be handled by land-based  
5 application. That includes spraying on the golf  
6 courses, spraying in the woods, spraying on athletic  
7 fields, reusing water in the cooling system,  
8 snowmaking in the winter, not only on the Camelback  
9 property but our property as well. Basically if it's  
10 feasible and it's environmentally sensitive, we've  
11 done it. And that's one of the great things about a  
12 project of this nature. Does that answer your  
13 question?

14 MR. ANGELI:

15 Yes, it does. Thank you very much. The  
16 existing building, the Pocono Manor building, does  
17 that get an upgrade or is that just ---?

18 MR. MATZEL:

19 We're currently renovating it as we  
20 speak, yeah. It's --- most recently, we just put all  
21 new windows in the tower. We just redid the exterior  
22 skin. Right now we're working on all of the  
23 structural and system items and getting those back up  
24 to current standards. By way of example, it's kind of  
25 outdated, but that in this day and age, when we

1 acquired the property last year, they had no property  
2 management system. Everything was done manually.  
3 They used key locks, keyed door locks with actually  
4 the key numbers --- the room numbers stamped on the  
5 key. We put in all new management systems. We've  
6 brought in high-speed Internet. And we're going  
7 through the basic system upgrades now. And then  
8 pending this decision, we'll determine the final fit  
9 and finish level interior. So we technically have a  
10 thousand rooms on site. And the new inn, by way of  
11 example, with the license, we will upgrade the  
12 finishes that we're going to redo all 257 rooms to a  
13 much higher level with the license than we would if we  
14 did not receive a license.

15 MR. ANGELI:

16 Thank you. Your best-case scenario of  
17 completion I think was December 2009, assuming there  
18 are no, you know, delays in construction. Did that  
19 take into consideration all of the transportation, the  
20 PennDOT roads and things that have to be considered in  
21 this budget?

22 MR. MATZEL:

23 Yes. Yes, it did. Yes, it did. That  
24 drove a lot of it. I mean, as Andy had mentioned  
25 earlier, we have applied to PennDOT for the opening

1 permit for the temporary facility. PennDOT is  
2 appraised of this. PennDOT is aware that the  
3 Commission, as well as the state and the taxpayers,  
4 want these facilities open as quickly as possible, and  
5 they've agreed to allow us to construct both the ---  
6 and they're processing the permit now, both the  
7 temporary facility as well as the permanent facility,  
8 while we're processing the traffic improvements with  
9 them. And then we would construct those traffic  
10 improvements and finish those prior to --- it  
11 obviously will take much longer to complete the resort  
12 than the traffic improvements, so that they will open  
13 concurrent.

14 MR. ANGELI:

15 Okay. Thank you very much.

16 MR. MCCABE:

17 Mr. Chairman, I have a couple questions.  
18 One is pertaining to the time frame. Nine months from  
19 breaking ground, you'll have the temporary facility  
20 completed. Now, the 30 months, is that 30 months  
21 after the temporary facility is up and running or are  
22 you going to break ground simultaneously for the  
23 temporary facility and then Phase I?

24 MR. MATZEL:

25 Relatively simultaneously. There's

1 approximately a 24-month lag from the opening of the  
2 temporary facility to the opening of the permanent  
3 facility. We figured that the permanent facility will  
4 break ground about three months after the temporary  
5 facility.

6 MR. MCCABE:

7 Now, you purchased this ---.

8 MR. MATZEL:

9 And that's because of, you know, design  
10 considerations.

11 MR. MCCABE:

12 You purchased the property before you  
13 knew there was gaming. So you were coming to  
14 Pennsylvania --- you saw this as a viable economic  
15 area to invest money in?

16 MR. MATZEL:

17 That is correct.

18 MR. MCCABE:

19 How will your plans change if you don't  
20 get the license to what you're going to do to this  
21 area?

22 MR. MATZEL:

23 Obviously, it changes the whole character  
24 of the resort, changes the whole character of the  
25 community. So we'd have to evaluate that and see. We

1 have not focused at all on plan B. I mean, we own the  
2 asset. We own the property. We're committed, and  
3 we're focused solely on securing the license. So what  
4 happens on December 21st, if we don't, I don't have an  
5 answer for that. We're obviously still going to be  
6 there and still committed to the property.

7 CHAIRMAN DECKER:

8 Mr. Coy, did you have a question?

9 MR. COY:

10 Thank you, Mr. Chairman. I guess my  
11 question has to do with the fact that your project is  
12 very impressive and very large and very bright. My  
13 question is, have you considered or has any of the  
14 experts that you've brought on considered the effect  
15 on already existing businesses, I mean like hotels and  
16 other properties in the Poconos which are already, I  
17 think it's fair to say, very dependent on seasonal  
18 populations and may be having trouble making it right  
19 now? What does this do to them? Have you done any  
20 sensitivity testing about that? I mean, I know your  
21 concern has to be for your facility first, but I think  
22 our concern ---.

23 MR. MATZEL:

24 We absolutely looked at that.

25 MR. COY:

1           Talk to me a little bit about that.

2           MR. MATZEL:

3           Sure. I mean, let me give you first and  
4 foremost. Before we even put a piece of pencil on  
5 paper, what we did is spent a lot of time looking in  
6 the community, talking to business leaders within the  
7 community, okay, the Visitors Bureau, places like  
8 Camelback, the Crossings, the Manioli (phonetic)  
9 family, the racetrack, a number other hotel  
10 properties, okay, and so forth. And what we charged  
11 our consultants with at the very early stages is we  
12 wanted to be an economic catalyst. We wanted to be an  
13 aggregate. We want to bring more revenue, more  
14 tourism dollars from outside of the state than from  
15 within the state, okay, and we want to help bolster  
16 the existing economy, as well as ourselves. I mean,  
17 that was the goal of Act 71. It's very clear in that  
18 regard. When we started talking with our consultants  
19 and looking at what it took to become an economic  
20 catalyst, the answer was, you need to be a destination  
21 resort. You need to have a convention center in order  
22 to drive that midweek business. If you build a very  
23 simple hotel/casino, your property is more parasitic  
24 than it is accretive, okay, because you displace  
25 dollars within the marketplace. You're not going to

1 draw --- people are not going to drive from New York  
2 City to come to a small property, okay, when they can  
3 drive up to Foxwoods or down to Atlantic City. You  
4 have to exchange and provide them a better experience,  
5 a more fulfilling experience, and a multifaceted  
6 experience. Because person A, who's currently going  
7 to Atlantic City, isn't going to switch to come here  
8 for a lesser experience. They're just not going to do  
9 it. So you've got to provide something bigger and  
10 better. Well, you do that and person A may bring  
11 their spouse as well, who may not even gamble but goes  
12 and does other things. And that's all where the  
13 accretive aspect comes to the other businesses, the  
14 fact that we're drawing these midweek dollars with  
15 conventioners who are going to stay at all these  
16 other properties. I mean, we can't handle them all.  
17 And we're drawing, again, from wider distances larger  
18 numbers of people who are going to say, come and stay  
19 overnight and spend money in the marketplace. It's  
20 not a convenience facility.

21 MR. BAILEY:

22 I'd just like to make one comment on that  
23 issue. I think the reality of what now exists in the  
24 Poconos has to be realized, right. The Poconos is  
25 beautiful. It has some weekend tourism, but it's

1 really in an economic decline. What's going to save  
2 the Poconos and reposition it is people willing to  
3 invest capital and bring people from outside the area.  
4 I mean, the concept that our project would be a  
5 negative on the locals is just foreign to me as a  
6 businessman because we know that when capital is  
7 expended and when a product is put on the market  
8 that's appealing throughout the region, everyone  
9 benefits from it. Just look at the facts. Look at  
10 the facts in Atlantic City. Look at the facts in New  
11 York City. When there's development and growth,  
12 everybody benefits from it. And it's just  
13 inconceivable, in my view, that you could think that  
14 by putting a world-class destination location which  
15 will attract millions of visitors a day that it could  
16 have anything but a positive effect in the region.  
17 What's happening there now? If you don't put  
18 something there and develop it --- we'll be the start  
19 of a whole recapitalization of the Poconos because  
20 we'll identify to the investors out there how  
21 investment in the Poconos makes financial sense.  
22 Because I believe we're going to draw from New York,  
23 northern New Jersey to an extent that nobody really  
24 understands. Because the region is an attractive  
25 region. It's located in an ideal location. And all

1 it needs is someone to spend some money and create  
2 some excitement there. So I just --- I'm confident  
3 that our project will be a shot in the arm for the  
4 economy for everybody in the Poconos.

5 MR. COY:

6 Well, just so, because I asked a  
7 question, and I guess I obviously don't understand,  
8 but my question was not that I didn't think that it  
9 would or it wouldn't work. My question is had you  
10 given thought to this? Have you considered the  
11 existing businesses there? Have you thought about the  
12 effects? And could it possibly make the bad times  
13 that you were describing even worse for them? That  
14 was the premise for the question.

15 MR. MCCABE:

16 Before you answer ---.

17 MR. BAILEY:

18 The answer is yes, and we have a report.

19 MR. MCCABE:

20 Mr. Bailey, before you answer  
21 Commissioner Coy's question, we have an obligation to  
22 be concerned about our citizens. And I know one of  
23 the things I was thinking is we were trying to  
24 reassure them that there may be another future, Mr.  
25 Bailey, in the community out there. Put yourself ---

1 you were in that position, from what I heard about  
2 your biography, when you went back to New Jersey and  
3 you opened up your Goodie restaurants, and then the  
4 big kids came in, McDonald's and Burger King.  
5 Remember back to those days when --- how you felt  
6 knowing that Burger King and McDonald's was coming in.  
7 Here you are with your restaurants. How they're  
8 feeling right now. I think that's what we're trying  
9 to reassure those people that are there that you're  
10 not going to go to the poorhouse, that there's a  
11 potential that you could become a big real estate  
12 broker or developer, as your example. That's what  
13 we're trying to do, make sure and reassure people.

14 MR. MATZEL:

15 Absolutely. Our design from the start  
16 was done to complement the existing area. And again,  
17 we spent a lot of time talking with the local  
18 businesses. Places like Camelback, I mean Art Berry  
19 is looking at putting in, you know, a members only ---  
20 a guests-only lodge, a private lodge for visitors for  
21 our facility. I mean, he's had talks with us about  
22 the ability to have people show up at our doorstep,  
23 they drop their keys and their skis at our valet and  
24 they wind up in a locker room for them. We've looked  
25 at shuttle busing. We've had meetings, even though

1 we're doing retail with the Crossings, on a very  
2 complimentary basis. They realize that people coming  
3 to our shopping experience are also going to go to  
4 their shopping experience. They're very excited.  
5 We're cooperating right now with them with shuttle  
6 busing out of New York City, okay, right now. There's  
7 two or three shuttle buses a day going that we're  
8 participating with them. And we've looked at linking  
9 the whole area and with a group of about 10 or 12  
10 local businesses to link the whole area with a shuttle  
11 bus system. So you know, again, we really look at  
12 this as being a very positive --- and we looked at  
13 having a beneficial aspect, not a negative aspect. We  
14 can't house all the people. We can't feed all the  
15 people. We can't provide all the services that those  
16 conventioners are going to bring on a daily basis.  
17 They are going to have an absolute positive impact on  
18 those restaurants. They're going to do more volume of  
19 business. They're going to have to hire more waiters  
20 and waitresses. They're going to be able to put money  
21 back into their operations, expand their operations  
22 and do things that they couldn't do before because you  
23 have a whole new cash flow and a whole new visitor  
24 base coming there, and particularly those meeting and  
25 convention people.

1           MR. COY:

2           Just one final thing.

3           CHAIRMAN DECKER:

4           Please.

5           MR. COY:

6           The history in the Poconos, especially as  
7 far as the legislature goes and looking at the  
8 possibility of gaming, has been one of ups and downs  
9 over the years. Maybe 20, 25 years ago there were  
10 legislators who were suggesting that some sort of  
11 gaming could come there. The concern of the community  
12 in that area, as I understand it, is that what comes  
13 is going to be okay for everyone. In other words,  
14 that it will not just simply be okay for one group,  
15 one investor, one group of investors. And I think the  
16 Board needs to have an assurance and to be able to  
17 reassure that community that we are looking at the  
18 interests of the entire community and not simply one  
19 event. That's the reason for the question.

20           MR. MATZEL:

21           Absolutely. I mean, you've got an  
22 absolute fiduciary responsibility, and clearly we  
23 understand it. You know, to that point, relative to  
24 community support, I mean, we've got over 8,000  
25 signatures in support. The vast majority of those 61

1 letters that were written in were written in by local  
2 business owners in support of us, okay. And I heard  
3 earlier there was three negative responses. But we  
4 have overwhelming community support for our project.  
5 Listen, it would have been --- it would have lined our  
6 pockets better to build a 200-room hotel, casino and  
7 slot parlor and live off the existing tourism base  
8 than to drive what we are doing. It costs more money.  
9 It certainly takes more money. The return isn't quite  
10 as high. But the bottom line is it accomplishes the  
11 goal of Act 71 in terms of being a revitalization.  
12 That's what we were after. And I can tell you, I've  
13 pledged to you, just like I pledged --- I meant, we  
14 had two business forums for local businesses to come  
15 in. They were covered by all the news media. The  
16 support was overwhelmingly positive. And I pledge  
17 just to you as I did to them, we're going to work with  
18 everybody. I want everybody to succeed. Because the  
19 bottom line at the end of the day is we are only going  
20 to be as successful as the whole community out there  
21 is successful. You know, we want to see every  
22 business up there succeed. We want to see them do  
23 more business. Because you know what, the more  
24 business they do, the more people they draw into the  
25 area. The more it helps us, the more it helps them.

1 It's a very, you know, symbiotic relationship with the  
2 local businesses. Without them, we can't succeed. I  
3 can't fill my convention center without the local  
4 hotels and the local restaurants. Why? I can't house  
5 them all and I can't feed them. So having the pure  
6 space absent of them, it's going to go vacant because  
7 people don't come for day conventions.

8 MR. COY:

9 Thank you, Mr. Chairman.

10 CHAIRMAN DECKER:

11 Sandy, please go.

12 MR. RIVERS:

13 My issue deals with --- you made  
14 reference to the fact that you were a destination  
15 hotel or facility, resort, but yet when you talk about  
16 your major concern and your major focus it evolves  
17 around the midweek conventions. And I guess my  
18 question is probably to your marketing people as it  
19 relates to what is the difference in that population,  
20 the midweek population, vis-à-vis the weekend  
21 population.

22 MR. MATZEL:

23 I'm going to let Mike handle that  
24 question, sir.

25 MR. RIVERS:

1           And I ask that question because as I  
2 looked at your amenities, I mean, I see skiers, I see  
3 skateboarders, I see swimmers. And I'm assuming that  
4 I see young people. And I hate to think that they're  
5 skipping school to be there during the midweek as  
6 opposed to being there on the weekend.

7           MR. MATZEL:

8           No, we don't enjoin the school.

9           MR. POLLACK:

10           Well, first of all, if I could address a  
11 couple questions here at once because the issue with  
12 respect to impact on small businesses and local  
13 businesses, I mean, we've been looking at the impact  
14 of casinos on local businesses. It's been a big chunk  
15 of my life's work, going on almost 30 years. And we  
16 have seen that those businesses that do succeed and  
17 those that don't, when a casino is introduced, you can  
18 see certain patterns. And those that do benefit are  
19 those that, for example, have the wherewithal, the  
20 ability to invest in their own business and develop a  
21 business plan that targets the changing economy and  
22 who's coming to that market. And what I suggest that  
23 Pocono Manor can do here is not dissimilar to what  
24 casinos have done in Atlantic City and elsewhere, is  
25 create a rationale, create a reason for them to get

1 additional capital investment. And you actually get  
2 --- you start to spiral upward and you have more and  
3 more businesses that are prospering. No one can  
4 guarantee that every business is going to succeed.  
5 Some will choose not to invest. Some will choose not  
6 to adopt the correct business plan that gets them  
7 where they're going. But this, at the very least,  
8 creates the rationale and the impetus for many that  
9 will succeed to get that capital.

10                   With respect to conventions and midweek,  
11 it's not --- I hope we didn't give the impression that  
12 this is going to be focused solely on the convention  
13 business or even primarily on the convention business,  
14 but that is clearly going to be a critical part of the  
15 midweek business. Gaming, you're targeting affluent  
16 adults in a drive-in or even in a short-term overnight  
17 market, is going to be focused more on the weekends,  
18 which means that you need something to generate  
19 business during that midweek. And it's going to be  
20 two groups of people staying in that facility midweek.  
21 One is the slot customer who is identified as a good  
22 customer, is going to be rewarded with a reduced rate  
23 or a free hotel room, and the other is going to be, to  
24 a large degree, the convention business, the  
25 convention visitor. They just work well together

1 because one does tend to focus more on midweek, and  
2 they do dovetail well together. And what we've  
3 learned in market after market is that when convention  
4 and meeting planners are deciding where they're going  
5 to hold their next annual meeting, whether it's a  
6 small or a large group, they do look for the various  
7 amenities that are going to be there. And all other  
8 things being equal, when you can have gaming added to  
9 the mix, it does give you an edge in attracting that  
10 convention visitor.

11 CHAIRMAN DECKER:

12 I have just a couple questions really  
13 briefly. Mr. Laurence, you have a MAC-out on your  
14 commitment letter? And if you do, I take it, it  
15 doesn't go to the projections, is that correct, since  
16 you were so emphatic about that commitment letter?  
17 You know what I'm talking about a MAC, right, a  
18 Material Adverse ---?

19 MR. LAURENCE:

20 Yes, I do.

21 CHAIRMAN DECKER:

22 Do you have an out in that commitment  
23 letter for a MAC? And if it does --- if you do, does  
24 it apply to a change, in your view, of what the  
25 projections might be?

1                   MR. LAURENCE:

2                   Our MAC is based on the plan. And no,  
3 it's whatever the projections are that's being  
4 presented to the Board. So the answer is no, there is  
5 no market MAC.

6                   CHAIRMAN DECKER:

7                   So you don't mind having that in the  
8 commitment? So we can take a look at that and make  
9 sure that's the case, right?

10                  MR. LAURENCE:

11                  You could take a look at that, yes.

12                  CHAIRMAN DECKER:

13                  We will take a look at that. Thank you  
14 very much. And I have one question for Mr. Gomes.  
15 Mr. Gomes, what is your commitment time-wise for the  
16 project going forward, assuming that your group was to  
17 get a license?

18                  MR. GOMES:

19                  This is a full-time commitment for me as  
20 chief executive officer.

21                  CHAIRMAN DECKER:

22                  So you're going to be the CEO full time?

23                  MR. GOMES:

24                  Yes.

25                  MR. MATZEL:

1 He's been with us for a year already.

2 CHAIRMAN DECKER:

3 No, I know. I just want to be --- and  
4 for the record, I assumed that, but I just wanted to  
5 clarify it.

6 MR. ANGELI:

7 We're not tired of him yet.

8 ATTORNEY MICHAEL:

9 Mr. Chairman, if you'd just add one point  
10 to the question you had raised about the forecast.

11 CHAIRMAN DECKER:

12 Right, because you said it was a  
13 commitment. And most MAC-outs for me are MAC-outs  
14 based on the future business and views of the future  
15 business. And as long as there's no change for a view  
16 on the projections, because there is a 43-percent  
17 premium for your operation over what we're saying,  
18 then I don't have a problem with it. But if there is,  
19 I have a little bit of a problem with it.

20 ATTORNEY MICHAEL:

21 Partially in response to that is, well,  
22 I've been advised, since you asked that question, by  
23 our financial gurus on the team here that the project  
24 could sustain as much as a 50-percent decrease in cash  
25 flow on the projections as we've established them and

1 still satisfy the Merrill Lynch debt.

2 CHAIRMAN DECKER:

3 Thank you. That's asked and answered.  
4 Any other questions from our group?

5 MR. ANGELI:

6 Mr. Chairman?

7 CHAIRMAN DECKER:

8 Please.

9 MR. ANGELI:

10 Just a follow-up on something. I believe  
11 it was Mr. Bailey who said that this proceeds rather  
12 quickly because it's not --- doesn't have federal or  
13 state funding in it. And he talked about past  
14 development you've done with unions, and you had some  
15 very good cooperative agreements with unions. Are you  
16 planning to do any outreach with local unions for  
17 construction and the work that's going to go on there?

18 MR. MATZEL:

19 The answer to that is yes. We were  
20 approached early on by several of the unions to lend  
21 their support to our project. And I've had the same  
22 statement all along. And you can go back to probably  
23 almost a year ago when we were first approached by  
24 them. You can't build a project like this without  
25 union assistance. What I was unwilling then and, as

1 we move forward into construction, will be willing to  
2 do is to sit down with each of those and look at the  
3 union participation. We are going to wind up using a  
4 percentage of union trades. I can't tell you what  
5 trades as of yet. I can't commit to you what  
6 percentage, because we're not there yet. I don't make  
7 commitments I can't keep. And that's what I told them  
8 back then. And it's also why they haven't come out  
9 against us, because I told them point blank, at the  
10 appropriate time we're going to be here. All they  
11 have to do is look at the building and understand that  
12 we're going to be cooperating with union trades. And  
13 the other thing on the building is the fact --- and I  
14 know we didn't bring them here today. Obviously, we  
15 would have brought in Bovis Construction that's built  
16 buildings like this all around the world and in third  
17 world countries and on tropical islands, where no  
18 resources are available. So we're well suited to get  
19 this project constructed.

20 MR. ANGELI:

21 Thank you very much. I have no further  
22 questions, Mr. Chairman.

23 MR. MATZEL:

24 Thank you.

25 CHAIRMAN DECKER:

1           Any other questions? We'll turn it back  
2 over to staff. Anne?

3           MS. NEEB:

4           Thank you. At this time, I'd like to  
5 turn it over to our Bureau director so they can give  
6 you their reports on each of the areas they examined.

7           MS. MISKIN:

8           At this time, based on the information  
9 contained in the application, the financial  
10 suitability analysis performed, the financial  
11 suitability task force did not find anything material  
12 that would preclude Pocono Manor Investors, LP from  
13 obtaining a Category 2 License.

14           CHAIRMAN DECKER:

15           Mr. Schwoyer?

16           MR. SCHWOYER:

17           Mr. Chairman and members of the Board,  
18 with the exception of the fact that Act 71 would  
19 prevent both the Mt. Airy Number One LLC and the  
20 Pocono Manor LP applicants from both being approved  
21 for licensure, with respect to this particular  
22 applicant, I'm not aware of any issue which would  
23 preclude licensure.

24           CHAIRMAN DECKER:

25           Thank you.

1                   MS. HENSEL:

2                   With the exception of the mileage  
3 limitation raised by Mike Schwoyer, at this time,  
4 based on the materials and information in the  
5 application and the cooperation received from the  
6 applicant, the Bureau of Licensing is not aware of any  
7 issues that would preclude licensure of Pocono Manors  
8 Investors, LP as a Category 2 slots operator.

9                   CHAIRMAN DECKER:

10                  Thank you. Anne, is there anything else  
11 from staff?

12                  MS. NEEB:

13                  No. We don't have anything further.

14                  CHAIRMAN DECKER:

15                  Anything else from the applicant? Do you  
16 have some exhibits you want to have admitted, any  
17 additional ones?

18                  ATTORNEY MICHAEL:

19                  I think we've done that.

20                  ATTORNEY CARROLL:

21                  Yeah, we include all the exhibits  
22 already. There's 16.

23                  CHAIRMAN DECKER:

24                  Oh, okay. Great. I'm sorry. I missed  
25 that. Okay. I forgot.

1                   ATTORNEY CARROLL:

2                   The only one I'd just like to note for  
3 the record, if I can, I know time --- it will just  
4 take a moment, that we did receive from the Board of  
5 Supervisors of Tobyhanna last night a unanimous  
6 endorsement of the project.

7                   CHAIRMAN DECKER:

8                   Is that another exhibit you want to  
9 make ---?

10                  ATTORNEY CARROLL:

11                  Yes, sir. Exhibit 16.

12                  CHAIRMAN DECKER:

13                  It's in already.

14                  ATTORNEY CARROLL:

15                  Just in today, yes.

16                  CHAIRMAN DECKER:

17                  Okay. Fine. Thank you very much.

18                  MR. MARSHALL:

19                  Mr. Chairman, I move that we close the  
20 record.

21                  MR. ANGELI:

22                  Second.

23                  CHAIRMAN DECKER:

24                  Thank you. And we'll move to close the  
25 record and adjourn. All those in favor?

1 AYES RESPOND

2 CHAIRMAN DECKER:

3 Any opposed? Motion carries. Thank you.  
4 Thank you for your excellent presentation today.

5 ATTORNEY CARROLL:

6 Thank you for your patience.

7 \* \* \* \* \*

8 HEARING CONCLUDED AT 1:03 P.M.

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