

Exhibit VIII.A.3 – Market Revenue Study

Submit as Exhibit VIII.A.3. a study completed by an independent expert assessing the size of the potential gaming market for the proposed Gaming Facility. Include annual projections of gaming patronage (e.g. by gaming visitor count) and gaming revenues (including itemization of slot, table and gross revenues) annually for a period of at least the first ten (10) years after opening for gaming on a high-, average- and low-case basis. The high-, average- and low-case bases should be the same as used for tax revenue analysis provided by the Applicant pursuant to Item VIII.B.4 hereof.

Template for Item VIII.A.3. - Gaming revenues and visitation for first 10 years

HIGH-CASE

NAME OF APPLICANT: _____

Instructions

Submit 10-year projections, starting from date of opening:
 Projected Opening Date (mm/dd/yyyy): _____

- POPULATE EMPTY CELLS, BLANKS AND BRACKETED INFORMATION AS NECESSARY.
- IN ADDITION TO COMPLETING THIS WORKSHEET, THE APPLICANT SHALL PROVIDE (IN THE ASSUMPTIONS SECTION) A DETAILED DESCRIPTION OF ALL ASSUMPTIONS RELEVANT TO THE PROJECTIONS INCLUDED HEREIN.
- PROVIDE ALL DOLLAR AMOUNTS IN CURRENT-YEAR (UNINFLATED) DOLLARS
- ADD ROWS AS NECESSARY. PLEASE DO NOT DELETE COLUMNS.

GROSS GAMING REVENUES

	Unit of Measure	Adult Population of Geographic Area	Year 1 (20__)	Year 2 (20__)	Year 3 (20__)	Year 4 (20__)	Year 5 (20__)	Year 6 (20__)	Year 7 (20__)	Year 8 (20__)	Year 9 (20__)	Year 10 (20__)
LOCAL MARKET PARTICIPANTS (Total local market patrons within ____ [miles/minutes] of gaming facility)												
Albany County	#/\$		66.8	68.3	69.9	71.6	73.2	74.9	76.7	78.5	80.3	82.2
Broome County	#/\$		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Chenango County	#/\$		0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Columbia County	#/\$		7.4	7.6	7.8	8.0	8.1	8.3	8.5	8.7	8.9	9.1
Delaware County	#/\$		0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.1	1.1
Dutchess County	#/\$		3.9	4.0	4.1	4.2	4.3	4.4	4.5	4.6	4.7	4.8
Essex County	#/\$		1.9	2.0	2.0	2.0	2.1	2.1	2.2	2.2	2.3	2.4
Fulton County	#/\$		2.7	2.8	2.9	2.9	3.0	3.1	3.1	3.2	3.3	3.4
Greene County	#/\$		3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5
Hamilton County	#/\$		0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Herkimer County	#/\$		1.2	1.3	1.3	1.3	1.4	1.4	1.4	1.5	1.5	1.5
Madison County	#/\$		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Montgomery County	#/\$		3.3	3.4	3.5	3.5	3.6	3.7	3.8	3.9	4.0	4.1
Oneida County	#/\$		1.9	2.0	2.0	2.1	2.1	2.2	2.2	2.3	2.3	2.4
Orange County	#/\$		1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.4	1.4	1.5
Otsego County	#/\$		2.5	2.5	2.6	2.6	2.7	2.8	2.8	2.9	3.0	3.0
Putnam County	#/\$		0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Rensselaer County	#/\$		36.7	37.6	38.5	39.4	40.3	41.2	42.2	43.2	44.2	45.2
Rockland County	#/\$		0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9
Saratoga County	#/\$		13.9	14.3	14.6	14.9	15.3	15.6	16.0	16.4	16.8	17.2
Schenectady County	#/\$		25.7	26.3	26.9	27.5	28.1	28.8	29.5	30.2	30.9	31.6
Schoharie County	#/\$		2.5	2.6	2.6	2.7	2.7	2.8	2.9	2.9	3.0	3.1
Sullivan County	#/\$		0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Ulster County	#/\$		3.5	3.6	3.7	3.7	3.8	3.9	4.0	4.1	4.2	4.3
Warren County	#/\$		3.8	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5	4.6
Washington County	#/\$		4.4	4.5	4.6	4.8	4.9	5.0	5.1	5.2	5.3	5.5
Westchester County	#/\$		0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8
(add additional Geographic Areas below as needed. Total here)	#/\$											
Total local market participants	#											
Total annual estimated gross gaming revenues from local market participants	\$		191.0	195.4	200.0	204.7	209.4	214.3	219.4	224.5	229.8	235.2
Visitation												
Local market gaming visitors	#	N/A										
Average Visits per year	#	N/A										
Total local market gaming visitation	#	N/A										
Average spend per visit	\$	N/A										
TOURISTS (Patrons from more than ____ [miles/minutes] of gaming facility)												
Tourist gaming visits per year	#	N/A										
Connecticut (State of origin)	#	N/A	7.5	7.6	7.8	8.0	8.2	8.4	8.6	8.8	9.0	9.2
Massachusetts (State of origin)	#	N/A	14.9	15.2	15.6	15.9	16.3	16.7	17.1	17.5	17.9	18.3
New Jersey (State of origin)	#	N/A	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6
Vermont (State of origin)	#	N/A	12.2	12.5	12.8	13.1	13.4	13.7	14.0	14.3	14.7	15.0
(State of origin)	#	N/A										
(add additional States below as needed. Total here)	#	N/A										
Total gaming visits per year	#											
Annual estimated gross gaming revenue from tourist gaming visitors - slots/electronic games	\$	N/A										
Annual estimated gross gaming revenue from tourist gaming visitors - house banked table games	\$	N/A										
Annual estimated gross gaming revenue from tourist gaming visitors - Other	\$	N/A										
Total annual estimated gross gaming revenues from tourist gaming visitors	\$		35.0	35.8	36.7	37.5	38.4	39.3	40.2	41.1	42.1	43.1
TOTALS			226.0	231.2	236.7	242.2	247.8	253.5	259.6	265.7	271.9	278.3
TOTAL ANNUAL GROSS GAMING REVENUES - SLOTS/ELECTRONIC GAMES	\$	N/A	185.3	189.6	194.1	198.6	203.2	207.9	212.9	217.9	223.0	228.2

Template for Item VIII.A.3. - Gaming revenues and visitation for first 10 years

AVERAGE CASE

NAME OF APPLICANT: _____

Instructions

Submit 10-year projections, starting from date of opening:
 Projected Opening Date (mm/dd/yyyy): _____

- POPULATE EMPTY CELLS, BLANKS AND BRACKETED INFORMATION AS NECESSARY.
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- PROVIDE ALL DOLLAR AMOUNTS IN CURRENT-YEAR (UNINFLATED) DOLLARS
- ADD ROWS AS NECESSARY. PLEASE DO NOT DELETE COLUMNS.

GROSS GAMING REVENUES

	Unit of Measure	Adult Population of Geographic Area	Year 1 (20__)	Year 2 (20__)	Year 3 (20__)	Year 4 (20__)	Year 5 (20__)	Year 6 (20__)	Year 7 (20__)	Year 8 (20__)	Year 9 (20__)	Year 10 (20__)
LOCAL MARKET PARTICIPANTS (Total local market patrons within ____ [miles/minutes] of gaming facility)												
Albany County	#/\$		63.9	65.5	67.0	68.6	70.2	71.9	73.6	75.3	77.0	78.8
Broome County	#/\$		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Chenango County	#/\$		0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7
Columbia County	#/\$		7.1	7.3	7.4	7.6	7.8	8.0	8.2	8.4	8.6	8.8
Delaware County	#/\$		0.8	0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.0
Dutchess County	#/\$		3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5	4.6
Essex County	#/\$		1.8	1.9	1.9	2.0	2.0	2.1	2.1	2.2	2.2	2.3
Fulton County	#/\$		2.6	2.7	2.7	2.8	2.9	2.9	3.0	3.1	3.2	3.2
Greene County	#/\$		3.5	3.6	3.7	3.7	3.8	3.9	4.0	4.1	4.2	4.3
Hamilton County	#/\$		0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Herkimer County	#/\$		1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.4	1.4	1.5
Madison County	#/\$		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Montgomery County	#/\$		3.2	3.2	3.3	3.4	3.5	3.6	3.6	3.7	3.8	3.9
Oneida County	#/\$		1.8	1.9	1.9	2.0	2.0	2.1	2.1	2.2	2.2	2.3
Orange County	#/\$		1.1	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.4
Otsego County	#/\$		2.4	2.4	2.5	2.5	2.6	2.6	2.7	2.8	2.8	2.9
Putnam County	#/\$		0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6
Rensselaer County	#/\$		35.2	36.0	36.9	37.7	38.6	39.5	40.5	41.4	42.4	43.4
Rockland County	#/\$		0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9
Saratoga County	#/\$		13.4	13.7	14.0	14.3	14.7	15.0	15.4	15.7	16.1	16.5
Schenectady County	#/\$		24.6	25.2	25.8	26.4	27.0	27.6	28.3	28.9	29.6	30.3
Schoharie County	#/\$		2.4	2.5	2.5	2.6	2.6	2.7	2.8	2.8	2.9	3.0
Sullivan County	#/\$		0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Ulster County	#/\$		3.4	3.4	3.5	3.6	3.7	3.8	3.9	3.9	4.0	4.1
Warren County	#/\$		3.6	3.7	3.8	3.9	4.0	4.1	4.1	4.2	4.3	4.4
Washington County	#/\$		4.3	4.4	4.5	4.6	4.7	4.8	4.9	5.0	5.1	5.2
Westchester County	#/\$		0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.8
(add additional Geographic Areas below as needed. Total here)	#/\$		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total local market participants	#											
Total annual estimated gross gaming revenues from local market participants	\$		183.1	187.4	191.8	196.4	200.9	205.6	210.5	215.4	220.4	225.6
Visitation												
Local market gaming visitors	#	N/A										
Average Visits per year	#	N/A										
Total local market gaming visitation	#	N/A										
Average spend per visit	\$	N/A										
TOURISTS (Patrons from more than ____ [miles/minutes] of gaming facility)												
Tourist gaming visits per year	#	N/A										
Connecticut (State of origin)	#	N/A	7.2	7.3	7.5	7.7	7.9	8.0	8.2	8.4	8.6	8.8
Massachusetts (State of origin)	#	N/A	14.2	14.6	14.9	15.3	15.6	16.0	16.4	16.7	17.1	17.5
New Jersey (State of origin)	#	N/A	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Vermont (State of origin)	#	N/A	11.7	12.0	12.2	12.5	12.8	13.1	13.4	13.7	14.1	14.4
(State of origin)	#	N/A										
(add additional States below as needed. Total here)	#	N/A										
Total gaming visits per year	#											
Annual estimated gross gaming revenue from tourist gaming visitors - slots/electronic games	\$	N/A										
Annual estimated gross gaming revenue from tourist gaming visitors - house banked table games	\$	N/A										
Annual estimated gross gaming revenue from tourist gaming visitors - Other	\$	N/A										
Total annual estimated gross gaming revenues from tourist gaming visitors	\$		33.6	34.3	35.1	36.0	36.8	37.7	38.6	39.5	40.4	41.3
TOTALS			216.7	221.7	226.9	232.3	237.7	243.3	249.0	254.8	260.8	266.9
TOTAL ANNUAL GROSS GAMING REVENUES - SLOTS/ELECTRONIC GAMES	\$	N/A	180.1	184.3	188.6	193.1	197.6	202.2	206.9	211.8	216.8	221.8

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LOW CASE

NAME OF APPLICANT: _____

Instructions

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GROSS GAMING REVENUES

	Unit of Measure	Adult Population of Geographic Area	Year 1 (20__)	Year 2 (20__)	Year 3 (20__)	Year 4 (20__)	Year 5 (20__)	Year 6 (20__)	Year 7 (20__)	Year 8 (20__)	Year 9 (20__)	Year 10 (20__)
LOCAL MARKET PARTICIPANTS (Total local market patrons within ____ [miles/minutes] of gaming facility)												
Albany County	#/\$		61.2	62.7	64.2	65.8	67.2	68.8	70.4	72.1	73.8	75.5
Broome County	#/\$		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Chenango County	#/\$		0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7
Columbia County	#/\$		6.8	7.0	7.1	7.3	7.5	7.6	7.8	8.0	8.2	8.4
Delaware County	#/\$		0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	1.0	1.0
Dutchess County	#/\$		3.6	3.7	3.8	3.8	3.9	4.0	4.1	4.2	4.3	4.4
Essex County	#/\$		1.8	1.8	1.8	1.9	1.9	2.0	2.0	2.1	2.1	2.2
Fulton County	#/\$		2.5	2.6	2.6	2.7	2.8	2.8	2.9	2.9	3.0	3.1
Greene County	#/\$		3.3	3.4	3.5	3.6	3.7	3.7	3.8	3.9	4.0	4.1
Hamilton County	#/\$		0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Herkimer County	#/\$		1.1	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.4
Madison County	#/\$		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Montgomery County	#/\$		3.0	3.1	3.2	3.3	3.3	3.4	3.5	3.6	3.7	3.7
Oneida County	#/\$		1.8	1.8	1.8	1.9	1.9	2.0	2.0	2.1	2.1	2.2
Orange County	#/\$		1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.3	1.3	1.3
Otsego County	#/\$		2.3	2.3	2.4	2.4	2.5	2.5	2.6	2.7	2.7	2.8
Putnam County	#/\$		0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6
Rensselaer County	#/\$		33.7	34.5	35.3	36.2	37.0	37.8	38.7	39.6	40.6	41.5
Rockland County	#/\$		0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.9
Saratoga County	#/\$		12.8	13.1	13.4	13.7	14.0	14.4	14.7	15.0	15.4	15.8
Schenectady County	#/\$		23.5	24.1	24.7	25.3	25.8	26.4	27.1	27.7	28.4	29.0
Schoharie County	#/\$		2.3	2.3	2.4	2.5	2.5	2.6	2.6	2.7	2.8	2.8
Sullivan County	#/\$		0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Ulster County	#/\$		3.2	3.3	3.4	3.4	3.5	3.6	3.7	3.8	3.9	4.0
Warren County	#/\$		3.5	3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3
Washington County	#/\$		4.1	4.2	4.3	4.4	4.5	4.6	4.7	4.8	4.9	5.0
Westchester County	#/\$		0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7
(add additional Geographic Areas below as needed. Total here)	#/\$		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total local market participants	#											
Total annual estimated gross gaming revenues from local market participants	\$		175.1	179.5	183.7	188.1	192.3	196.8	201.5	206.2	211.1	216.0
Visitation												
Local market gaming visitors	#	N/A										
Average Visits per year	#	N/A										
Total local market gaming visitation	#	N/A										
Average spend per visit	\$	N/A										
TOURISTS (Patrons from more than ____ [miles/minutes] of gaming facility)												
Tourist gaming visits per year	#	N/A										
Connecticut (State of origin)	#	N/A	6.8	7.0	7.2	7.4	7.5	7.7	7.9	8.1	8.3	8.4
Massachusetts (State of origin)	#	N/A	13.6	14.0	14.3	14.6	15.0	15.3	15.7	16.0	16.4	16.8
New Jersey (State of origin)	#	N/A	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6
Vermont (State of origin)	#	N/A	11.2	11.4	11.7	12.0	12.3	12.5	12.9	13.1	13.5	13.8
(State of origin)	#	N/A										
(add additional States below as needed. Total here)	#	N/A										
Total gaming visits per year	#											
Annual estimated gross gaming revenue from tourist gaming visitors - slots/electronic games	\$	N/A										
Annual estimated gross gaming revenue from tourist gaming visitors - house banked table games	\$	N/A										
Annual estimated gross gaming revenue from tourist gaming visitors - Other	\$	N/A										
Total annual estimated gross gaming revenues from tourist gaming visitors	\$		32.1	32.9	33.7	34.5	35.2	36.1	36.9	37.8	38.7	39.6
TOTALS			207.3	212.4	217.3	222.5	227.5	232.8	238.4	243.9	249.8	255.6
TOTAL ANNUAL GROSS GAMING REVENUES - SLOTS/ELECTRONIC GAMES	\$	N/A	172.3	176.5	180.6	184.9	189.1	193.5	198.1	202.7	207.6	212.4

TOTAL ANNUAL GROSS GAMING REVENUES - TABLE GAMES	\$	N/A	35.0	35.9	36.7	37.6	38.4	39.3	40.3	41.2	42.2	43.2
TOTAL ANNUAL GROSS GAMING REVENUES - OTHER	\$	N/A										
TOTAL ANNUAL GROSS GAMING REVENUE	\$		207.3	212.4	217.3	222.5	227.5	232.8	238.4	243.9	249.8	255.6
Recaptured Revenue from Out of State venues	\$	N/A										
Cannibalized gross gaming revenue from existing NY tribal casinos and racetrack Video Lotteries (i.e., cannibalization of existing NY tribal casino and racetrack VLT gross gaming revenues)	\$	N/A										
Net New Gaming Revenue (sourced in-State)	\$	N/A										
Net New Gaming Revenue (sourced out-of-State)	\$	N/A										
TOTAL ANNUAL GROSS GAMING REVENUE	\$											

† Include detailed description of the geographic borders and municipalities and/or Zip Codes included in each Geographic Area

Assumptions												
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Saratoga Casino and Raceway (“Client,” “Saratoga” or “SCR”) is applying to the New York Gaming Facility Location Board for a gaming license in the Capital Region. This report will serve as an addendum to Saratoga’s response to the Request for Applications to Develop and Operate a Gaming Facility in New York State (“RFA”). SCR is a New York gaming company with a proven track record of responsible operations and community involvement. Saratoga has partnered with another gaming company with proven experience in regional gaming operations, Churchill Downs Inc. (“CDI”) in preparing this response. Spectrum believes that these two partners can design, build and operate a distinctive regional gaming property that fulfills, and perhaps exceeds, all requirements of the Location Board’s Request for Applications.

Saratoga Casino and Raceway offers a proven track record of successful operations in the Capital Region. SCR has demonstrated the ability to create jobs and generate positive economic impacts and significant state tax revenues through historical operations in upstate New York over the past decade. SCR has also proven its commitment to local business development and community involvement since Saratoga Casino and Raceway first opened its doors in Saratoga Springs in 2003. Today, Saratoga is expanding its business into new jurisdictions while leveraging the unique brand attributes of the parent company, particularly the strength of the Saratoga name as a powerful brand in horse racing that connotes genteel, upscale entertainment.

Churchill Downs Inc. has demonstrated similar commercial success since its signature racetrack first opened in 1875, growing into a publicly traded company operating five racetracks, six casinos, and the leading online wagering company in the US. Both companies have a long historical involvement with traditional horse racing, and Churchill Downs still produces the most iconic horse race in America, the Kentucky Derby.

The partners have envisaged an attractive regional gaming resort, titled Capital View Casino & Resort (“Capital View”), with a 270,000 square-foot facility featuring a 59,000 square-foot casino offering 1,500 slot machines and 56 table games, a 100 room hotel, a fine-dining restaurant and multiple casual-dining options, a 600-space parking garage, and surface parking for 1,400 vehicles.

In keeping with the spirit of the New York Gaming Upstate Economic Development Act of 2013, the Client’s property will pursue strategies designed to advance various public policies in New York State, including:

- Tourism promotion
- Cooperating with existing local businesses to pursue mutually beneficial goals
- Addressing longstanding issues relating to unemployment and poverty throughout the region, including within the city of Albany

- Enhancing the conventions and meetings business, including strategies designed to ensure the success of the Albany Capital Center, a \$66.5 million facility that will be the centerpiece of Albany’s downtown revitalization
- Minimizing any costs and negative impacts on local public services by ensuring that existing residents of the Capital Region are the primary beneficiaries of SCR’s hiring and purchasing programs.

The partners in this project seek to promote local businesses and create cross-marketing opportunities for the mutual benefit of the casino and the region. For instance, local restaurants will be involved in the food and beverage offerings, and Hudson Valley farm-to-table initiatives will be promoted in all the property’s restaurants. Capital View Casino & Resort will offer entertainment at a multi-purpose facility which, at 6,900 square feet, will be large enough to accommodate the property’s entertainment needs but at a maximum seating of approximately 500 persons will not have sufficient scale to directly compete with regional entertainment venues in the Albany/Schenectady/Utica/Troy area. Similarly, retail offerings at Capital View will be limited for the purpose of providing amenities to guests while also enhancing cooperation – and avoiding competition – with the retail operations on Route 4 and elsewhere in East Greenbush Township.

Spectrum’s modeling determined that Capital View will generate the following revenues:

- Capital View will produce \$216.7 million in gross gaming revenue (“GGR”) when fully operational, within a range of \$207.4 million to \$225.9 million.
 - Capital View will negatively impact revenues at the existing Saratoga Casino and Raceway facility at Saratoga Springs, lowering annual GGR by an estimated \$90.3 million annually, a 48.2 percent decline from the GGR level reached during the 12-month period ending March 2014.
 - The two casinos in the Capital Region will generate combined GGR of \$306.9 million, within a range of \$297.7 million to \$316.2 million annually, a net increase of \$132.5 million, or 76 percent, in GGR for the region as a whole.
 - The two casinos in the Capital Region will generate \$282.9 million in net gaming revenue annually (expected case), within a range of \$274.4 million to \$291.5 million.
 - Net slot revenue will grow to \$246.3 million annually, a 54.9 percent increase over revenue generated at Saratoga Casino and Raceway during

the 12 months ending March 2014, while \$36.6 million of the net gaming revenue will be from table games and thus new to the market.

- Capital View is expected to generate total non-gaming revenue of \$42.7 million in the first year of operations and as much as \$52.5 million in year 10 under a compound annual growth rate of 2.34 percent.
 - Non-gaming revenue for the 100-room Capital View hotel will generate \$3.4 million in hotel and related revenue annually (in current dollars based on an overall occupancy rate of 94 percent and specifically benchmarked to four regional Native American casinos having hotel operations).
 - Food and beverage revenue will reach approximately \$17.0 million based on overall GGR of \$216.7 million and similarly benchmarked to regional Native American casino operators.
 - Retail, entertainment, and other revenues at the proposed property will generate \$18.5 million.

Based on the financial performance, projected employment and other factors, Spectrum determined that Capital View will produce significant positive economic impacts:

- Generate as many as 1,063 full-time equivalent (“FTE”) jobs. The actual number of people hired will be higher because the casino may employ some on a part-time basis.
 - Create 1,107 direct jobs by 2018, plus 225 indirect and 182 induced jobs.
 - These jobs represent 2.0 percent of total regional employment, a major economic impact for a single employer.
- Gross Regional Product (“GRP”) will increase cumulatively by a total of \$2.4 billion over the 10-year forecast period.
- The average annual wage for these jobs will be \$33,484 over the operations period, for a total average annual wage bill of \$39.2 million. Rensselaer County as a whole is expected to realize an average annual personal income increase of \$48 million.
- During the 24-month construction period, Capital View will generate averages of 329 jobs, \$25 million of GRP, and \$14 million of personal income. The sectors that will experience the greatest benefit from Capital View are construction, professional and technical services, and management of companies and enterprises.

- Most importantly, in total, the economic contributions of the casino add \$929 million through gaming taxes and \$891 million from all sources to State tax revenues.

Visitation to Capital View will derive primarily from residents of the Capital Region, with only a minority of visitation coming from out-of-state tourists and New York City residents. Thus, repatriation of revenue currently being spent out of state will be minimal, as it would for any casino located in the Capital Region. Potential casino sites to the east of Albany are more likely to repatriate revenue from Turning Stone Resort Casino.

Notably, the Client's East Greenbush location sits astride Interstate 90 between Albany and the expected new casino development in Springfield, MA. Spectrum believes that Capital View Resort & Casino's strategic location on the major egress route from Albany eastwards can in the future intercept a significant number of players who might otherwise patronize casinos in Massachusetts. In addition, the existing road network is expected to easily handle traffic flows for Capital with only minimal improvements.

Spectrum's financial analysis demonstrates that a casino located in East Greenbush will be profitable. Our pro forma operating statement projects Capital View Casino & Resort earnings before interest, taxes, depreciation, amortization, and management fees ("EBITDAM") of \$59.9 million, or a 24.6 percent margin, and net income of \$8.9 million in the first year of operations, increasing to \$62.7 million with net income of \$14.2 million in the fifth year of operations.

The expected influx of new jobs will have a positive impact on the local area but may also create some economic development pressures on the host community and local municipalities nearby, particularly the host community and surrounding municipalities. Saratoga Casino and Raceway and Churchill Downs Inc. have committed to ameliorating these local impacts as required by the RFA through a concerted effort to hire and spend locally, thus reducing the need for an influx of new residents.

Spectrum has conducted interviews with local authorities to assess the impact on the host municipality and surrounding communities. Our analysis, detailed in the following report, finds that the greatest impacts on government services will fall on the host community, East Greenbush Township, and that the areas most affected will be administration, law enforcement, and emergency medical services. However, analysis of police calls at the existing Saratoga Springs casino demonstrates that the great majority of calls to local law enforcement are not of a criminal nature but rather for medical assistance.

We believe that the impact on the host municipality will result in possibly one additional patrol and one patrol vehicle. Spectrum believes that existing EMS services will be able to handle the expected increase in medical emergency calls but the volume of calls and response

times should be carefully monitored and, if necessary, an additional EMS unit may be needed at some point. Spectrum estimates total cost to the host municipality to be approximately \$260,000 annually.

Building Capital View Casino & Resort is expected to create modest pressure on the volume of affordable housing in the region. Albany and Rensselaer counties have experienced population growth of 1.4 percent since 2010.¹ Spectrum analysis estimates that municipalities in the region will need to hire two additional code enforcement employees for a combined cost of approximately \$100,000 annually.

School enrollment has been declining in the Capital Region over the past decade and that excess capacity exists for accommodating new students. In order to provide quality education to these new students, the regional school districts will be expected to hire additional educators and administrators with a hard cost of potentially \$200,000.

Adverse impact on local restaurants is expected to be minimal, as current plans call for only a single fine-dining establishment and no buffet. The impact on local restaurants could become positive if the Capital View property increases tourism as expected in Rensselaer County. Notably, the lodging managers we interviewed in our research indicated that Rensselaer County needs a fine-dining establishment, which will make it easier for lodging facilities to attract visitors looking for a broader dining experience in the county.

SCR management will seek to develop partnership agreements with local restaurants and other businesses in the region to leverage local brands and develop a regional identity for the new casino property. Local and regional attractions, including restaurants, are expected to be prominently featured in hotel room information packets. As noted above, the local impact on retail establishments is expected to be minimal, as the current plans for the property call for only 500 square feet of retail space, roughly enough for a hotel sundries shop. Also, as noted above, the local impact on entertainment is expected to be equally minimal, as no large entertainment venues are planned for Capital View.

Spectrum's problem-gambling expert has examined the existing responsible-gambling policies for Saratoga Casino and Raceway and Churchill Downs Inc., and we found them found to be fully in accord with regulatory requirements. Problem-gambling signage, identification training, self-exclusion policies, and treatment and prevention resources have been thoroughly profiled and documented in the body of this report. Both SCR and CDI enjoy positive reputations among gaming regulators in multiple US jurisdictions as responsible gaming operators whose properties cooperate with local treatment centers in the identification and amelioration of problem-gambling incidence among customers. In addition, if a patron is self-

¹ US Census Bureau, Quick Facts; <http://quickfacts.census.gov/qfd/states/36/36083.html>.

excluded at Capital View, they would simultaneously become self-excluded at Saratoga Casino and Raceway.

One of the primary objectives of the New York Gaming Upstate Economic Development Act of 2013 is to address existing unemployment in the region and provide employment opportunities to those Capital Region residents most in need of jobs that pay well but, most important, offer upward mobility, a chance to be promoted and create more opportunities for workers and their families. Spectrum has assembled a workforce development plan, outlined in the body of this report, to address unemployment and assure that opportunities are available for all those seeking employment opportunities in the region.

In summary, Spectrum believes that Saratoga Casino and Raceway offers a sound and reliable application for casino licensure in the Capital Region that will be speedily constructed and responsibly operated, and which will provide significant positive economic impacts for the region as a whole and particularly for the host community and surrounding municipalities. Our analysis illustrates that this application offers substantial advantages over other potential casino locations in the Capital Region.

Our assessment of the revenue potential, financial stability, and proven management competency of the applicants offers assurance that this application will fulfill the intentions of the legislation in providing a reliable source of jobs, economic development, and tax revenue. In our experience, the most effective casino operators are those that pursue the parallel goals of optimizing revenue and advancing public policy. We determined that Saratoga meets that critical criterion.

Policy Analysis

This section of the report examines and recommends policies to be adopted by Capital View should it become the licensee. We divide this into macro and micro policies. The macro policies are effectively those that are largely universal, which can be applied to most situations in which a casino licensee endeavors to maximize the public policy benefits of his presence, and to minimize any disruptions or challenges to the community or state. The micro policies, in turn, are those areas specific to the economy, demographics, lifestyle and sensibilities of the community and region.

Macro Policies

Capital View should seek to advance those policies that would produce benefits to both its community and to its own bottom line. Pursuing such parallel goals is fundamental to the casino licensing process, as it adheres to the principle that the casino license being sought is a privilege, not a right. As a privilege, a license grants a high degree of regional exclusivity that requires a concomitant commitment to the community. At the same time, since such policies would also be designed to advance the licensee's own financial interests, they are more likely to be pursued with enthusiasm and the necessary level of resources.

In our discussions with Capital View management, we recognize a commitment to these principles and to pursue these goals. At the same time, our extensive interviews of stakeholders throughout the region revealed a similar commitment to advance such common policies, which would necessarily include:

- Ensuring that existing residents of the region, particularly the long-term unemployed and underemployed, have the earliest and best opportunities to secure work.
- Developing cross-marketing strategies with local businesses, with such strategies designed to create a regional destination that increases the demographic and geographic reach of the visitor base.
- Promoting MICE (meetings, incentives, conferencing and expositions) business with other regional businesses that target that segment of the visitor base.
- Promoting the general quality of life in the region, with a focus on ensuring smooth traffic flows, minimizing traffic disruptions and addressing other potential issues that could otherwise negatively impact both visitors and residents alike.

- Ensuring that the gaming property itself conforms with – and does not materially alter – the existing character and appeal of the region.

Pursuing each of these macro goals would engender benefits for the state and community, as well as for Capital View.

Micro Policies

The larger policy goals addressed by the business plan should have a number of more refined policy goals that are targeted at specific issues that we have identified during the course of our research with stakeholders in the Capital region.

These micro policies include:

- Targeting the specific neighborhoods within Albany, Troy, East Greenbush and other communities in the region that are most in need of an economic stimulus, and would benefit from having opportunities for employment.
- Reducing the region's dependence on state government as one of its few economic mainstays.
- Easing the region's long-term transition from a manufacturing-based economy into a wider service-based economy.
- Dovetailing the Capital View plans with Albany's long-term plans to capture more business from concerts, special events and meetings.
- Providing higher-end dining opportunities on the East Greenbush side of the river, to help local lodging establishments become more attractive to a wider clientele.

This combination of macro and micro policies to be envisaged for Capital View would, if structured properly and comprehensively, create policies that support and advance each other, while creating a more successful gaming property.

For example, the Capital Region's relationship with state government is a mixed blessing. While government is a major employer, and creates steady demand for lodging at various points throughout the year, it creates no demand for entertainment on weekends. Consequently, the Albany hotel managers whom we interviewed suggest that the dearth of entertainment on weekends diminishes demand significantly. The decline in the hospitality industry is more pronounced in the summer and shoulder seasons. A casino operation – which has its peak periods on weekends – would significantly relieve that problem. A planned new convention center is anticipated to help, but limited air service with very few direct flights to Albany remains a challenge.

Helping Existing Area Residents

The RFA makes clear the importance of such goals as ensuring that local residents are provided the earliest opportunities to secure work, particularly jobs that provide opportunities for upward mobility. The RFA similarly seeks to ensure that adverse impacts on housing and schools, among other areas, are minimized and addressed.

East Greenbush itself illustrates the benefits of an approach that targets existing residents. The Hampton Manor and Prospect Heights are areas in need of an economic boost, according to various interviews with police and other officials in East Greenbush. Such areas, quite typically, are often home to crimes often associated with poverty and a lack of economic opportunities. Representatives of the East Greenbush Police Department spoke positively about the prospect of a casino but expressed concern whether it might impose additional costs on the department. Currently, the majority of police calls are made in response to domestic violence, drugs, assaults, fights, as well as larceny and robbery. As with many small and suburban communities, prescription drug abuse and heroin are a growing problem.

Similarly, interviews with officials in Albany County paint similar pictures of neighborhoods, particularly in urban areas, that could also realize a boost from economic opportunities created by a casino – as long as those opportunities were accompanied by plans that included training, transportation and related, ancillary needs such as child care. The Albany County Executive expressed a strong desire that local unemployed and underemployed individuals be given first priority for employment.

In our experience, this thicket of economic issues can best be addressed through one coordinated, comprehensive approach. We can presume that helping local residents is a goal that is universally shared among applicants and communities alike, but the reality of meeting those goals often falls short. Markets that Spectrum has studied extensively, ranging from Connecticut to New Jersey, discovered that many of the jobs, particularly those that required some level of skill, went to adults who moved into the area rather than to the indigenous population.

This was not only a lost opportunity for local adults in those markets, but also put significant and unnecessary pressure on other community services, ranging from housing to public education. Pockets of unemployment or underemployment did not realize the benefits that they would have otherwise enjoyed, largely due to what we would characterize as insufficient planning and training.

We recommend that Capital View institute a best in class training and hiring program that does the following:

1. Matches existing area residents to specific jobs and tasks, and does so at the earliest possible opportunity.
2. Includes plans to ensure access from a variety of regional locations to the property for all shifts. Some of these regional locations would include the Albany and Troy, as well as areas of East Greenbush, among others.
3. Provides other needs as well, which might range from day care to assisting in the license application process.

Public officials throughout the region assisted us in identifying areas of particular need, such as the Hampton Manor and Prospect Heights neighborhoods of East Greenbush, which would clearly benefit from employment opportunities, as would currently impoverished neighborhoods within Albany.

Creating Training and Employment Opportunities in the Capital Region

The Spectrum Gaming Group team includes professionals who have developed extensive training programs in other urban areas, most notably the Atlantic City region – which is particularly useful here in that Atlantic City suffered from many of the economic and social ills that other regions, such as Albany, could not fully understand and appreciate. Our following analysis relies heavily on that experience in adapting a recommended plan for the Capital Region.

One of the primary purposes of the proposed Capital Region development is to foster and create an improved economic climate in the city of Albany and to provide its residents with enhanced opportunities for economic wellbeing. One of the most fundamental aspects of this purpose is to provide increased employment opportunities to the residents of the city and region such that they will be in better position to provide for that economic wellbeing. Spectrum recommends that Capital View develop and administer a program of job creation for the city's residents that will give them an opportunity for training and employment at its casino hotel increasing their ability to be hired in meaningful and skillful employment.

Developing Cross-Marketing Strategies

Working with local businesses toward a common goal is a policy that helps both the community and the casino operator's own financial interests. At its heart, a well-structured cross-marketing strategy offers certain advantages:

1. It shares the costs and leverages the reach of all marketing partners.

2. It makes a region more attractive to a wider variety of consumers, thus increasing visitation.
3. If consumers can receive discounts and/or earn loyalty points from one or more partners, it makes such visits more cost-effective from the consumer's standpoint.
4. Consumers who take advantage of such strategies and visit multiple attractions are more likely to stay longer and spend more while visiting.

Promoting Conventions and Meetings

The development of conventions and meetings to the mutual benefit of the capital region and of Capital View presents enormous opportunities for a variety of stakeholders. However, some stakeholders expressed concern that meeting space at the proposed casino might compete with the planned \$66.5 million convention center in Albany. We see Capital View and the Albany Capital Center being mutually supportive, potentially creating increased demand for more conventions and meetings in Albany. From a structural standpoint, MICE and gaming can work well together for several reasons:

- Conventions and meetings tend to be scheduled mid-week, while casinos typically have their peak periods on weekends and holidays.
- Spending by attendees, exhibitors and suppliers is often subsidized by employers, thus allowing for more discretionary spending by individuals.
- Regions that offer casino gaming as an entertainment option would have an advantage over regions that do not, by simply having a greater variety of offerings to delegates/attendees, which include the casino floor, as well as entertainment and dining options offered by the casino.

Promoting General Quality of Life in Region

Improving quality of life is an area in which common sense and mutual self-interest can find common ground, through a well-developed, executable plan. Effectively, this means that Capital View and its regional neighbors seek gain the same benefits, and to avoid the same drawbacks.

Such common goals include:

- Safe neighborhoods
- Well-funded, prompt and adequately funded emergency services
- Minimal traffic problems

- Addressing problem gambling

For example, Capital View – like any casino – would expect that its success would generate traffic, in that more visitor arrivals translate into more revenue, but more visitors also translates into more cars. With that in mind, we note that Capital View has put forth a detailed plan to keep traffic off of local roads, and is developing similar plans to ensure adequate funding for local governments.

Additionally, we note that this goal requires a commitment to the other aforementioned goals as well, particularly the emphasis on hiring local workers. A lack of adequate planning in the employment area can have an effect on traffic, and the quality of life. In 2009, Spectrum produced a report for the State of Connecticut that noted that state’s casinos – which generated about 21,000 jobs at the time – generated a significant amount of commuting time for employees:

More than 1,200 casino employees have a commute of 30 minutes or more and 110 drive 50 minutes or more. More than 3,000 employees commute from Rhode Island. More than 1,000 live in New York State. All of those commutes put wear and tear on the transportation network and also negatively impact the environment.²

Conforming with Region’s Character

The most successful casinos often take great pains to ensure that they are not separate and apart from their surrounding communities, but enhance them. A good example of this can be found in the Capital Region itself, as Saratoga Casino and Raceway, which is an economic mainstay of Saratoga Springs, fits in with the character of the community. Its absence of brash, glitzy signage is in keeping with the Saratoga brand, which – according to the tourism professionals in Saratoga interviewed for this analysis – connotes genteel, upscale entertainment. The Capital View Casino and Resort must also be integrated into the community and act as a tourism magnet to benefit local businesses in the surrounding area rather than compete against them.

² “Gambling in Connecticut: Analyzing the Economic and Social Impacts,” Spectrum Gaming Group, June 22, 2009, p. 199

http://www.ct.gov/dosr/lib/dosr/june_24_2009_spectrum_final_final_report_to_the_state_of_connecticut.pdf.

The Case for Co-Ownership

Qualitative Factors

Awarding the Capital Region casino license to Saratoga Casino and Raceway and its applicant partner, Churchill Downs Inc., will result in one partner in the venture also owning the Saratoga Casino and Raceway in Saratoga Springs, effectively managing or co-managing two gaming facilities in the Capital Region. Single ownership of two gaming facilities would intuitively seem less preferable than competing facilities in the region. However, in this case there are multiple advantages for one company operating two properties in the Capital Zone.

In the case of Capital View Casino & Resort, Saratoga would be a partner and not the sole owner. From the standpoint of capturing the benefits of two properties operating under a single umbrella, that ownership structure does not minimize the advantages of such positioning. Indeed, it is in the interests of both SCR and CDI to leverage that relationship for the benefit of their operation, as well as for the state.

The most important benefit of co-ownership is to minimize the adverse impact of new competition on the existing racetrack casino in Saratoga Springs. The introduction of full-scale casino gaming in the Capital Region will negatively impact the current Video Lottery Terminal ("VLT") casino that has been operating in Saratoga Springs since 2003 and drawing much of its visitation from the Albany/Troy/Schenectady area. Our gravity modeling predicts that the Capital View casino will generate total revenues of \$220 million once fully operational. However, a substantial proportion of these revenues will come from customers who formerly visited the VLT casino in Saratoga Springs. Specifically, we forecast that GGR at Saratoga Casino and Raceway will be \$90 million annually, reflecting a decline of 48.4 percent from the last 12 months ending March 2014 GGR level if a new casino opens in the Albany area. Revenue cannibalization on this scale would clearly result in reduced employment at the Saratoga Springs casino and the loss of accompanying economic benefits to Albany. However, if both facilities were managed by a partnership which includes the existing owner, it is reasonable to assume that there would be less erosion in jobs due to competition due to the common employment pool, reducing the revenue cannibalization impact across the region as a whole.

While minimizing the impact of revenue cannibalization will be the most important consideration for the Board in awarding the Capital Zone license, there are numerous reasons to recommend co-ownership of the Capital Region gambling facilities. First, Saratoga Casino and Raceway is a recognized regional brand with strong ties to the local horseracing culture and the regional economy, as is Churchill Downs Inc. Secondly, both SCR and CDI are respected operators with a documented history of responsible management, and a proven track record of community involvement and cooperation. Third, the location of two cooperatively managed

properties in the same district can serve to promote regional tourism. Rensselaer County is currently marketed as a gateway to other upstate recreational destinations such as the Adirondacks and Lake George. Successful marketing of two regional properties with common ties can bring more tourism visitation to destinations in Albany, Rensselaer, and Saratoga counties. Fourth, Saratoga Casino and Raceway is a New York corporation, which means it would be keeping profits and capital investment within the local region and not taking them outside the state. Finally, common management under Saratoga Casino and Raceway and Churchill Downs Inc. will speed the time to market for the new casino. The RFA requires that the operator which successfully receives a casino license have the facility open within a two-year period. As a regional operator with intimate knowledge of the local construction landscape, Saratoga Casino and Raceway can be depended upon to deliver on this commitment in a more timely fashion than many other competitors. Saratoga Casino and Raceway executives, armed with long experience in the local market will be supervising construction, in partnership with Churchill Downs, Inc., bringing to bear their intimate knowledge of both local gaming operations and local construction.

The benefits of co-ownership can be summarized as follows:

- Minimize adverse impact on Saratoga Casino and Raceway
 - Fewer job losses through managed cannibalization
- Regional brand
- Respected operator
 - Track record of responsibility
 - Community involvement
- Promote regional tourism
 - Facilitate visitation to Saratoga and Rensselaer counties
- Keep casino profits local
- Timely opening

Quantitative Factors

Saratoga Casino and Raceway is already committed to, and firmly vested in, the Capital Region. The existing Saratoga Casino and Raceway traces its history to 1941, when the first race program was held at the site (then called Saratoga Harness), while in 2004 Saratoga Casino and Raceway became the first VLT facility to open in New York State. SCR's partner in this casino license application, Churchill Downs Inc., boasts an even longer historical legacy and, while it may be new to the Capital Region, it is equally vested in the local regions where it operates today, particularly the Louisville, KY, area. Like Saratoga Casino and Raceway, Churchill Downs's corporate headquarters are similarly located within 50 miles of the capital, Frankfort.

We firmly believe that if a new casino in the Capital Region were under the direction of a partnership including an existing operator in the region (in this case Saratoga Casino and Raceway) many benefits could accrue to stakeholders – including the State of New York, as well as to the operator, patrons and horseracing interests. Such benefits could include:

- Cooperative operation would have the ability to realize operating efficiencies through economies of scale in various areas, ranging from purchasing to more cost-effective and unified marketing.
- SCR and CDI could have increased branding options. They could unify two casinos in the Capital Region under one recognized central brand, or establish different brands at different price points appealing to different demographic segments.
- Saratoga Casino and Raceway, along with its partner, Churchill Downs Inc., would have the ability to unify the customer database and offer complementary experiences at each casino.

Collectively, these potential advantages translate into an overarching public-policy benefit: If managed well, one ownership structure leveraged across two casino properties in the Capital Region of New York is more likely to be financially stable than two distinct ownership groups.

We note from decades of experience in multiple markets that gaming operations that are under cooperative ownership structure and/or complementary to each other still operate in a competitive field. While Saratoga Casino and Raceway currently has no direct competition in the Capital Region, to some degree it is currently competing for visitation (and discretionary dollars) with more distant casinos and other entertainment options in the Northeast US (and this will include new casinos in other regions of New York in the near future) – while all casinos throughout New York compete in the overall battle among many industries for discretionary dollars of adults.

With that in mind, an operator partnership with a stronger balance sheet and more stability in its competitive arena is more likely to attract capital at a more affordable cost. The ability to attract and invest capital in the gaming industry is – in market after market – the most important public-policy goal, as it translates into a more attractive gaming entertainment facility.

We must underscore the salient point that adults in the region benefit when a casino is operated successfully and efficiently. Importantly, this may be a self-sustaining effect. An operation that is more effectively managed generates greater cash flows (in aggregate) to one operator of two casinos versus two independent operators of each casino:

- Greater cash flows may increase the firm's return on invested capital, thereby providing more incentive to invest, or further invest, in each casino.
- This capital investment enables Saratoga Casino and Raceway, along with partner Churchill Downs Inc., to continually better each casino, add more amenities, and ensure a quality product exists to continually satisfy consumer demand in Upstate New York and in the Capital Region.
- Satisfying consumer demand ensures that revenue is continually maximized, again benefitting all stakeholders.

We believe the State of New York would benefit from a more stable operating and investment climate by having common ownership of two gaming facilities in the Capital Region, largely as the result of improved operating efficiencies, resulting in an improved balance sheet for the unified operation. A strong balance sheet translates into facilities that are better capitalized and better positioned to withstand competition and meet future demand for gaming and racing services.

Potential Benefits of an Existing Customer Database

The partnership between SCR and CDI allows for leveraging an existing database of current gaming customers in the Capital Region. Ongoing casino operations at Saratoga Casino and Raceway allows the partners to continue to develop a diverse and growing player list, or database, of casino customers. It is our belief that the development of a marketing database of repeat customers has become an essential component to the success of a modern casino. This is true both in the short-term, post-opening, and the longer run as a property and/or market matures. Such a casino database, or slot club, enables the operator to not only know who their customers are, but to keep those customers informed, rewarded or incentivized for their patronage, and in a degree of relationship with the casino that can benefit both parties. Furthermore, operators of multiple casinos can leverage cross-property offers and visitation to their advantage in ways that single, standalone casinos cannot. Such marketing leverage was pioneered and perhaps best exemplified by Harrah's Total Rewards program.³

During the late 1990s, Harrah's development of its Total Rewards marketing program was well underway, and leading the industry in this regard.⁴ Late in this period, Harrah's also acquired the Showboat Atlantic City (1998-99), its second property in Atlantic City. While

³ Jeffrey Compton, Harrah's Total Rewards, *Casino Player Magazine*, <http://www.casinocenter.com/?p=395>; accessed December 10, 2012.

⁴ Carol Pogash, "From Harvard Yard to Vegas Strip," *Forbes.com*, October 7, 2002; via http://www.forbes.com/asap/2002/1007/048_print.html.

Showboat was not a new casino (opened 1987), it may be instructive to look at its revenue performance pre- and post-Harrah’s acquisition. As illustrated in the historical example below, both casinos benefited from the merger. Harrah’s and Showboat consolidated slot revenue growth outpaced the market total both before and after the takeover, but by substantially more afterward (17.0 percent versus 10.3 percent) than before (12.8 percent versus 9.8 percent). Additionally, combined market share, which had grown by only 0.5 percentage points in the three years preceding the purchase, then grew by 1.3 points in the three years following.

Figure 1: Atlantic City annual slot machine revenue (\$M)

	1995	1996	1997	1998	1999	2000	2001	2002
Harrah's	\$254.2	\$253.5	\$258.6	\$280.8	\$318.3	\$350.7	\$361.4	\$401.4
Showboat	\$255.1	\$264.5	\$281.9	\$293.8	\$299.4	\$299.1	\$300.8	\$321.2
Combined	\$509.3	\$517.9	\$540.5	\$574.6	\$617.7	\$649.8	\$662.2	\$722.6
Annual growth		1.7%	4.3%	6.3%	7.5%	5.2%	1.9%	9.1%
3-yr. growth pre & post				12.8%				17.0%
Combined market share	19.8%	19.7%	19.9%	20.3%	20.9%	21.0%	21.1%	22.2%
Industry	\$2,573	\$2,626	\$2,720	\$2,825	\$2,956	\$3,088	\$3,141	\$3,262
Annual growth		2.1%	3.6%	3.9%	4.6%	4.5%	1.7%	3.8%
3-yr. growth pre & post				9.8%				10.3%

Source: New Jersey Casino Control Commission

While other factors or synergies were potentially also in play, Spectrum submits that it is reasonable to infer that the combined marketing of the two properties played a significant role in the differential before and after performance, as illustrated in the previous table.

Economies of Scale

As defined, an economy of scale is the relative gain in output or savings of costs resulting from the greater efficiency of large-scale processes.⁵ More simply, an economy of scale is an economic concept (specifically microeconomic) that suggests that certain efficiencies in operations can be gained by larger businesses, versus smaller ones. More specifically, larger businesses may be able to do things more cost effectively, or more efficiently, than a smaller one due to certain cost savings achieved as the scale of operations increases. The general idea is that many fixed costs, and certain variable costs, can be reduced (not necessarily in absolute cost, but as a percentage to overall operations) as a company becomes larger. Some examples pertaining to realizing economies of scale that may apply to the partnership between Saratoga Casino and Raceway and Churchill Downs Inc. cooperatively managing two properties in the Capital Region may include:

- The ability to spread general and administrative costs over a larger organization
 - One executive management team overseeing two casino operations

⁵ Oxford English Dictionary, Oxford University Press 2010.

- Specialization of labor – various processes can be allocated between two casinos to boost overall productivity
- Significant operating experience, and corporate headquarters, in New York – there may exist less of a learning curve for employees as Saratoga Casino and Raceway may be able to deploy experienced workers to either property
- Capital investment in systems and technologies – where it may not be cost effective for a singular casino to invest in cost prohibitive systems and technologies it may be cost effective when cost and resources are spread over two casinos with one operator
- A larger organization, with existing experience and presence in the gaming jurisdiction, may achieve better access to credit markets and be able to realize more favorable terms and rates for borrowing and issuing debt, resulting in lower effective capital costs
- Greater purchasing power leverage which enables costs savings (on a per-unit basis)
 - Centralized purchasing function/agent(s) and/or centralized receiving/warehouse operations may require less staffing than two separate casino operations, while achieving cost savings and more efficient processes
- Opportunities for more cost effective cross-marketing, advertising, database marketing, and other marketing related initiatives – a larger organization may have ability to realize synergies and consequently spread these costs over two casinos.

Aside from the operator partnership, we believe these efficiencies can translate into benefits for patrons and many other stakeholders in New York, through enhanced cash flows and operating efficiencies. As one example, money saved by the business through more efficient procurement practices and agreements may mean this money then becomes available for other uses by the business, such as for increasing promotional allowances (directly benefitting patrons) – this then helps the casino to grow and/or retain patronage, as well as to effectively compete with casinos that may come on-line in nearby/neighborhood states in the near future, such as in Massachusetts. Perhaps money saved through economies of scale may simply flow through directly to earnings.

As noted earlier, enhanced earnings, via gaining economies of scale, may mean that the company can direct more capital investment dollars into the casino. Among other things, the

benefits of capital investment in the casino industry may increase the attractiveness of the casino (i.e., more capital available to enhance the facility), may allow the casino operator to expand the facility and add more diverse gaming amenities, may allow the casino to mitigate other competitive forces, and/or the availability of capital may allow a casino operator to create significant non-gaming amenities on-site, such as a hotel. As a corollary effect, increased earnings may make the operator more appealing to the capital markets and thus stimulate investment into the facility.

Consolidated ownership of two properties may also create concerns that New York would be overly dependent on one operator in the Capital Region, which are often referred to as “undue economic concentration” issues. Such concerns need to be considered. However, we note that the status quo – in which there are multiple casino operators statewide – would remain largely unchanged. Moreover, Saratoga Casino and Raceway would be co-operating the facility with its partner, Churchill Downs Inc., through a joint venture agreement.

Moreover, we also note that gaming is a form of entertainment for adults and the State of New York and the Capital Region offers a vast range of entertainment options that all compete for a share of the region’s discretionary spending.

Possible Synergies and Shared Services

- Hassle-free casino experience in the Capital Region:
 - Simplified experience – ability to interact with one entity (telephone, web-based) while benefitting from having two unified casinos.
- Common database results in common offerings for customers:
 - No loss, or cost (real or perceived), to customer by playing at either casino – equivalent benefits accrue from playing at either casino.
 - Customer earns rewards from play at either of two casinos and can redeem at either of two casinos.
- Loyalty – as with airlines and hotels customer loyalty programs, with various tiers and plateaus resulting from membership, Saratoga Casino and Raceway may be able to develop a common system applicable to both casinos, which may then yield incremental visitation (as customers may not split visits/GGR to other regional competitors or expatriate dollars to casinos beyond New York’s borders).
- Saratoga Casino and Raceway, through its existing database and operations at its Saratoga Springs facility, is keenly aware of Upstate New Yorker’s customer tastes and preferences – this proprietary insight can be seamlessly applied to:

- Ensure product offering is at a quality level and attractiveness expected by local residents.
- Tailor the loyalty program to local residents to increase visitation to both casinos (which may in-turn serve to reduce incentive for New York residents to expatriate gaming dollars to other jurisdictions).

In addition to the examples presented regarding economies of scale, the following are additional, more specific, examples of how, or areas where, two properties may share services through one operating entity, or benefit from consolidation of these services:

- General and Administrative – shared services
 - Executive office / executive team and leadership
 - Legal
 - Human resources
 - Compliance
 - Governmental and/or community affairs
- Finance and Accounting – shared services
 - Operational accounting
 - Payroll
 - Planning, budgeting, and/or analysis
- Other areas – shared services
 - Purchasing/procurement
 - Warehouse and/or receiving
 - Information technology
 - Transportation
 - Maintenance
 - Engineering/facilities maintenance (i.e., general maintenance, mechanics, electricians, plumbers, HVAC, refrigeration, locksmiths, etc.)
 - Customer call center and/or communications (phone management)

The following are marketing related examples of services (internal and external) and functions that may be shared to realize economic benefit:

- Saratoga Casino and Raceway and Churchill Downs Inc. can leverage customer intelligence that has been gathered through existing database with full knowledge of local customer preferences
- Common branding – simplifying and gaining efficiencies in cross-marketing
 - Common player tracking system(s)
 - Data warehousing of information
 - Shared customer development staff

- Shared customer call, marketing services, center(s)
- Uniform inbound phone number(s) for both casinos
- Planning, coordinating, and executing functions (internal) and/or vendors/agencies (external)
 - Design
 - Production
 - Printing
 - Media buys
 - Entertainer acquisition
 - Special events and/or entertainment
 - Consumer research – satisfaction studies and new campaign testing

The following are examples of areas where direct benefits (or cost savings) may arise from all, or a combination, of the aforementioned shared services:

- Shared corporate culture and ensuring consistent consumer experience (ties into singular branding)
- Employee benefits and compensation – shared programs/costs:
 - Medical benefit plans
 - 401(k), employee retirement plans
 - Jobs compendium and common compensation schedules
 - Standardized employee recruitment and/or training programs:
 - One recruiting and/or training staff
 - Shared policy and procedures
 - Shared customer service training programs
 - Shared casino and operating service standards
 - Greater ability for employee upward mobility, which can translate to greater employee retention and job satisfaction

Again, aside from the operator, these savings and/or efficiencies can translate into benefits for patrons and many other stakeholders in New York. The more financial success (or stability) that a casino operator may realize directly results in greater capital investment, and re-investment, into its casino facility; and this in turn creates better experiences for customers, as well as attracting new and incremental visitation from Upstate New York and the Capital Region.

Example of Economies of Scale – Caesars Entertainment in Atlantic City

Prior to 2005, Caesars Entertainment (then operating as Harrah’s Entertainment) operated two casinos in Atlantic City – Harrah’s Marina and Showboat. Caesars Entertainment’s operating results from 2005 to the present include results from Bally’s Atlantic City and Caesars

Atlantic City, as these two casinos were acquired by Harrah’s Entertainment during 2004. Upon further analysis, splitting the decade in half and comparing the two five-year periods, and focusing on the Caesars Entertainment portfolio of casinos in Atlantic City we can demonstrate the larger organization (latter half of decade) has shown better operating efficiencies in the overall Atlantic City gaming market – potentially indicative of the benefits associated with economies of scale as the company expanded in this market.

A figure we examine is respective share of gross operating profit (“GOP”) compared to respective share of net revenue, by casino and for Caesars Entertainment – we refer to this as efficiency (“efficiency”). Essentially, efficiency is determined by calculating the GOP share of the market for each entity, then calculating the net revenue share of the market for each entity, and ultimately dividing the GOP market share into the net revenue market share – a figure greater than 100 percent indicates that the entity is garnering a greater share of GOP compared to its share of net revenue, indicative of efficiency in the market. Importantly, this calculation eliminates any macroeconomic phenomena that may impact overall results (such as the recession in 2001, as well as the recession that began in December 2007). However, this calculation doesn’t mitigate the impact of significant new competition in the market, such as the opening of the Borgata in 2003.

The following table illustrates the performance of the four casinos in Atlantic City currently operated by Caesars Entertainment for 2005-09 (when all four casinos were owned and operated by Caesars Entertainment) compared to 2000-04 when only two of the current four were operated by Caesars Entertainment (in this case, all other casinos consist of the Borgata, the three Trump casinos, Resorts, Atlantic City Hilton, and Tropicana).

Figure 2: Efficiency (GOP to net revenue) for Atlantic City casinos, 2000-09 – inclusive of Borgata

Net Revenue	2005-2009	2000-2004	Better/(Worse)
Caesars Entertainment	41.8%	44.4%	(2.5)
All other casinos	58.2%	55.6%	2.5
GOP	2005-2009	2000-2004	Better/(Worse)
Caesars Entertainment	52.2%	53.8%	(1.6)
All other casinos	47.8%	46.2%	1.6
Efficiency	2005-2009	2000-2004	Better/(Worse)
Caesars Entertainment	124.7%	121.2%	3.5
All other casinos	82.2%	83.1%	(0.9)

Source: New Jersey Casino Control Commission, Spectrum Gaming Group

As illustrated, even with the impact of the opening and consequent success of the Borgata in Atlantic City, Caesars Entertainment operated casinos have collectively improved their efficiency from the first half to the second half of last decade – while they grew from two to four casinos over the same period.

To eliminate the impact of Borgata, we next illustrate these results exclusive of Borgata operating results for the last decade. This is illustrated in the following table; note that the

improvement in efficiency for Caesars Entertainment versus all other casinos in Atlantic City is much more significant when excluding Borgata (in this case, all other casinos consist of the three Trump casinos, Resorts, Atlantic City Hilton, and Tropicana).

Figure 3: Efficiency (GOP to net revenue) for Atlantic City casinos, 2000-09 – exclusive of Borgata

Net Revenue	2005-2009	2000-2004	Better/(Worse)
Caesars Entertainment	50.6%	46.4%	4.3
All other casinos	49.4%	53.6%	(4.3)
GOP	2005-2009	2000-2004	Better/(Worse)
Caesars Entertainment	65.7%	56.6%	9.1
All other casinos	34.3%	43.4%	(9.1)
Efficiency	2005-2009	2000-2004	Better/(Worse)
Caesars Entertainment	129.8%	122.1%	7.7
All other casinos	69.5%	80.9%	(11.4)

Source: New Jersey Casino Control Commission, Spectrum Gaming Group

Both presentations, showing efficiency for Caesars Entertainment casinos in Atlantic City (with and without Borgata), clearly show that while Caesars Entertainment outperformed its peers in the market, collectively, when only operating Harrah’s Marina and Showboat in the first half of the decade, the efficiency level for Caesars Entertainment (again versus its peers) grew significantly when operating four casinos in the second half of the decade, while it was a larger organization.

In mid-2004, prior to the Harrah’s acquisition of Caesars Entertainment, which resulted in Harrah’s Entertainment increasing its casino holdings in Atlantic City from two to four casinos, an article in the *San Diego Business Journal* noted the following, with respect to economies of scale:⁶

If the acquisition goes through, Harrah's sees \$80 million of savings, system wide, during the first year. The economic impact of putting two local casino-resorts under the same ownership was not immediately clear.

‘There are obvious marketing and back office efficiencies that can be exercised,’ said Bill Eadington, an economics professor and director of the Institute for the Study of Gambling and Commercial Gaming at the University of Nevada, Reno. "The casino industry is characterized by very strong economies of scale."

While Spectrum is not aware of specific operating strategies, management practices, and internal results related to Caesars Entertainment, at a macro-level our analysis and findings

⁶ “Harrah's-Caesars Merger Could Have Impact on Local Casinos,” *San Diego Business Journal*, July 26, 2004.

presented herein may be considered as an example of a casino company creating economies of scale in one region/jurisdiction.

Economies of Scale Example: Larger vs. Smaller Casinos in Atlantic City (excluding Caesars Entertainment)

From our previous example (i.e., Caesars Entertainment), we are cognizant of the fact that the four Caesars Entertainment casinos in Atlantic City may appear to skew the efficiency figures in their favor, with respect to the other seven casinos operating in Atlantic City. In our next example we can demonstrate that over the second half of the decade (2005-09) of the seven casinos in Atlantic City not owned and operated by Caesars that the larger casinos performed at a greater efficiency level (and operating margin) than the smaller casinos.

To determine our larger and smaller casinos for this example we looked at the average number of gaming positions each had from 2005-09.⁷ Borgata, Tropicana, and Trump Taj Mahal averaged 5,003 gaming positions over this period, while Resorts International, Atlantic City Hilton, Trump Plaza, and Trump Marina averaged 2,842 gaming positions. Based upon gaming positions there is a clear distinction between these larger and smaller casinos – a difference of 1,615 gaming positions separates the smallest casino in the larger group (Trump Taj Mahal) versus the largest casino in the smaller group (Resorts International).

As illustrated in the following table, from 2005-09 (and net of the four Caesars Entertainment casinos), the larger casinos in Atlantic City had an average efficiency (again, share of GOP versus share of net revenue) of 105.3 percent versus the smaller casinos having an average efficiency of only 42.9 percent. Furthermore, in terms of operating margin (GOP divided into net revenue – another measure of operating efficiency) the larger casinos averaged 25.5 percent, while the smaller casinos averaged only 10.4 percent.

Figure 4: Efficiency and operating margins for Atlantic City casinos, 2005-09 – exclusive of Caesars Entertainment

Size	Casino	Current Principal Owner(s)	Gaming Positions	Efficiency	Operating Margin
Larger	Borgata	Boyd Gaming/MGM Mirage	5,284	118.6%	28.8%
Larger	Tropicana	Tropicana Entertainment	4,915	92.2%	22.4%
Larger	Trump Taj Mahal	Trump Entertainment Resorts	4,811	94.2%	22.8%
Larger	Average:		5,003	105.3%	25.5%
Smaller	Resorts International	Credit Suisse	3,195	24.8%	6.0%
Smaller	Atlantic City Hilton	Colony Capital	2,889	33.7%	8.2%
Smaller	Trump Plaza	Trump Entertainment Resorts	2,768	57.4%	13.9%
Smaller	Trump Marina	Trump Entertainment Resorts	2,517	62.6%	15.2%
Smaller	Average:		2,842	42.9%	10.4%

⁷ Gaming positions reflects total number of slots at a 1:1 ratio and total number of table games at a 6:1 ratio.

This clearly demonstrates, aside from our Caesars Entertainment example alone, that economies of scale may exist for larger and smaller casinos – based upon this example from Atlantic City over a five-year period.

Procurement of Goods and Services

The partnership between Saratoga Casino and Raceway and Churchill Downs Inc. will be able realize savings and/or efficiencies through centralized procurement of goods and services, ensuring that highest value/efficiency is received. Saratoga Casino and Raceway is already established in the region and contracting services with local and regional vendors annually, spending millions of dollars.

A potential benefit to the partnership may be its ability to dramatically increase volumes of business with current vendors while achieving dollar savings through bulk purchasing for two casinos (i.e., negotiated discounts). Ultimately, savings realized through consolidated and effective procurement practices may translate into more efficient operations and thus more resources available from capital investment and growth – ultimately to the benefit of adults in the region that patronize either casino.

The following are examples of goods and services that may be currently purchased by Saratoga Casino and Raceway on a regular, recurring basis for operation of a casino and may be beneficial to their cooperative management of the Capital View Casino & Resort.

- Cost of Goods Sold (primarily food and beverage, if applicable)
- Insurance
 - Employee Benefits for health, life, dental, and/or vision insurance coverage(s)
 - Property/Facility related – General Liability, Building & Contents
- Operating Supplies
 - Office & Computer supplies
 - Gaming & General supplies
 - Uniform purchases
 - Linen/Laundry services
 - Cleaning supplies
 - Paper goods – printed forms, signs, menus, etc.
 - China/Glass/Silver for food & beverage outlets (if applicable)
- Repair & Maintenance
 - Various materials/parts/supplies for facility upkeep/modifications
 - Equipment rental(s)
- Maintenance Contracts
 - Computer hardware and software

- Slot services/suppliers
- Cleaning of facility/kitchens/etc.
- Landscaping – exterior and interior plants/decorations
- Waste removal services
- Exterminator
- Accounting/Auditing Fees
 - Banking, Credit, and related Financial services
 - Armored transportation
- Contract Labor & Professional Services (i.e., employee drug testing, consulting, etc.)
- Advertising Media & Production
 - Television
 - Radio
 - Billboards
 - Newspapers/Print
 - Postage & Freight
 - Entertainment & Special Events
 - Casual entertainers, performers, musical acts, etc.
- Communications
 - Telephones & Internet and related services
- Utilities
 - Electricity & Gas
 - Sewer & Water

Succinctly, any synergies and efficiencies resulting from common ownership of two gaming facilities in the Capital Region could then equate to cash flow available that can be utilized for other operations, provide financial stability, and/or be used for on-going capital purposes – to continually improve the facility – which in-turn benefits all stakeholders.

New York Casino Landscape

We estimate the 14 casinos in New York generated \$3.23 billion of gross gaming revenue (“GGR”) through LTM March 2014, while these casinos had approximately \$2.93 billion of net gaming revenue (i.e., GGR net of free-play or slot promotional credits). However, of this GGR and net gaming revenue nearly two-thirds (at 65 percent and 65.3 percent, respectively) was generated by Video Lottery Terminal (“VLT”) facilities (i.e., video gaming through the New York Lottery), while just over one-third of the gaming revenue was generated by the five Native American casinos statewide. Moreover, of the statewide GGR (for both VLT and Native American casinos) 45.5 percent was generated at the two New York metropolitan statistical area (“MSA”) VLT locations, while these two locations generated 45.5 percent of the statewide GGR and 45.7 percent of the statewide net gaming revenue (i.e., the combination of Empire City at Yonkers Raceway and Resorts World Casino New York City).

Therefore, we estimate New York's 12 Upstate casino locations (or those not in the New York MSA) had \$1.76 billion of GGR and \$1.59 billion of net gaming revenue through LTM March 2014. However, the majority of this GGR and net gaming revenue at Upstate NY casinos was generated in the five Native American casinos (at 64.3 percent and 64 percent respectively) – as the seven Upstate NY VLT facilities generated \$630.3 million of GGR and \$572.5 million of net gaming revenue through LTM March 2014.

For the three geographic regions where the Upstate NY Gaming Act would add up to four casinos, the actual GGR from the three existing VLT facilities located in the regions (i.e., one facility in each region) was \$307.5 million through LTM March 2014 – or only 14.6 percent of the statewide GGR over the period (while AGR was \$278.4 million and also at 14.6 percent of the respective statewide level over the period).

These data are shown in the following two tables.

Figure 5: New York casino performance, by location (LTM March 2014)

Casino Revenue (LTM March 2014, \$M)	Type	Region	GGR	Net Gaming Rev.	Promo Credits
Batavia Downs	Video Gaming	Seneca Exclusivity Zone	\$52.1	\$47.1	\$5.0
Empire City at Yonkers Raceway	Video Gaming	New York MSA	\$601.3	\$547.2	\$54.0
Finger Lakes	Video Gaming	Seneca Exclusivity Zone	\$143.9	\$130.8	\$13.1
Hamburg	Video Gaming	Seneca Exclusivity Zone	\$79.1	\$72.8	\$6.3
Monticello	Video Gaming	Catskills/Hudson Valley	\$69.1	\$61.3	\$7.8
Resorts World NYC	Video Gaming	New York MSA	\$869.2	\$792.6	\$76.6
Saratoga	Video Gaming	Albany/Capital	\$174.4	\$158.9	\$15.5
Tioga Downs	Video Gaming	Eastern Southern Tier	\$64.0	\$58.2	\$5.9
Vernon Downs	Video Gaming	Oneida Exclusivity Zone	\$47.7	\$43.4	\$4.4
Akwesasne Mohawk Casino (Est.)	Native American	St. Regis Mohawk Exclusivity Zone	\$180.7	\$162.6	\$18.1
Seneca Gaming Corp. (Est.)	Native American	SGC Exclusivity Zone	\$700.3	\$628.4	\$71.9
Turning Stone (Est.)	Native American	Oneida Exclusivity Zone	\$252.2	\$227.0	\$25.2
Total			\$3,233.9	\$2,930.3	\$303.6

Source: New York Lottery, Seneca Gaming Corporation, Spectrum estimates. NOTE: Totals for Native American casino are not publicly reported, but either derived from respective company files and/or estimated by Spectrum Gaming Group.

Figure 6: New York casino performance, by region (LTM March 2014)

Casino Revenue (LTM March 2014, \$M)	GGR	GGR Share of NY	Net Gaming Rev.	Net Gaming Rev. Share of NY
Albany/Capital	\$174.4	5.4%	\$158.9	5.4%
Catskills/Hudson Valley	\$69.1	2.1%	\$61.3	2.1%
Eastern Southern Tier	\$64.0	2.0%	\$58.2	2.0%
New York MSA	\$1,470.5	45.5%	\$1,339.8	45.7%
Seneca Exclusivity Zone	\$975.3	30.2%	\$879.2	30.0%
All other	\$480.6	14.9%	\$433.0	14.8%
Total	\$3,233.9	100.0%	\$2,930.3	100.0%

Source: New York Lottery, Seneca Gaming Corporation, Spectrum estimates. NOTE: Totals for Native American casino are not publicly reported, but either derived from respective company files and/or estimated by Spectrum Gaming Group.

This understanding and recognition of the current casino landscape provides a foundation for all of our modeling and resultant gaming revenue impact-projections in this report.

Capital View

There is currently only one casino⁸ within a reasonable one-hour drive of the Capital View site in Rensselaer County (that being Saratoga Casino and Raceway approximately 35 miles to the north in Saratoga Springs). When expanding the drive-time from the Capital View site to a two-hour drive there are currently three casinos – Capital View, Turning Stone, and Vernon Downs. However, Springfield, MA, (which will host a casino) and the majority of the

⁸ We use the term “casinos” in this usage to denote all gaming properties, whether they have only slots/VLTS or slots and table games.

Catskills/Hudson Valley Region (which may host two casinos) are also within this two-hour drive-time.

We believe the close-in, local adult population currently accounts for the vast majority of gaming revenue and visitation to New York’s casinos, while this is confirmed by our empirical research and observations related to casinos in New York. Currently all the commercial (i.e., non-Native American) casinos in New York are VLT-only facilities that do not offer an on-site hotel, nor do they provide live table games or bona fide slot machines. With limited gaming amenities and/or other restrictions, this supports our belief – based on analysis and proprietary operator data – that at least 90-plus percent of gaming revenue and visitation at such facilities emanates from adults residing within their respective one-hour drive markets.

In our experience, casinos that have a significant mass of non-gaming amenities, along with full array of slots and table games, have the ability to draw visitation from beyond a one-hour drive-time boundary – which we believe would be the case with a Capital View casino. However, the competitive landscape coupled with the number of adults in the market area also contributes to the ability of a casino to draw meaningful visitation from beyond a one-hour drive-time.

While a new Capital View casino would directly compete for patronage with other casinos that may have overlapping drive-time boundaries at one- or two-hour drives of their respective locations, the vast majority of New York’s GGR was generated from casinos beyond a two-hour drive of the Capital View site. As such, our modeling (and conventional wisdom) indicates a new Capital View casino would have a significant negative impact on the one existing casino within a one-hour drive and within the Capital Region (i.e., Saratoga Casino and Raceway).

Again, this understanding and recognition of the current casino landscape provides a foundation for all of our modeling and resultant gaming revenue impact-projections in this report.

Population

From a demographic perspective there is a total resident population of 1.34 million within a one-hour drive of the Capital View site and 6.43 million within a two-hour drive of the Capital View site. In terms of adults (i.e., age 21+) there are 1.0 million adults within a one-hour drive and approximately 4.71 million adults within a two-hour drive.

The following table illustrates the number of adults surrounding Capital View, as well as Saratoga Casino and Raceway (both in the Capital Region), in 30-minute driving/travel time increments from each respective location (up to two hours). In addition to the respective adult population totals, on a travel/drive-time basis from each location, the following table illustrates

the shared, or overlapping, adult population (as applicable) for each with respect to Capital View, along with this shared adult population expressed as a percentage (i.e., number of adults by respective travel/drive time that would be shared, or overlap, with such adults from the existing Saratoga Casino and Raceway).

Figure 7: Current adult population surrounding Capital View and Saratoga Casino and Raceway sites (by travel/drive time)

<u>Adult Population</u>	<u>Capital View</u>	<u>Saratoga Casino and Raceway</u>
w/in 30-Minute Drive	465,485	227,578
w/in 1-Hour Drive	1,001,624	775,944
w/in 90-Minute Drive	1,996,982	1,153,760
w/in 2-Hour Drive	4,710,431	2,205,477
<u>Adults (Shared w/ Capital View)</u>	<u>Capital View</u>	<u>Saratoga Casino and Raceway</u>
w/in 30-Minute Drive	465,485	70,053
w/in 1-Hour Drive	1,001,624	731,014
w/in 90-Minute Drive	1,996,982	1,099,810
w/in 2-Hour Drive	4,710,431	2,144,320
<u>% Adults (Shared w/ Capital View)</u>	<u>Capital View</u>	<u>Saratoga Casino and Raceway</u>
w/in 30-Minute Drive	100.0%	30.8%
w/in 1-Hour Drive	100.0%	94.2%
w/in 90-Minute Drive	100.0%	95.3%
w/in 2-Hour Drive	100.0%	97.2%

Source: Nielsen SiteReports, Microsoft MapPoint 2010, Mile Charter, Spectrum Gaming Group

We note, of this very local and shared adult population, within a one-hour drive of 64.3 percent reside closer to the Capital View site (than to the existing Saratoga Casino and Raceway), while 82 percent of the shared adult population with a two-hour drive resides closer to the Capital View site (than to Saratoga Casino and Raceway).

While the essence of this shared adult population is fully captured within our gravity modeling, it will bear little surprise that a potential Capital View casino would have a profound negative impact on visitation (and gaming revenue) at the existing Saratoga Casino and Raceway.

Modeling Assumptions, Methodologies and Considerations

Spectrum developed numerous assumptions, based on our experience and in consultation with the Client, that are the foundation for the analyses throughout this report. It is critical that stakeholders understand these assumptions and the methodologies used in developing the results. We provide and discuss these below.

The Client provided Spectrum with the salient assumption that their new casino in the Capital Region would be located in East Greenbush. We assume this new casino would have a total of 1,500 slots and 56 table games (along with an integrated facility having significant non-gaming amenities, including a 100-room hotel). It is further assumed the Client's existing property (Saratoga Casino and Raceway) would continue to operate as a VLT facility and we assume it would have the same number of VLT units (1,782).

We assume the competitive landscape throughout the region and in the Northeast US remains at status quo (i.e., as of LTM March 2014) with respect to casino offerings, as well as both numbers and types of gaming positions, with the exception of the following new casinos:⁹

- Eastern Southern Tier will have one new casino located in Tyre, NY, with 2,000 slots, 100 table games, and a 250-room integrated hotel
- Catskills/Hudson Valley Region will have two new casinos:
 - One casino located near Newburgh having 3,500 slots, 135 table games, and a 500-room integrated hotel
 - One casino located in Sullivan County (near Monticello) having 1,750 slots, 68 table games, and a 250-room integrated hotel
- Long Island (Nassau and Suffolk counties) will have two new VLT-only facilities with 1,000 VLTs at each location
- One new casino in Philadelphia, PA, for a total of two Philadelphia casinos having up to 5,000 slots and 200 table games
- Massachusetts will have four new casinos:
 - One casino in Springfield having 3,000 slots, 75 table games, and a 250-room integrated hotel
 - One casino in the Boston area having 4,000 slots, 150 table games, and a 500-room hotel

⁹ These assumed locations are for modeling purposes only, to illustrate the prospective revenues potential in a competitive scenario. Spectrum does not presume the locations used for modeling purposes are necessarily the best or most qualified locations/proposals for new casinos in New York and elsewhere.

- One casino in Taunton having 3,000 slots and 75 table games
- Once slots-only casino in Plainridge with 1250 slots

Projecting GGR, Methodologies Employed

The Gravity Model

The principal tool Spectrum uses in projecting gaming revenue (or related impact) is our gravity model. The gravity model is a forecasting technique that uses the actual adult population totals around a specified casino, taking into account competing locations from within a predefined catchment area (quantified by reasonable drive times, expressed in minutes, surrounding each casino – not actual driving or straight-line miles) to project visitation and, ultimately, gaming revenue from the projected visitation. Simply, the farther away an adult resides from a casino (and/or respective casinos throughout New York and/or in nearby states), the lower the probability that that person will make a trip to gamble there. If given an opportunity, adults with propensity to gamble will tend to choose to patronize the closest casino to their homes, particularly if the gaming product is similar amongst competing casinos. In addition to adult population totals surrounding the specified location, among other variables, the gravity model employed also considers casino participation rates and gaming revenue per adult.

Spectrum built a comprehensive, constrained gravity model. We incorporated estimated population data for 2013 covering 4,550 areas in 10 states (i.e., New York, Connecticut, Delaware, Maryland, Massachusetts, New Hampshire, New Jersey, Pennsylvania, Rhode Island, and Vermont) that were approximated by ZIP Code, including all areas within a reasonable three- to four-hour drive of the Albany/Rensselaer area. The data included population data (both total and estimated for gaming-age adults [21+]) and median household income by ZIP Code (to adjust relative estimated gaming revenue budgets accordingly).

Our estimated population and median household income data were obtained from Nielsen SiteReports and is principally based on US Census Bureau data. Nielsen SiteReports indicates this data is further refined at the ZIP Code level based on sources including trends in US Postal Service deliverable address counts, counts from the Nielsen Master Address File, and Valassis counts of new housing units.

Our gravity model accounts for all existing casinos in New York and in all other neighboring/nearby states that are within a four-hour drive of Albany/Rensselaer area (along with a provision for new casinos – in the Eastern Southern Tier and the Catskills/Hudson Valley region, as well as on Long Island, in Philadelphia, and throughout Massachusetts). We further assume these aforementioned casino locations are the only valid locations for casino gaming

facilities in New York and in neighboring/nearby states (this ensures we adequately capture and quantify shared visitation amongst multiple casino locations throughout the region).

With regard to annual gaming revenue per adult values, the basis for the material assumptions is from extensive experience and working knowledge in many domestic gaming markets by Spectrum professionals assigned to this project, and supported by public data presented within this report (where applicable). The material assumptions (aside from adult population by ZIP Code and relative distance calculations, gravity effect) are:

- Gaming age of 21+ (i.e., the adult population) – as we assume that visitation and revenue contribution from adults age 18-20 (and to existing VLT-only facilities) is minimal, while the gaming age for any new casinos in New York would be 21-plus.
- Drive-in adults, or local market gamers:
 - One-hour drive boundary surrounding each racino and/or casino(s) limited to slots-only (i.e., no table games, no significant non-gaming amenities).
 - Two-hour drive boundary surrounding all casinos having both slots and table games.
- Casino participation rates up to 40 percent of adult population by ZIP Code:
 - Adult population within a five-minute drive-time to any casino has an estimated casino participation rate of 40 percent.
 - Adult population beyond a five-minute drive-time to any casino has an estimated casino participation rate at or below 40 percent (while this rate decreases for the adult population, according to ZIP Code, as distance from a casino increases).
- Specific to casinos with integrated hotels:
 - Annual hotel occupancy of 90 percent (for GGR contribution).
 - Annual GGR projections for hotel guests and tourists (the combined segments) is based on an assumed average GGR per occupied hotel room of \$250, while we further assume one-half of this revenue is incremental to local market gamers (or that which is already quantified in gravity model).
 - This figure is partly determined based on fiscal year ended 2013 estimated GGR-per-occupied-room estimates from largest Las Vegas Strip resorts (the 23 locations having at least \$72 million in GGR annually) where the average GGR per occupied room night was approximately \$216. We deem this methodology as reasonable in

quantifying expected levels of GGR that casinos with integrated hotels could generate from non-local market visitation. For example, according to the Las Vegas Visitor Profile Study, for the years 2008-2012, the percentage of visitors to Las Vegas staying overnight was in excess of 99 percent. We believe the vast majority of GGR to these Las Vegas Strip properties was from non-local residents (i.e., hotel guests and tourists), as the Las Vegas Visitor Profile Study excludes residents of Clark County (where Las Vegas is located) from its results.

- We believe this figure will be higher for the Saratoga Rensselaer location as it would have substantially less hotel rooms to fill (compared to the average Las Vegas Strip resort) and would rely more on casino-centric patrons.
- Specific to new casinos in New York, including Capital View, we incorporate a modeling technique over our gravity model, where we assume a premium (over calibrated model) would apply to average gaming revenue per patron ranging from 10 percent to 20 percent (to account for expected lift in gaming revenue potential of market from having table games and/or Class III gaming/slots). Ultimately, this step determines the range of our low- and high case results (i.e., where the mid-point, or a 15 percent premium, is our expected case).

Casino Participation Rate

According to the American Gaming Association's 2013 *State of the States* survey, 34 percent of the US adult population visited a casino during 2012, while 32 percent of the US adult population gambled during a casino visit (i.e., of all US adults visiting a casino, ± 5 percent did not gamble).

Further, according to the *Harrah's Survey, Profile of the American Casino Gambler*,¹⁰ New York was the second highest feeder state (behind California) to US casinos in 2005, having generated more than 2 million casino visits that year.

We believe that this rate has grown since the 2006 *Harrah's Survey* was conducted due to continuing expansion of gaming facilities in New York and in nearby states (such as Pennsylvania after 2006), as well as the proliferation of casinos nationwide. We believe the casino participation rate for adults that live nearby to a casino, or casinos, may reasonably approach 40 percent, annually. Therefore, in our modeling we assume a casino participation

¹⁰ The 2006 *Harrah's Survey* was the last report detailing these participation rates by market and, to our knowledge, is the most recently publicly available report addressing such.

rate up to 40 percent by ZIP Code (albeit adjusted downward by gravity effect as the relative distance to a casino increases).

This casino participation rate (with a ceiling of 40 percent) is supported by past studies. As an example, and we believe as applicable to the Capital Region:

- In February 2011, Richard Stockton College of New Jersey, in conjunction with Zogby International, surveyed 3,003 individuals residing in the Northeast US. Of the 16 DMAs that were surveyed, casino participation for the Albany DMA (with only one casino – Saratoga Casino and Raceway) was between 15 percent and 25 percent, while the figure in southern New York (i.e., south of the Albany DMA) was between 25 percent and 35 percent. We do not believe this figure would have decreased in the three years since this survey was performed.
- According to Spectrum’s June 2009 report *Gambling in Connecticut: Analyzing the Economic and Social Impacts Prepared for the State of Connecticut*, Division of Special Revenue, 35.6 percent of Connecticut adult residents surveyed indicated casino participation (again, we do not believe this figure would have decreased since that time).¹¹ Additionally, at the time, only 40 percent of Connecticut adults resided within a reasonable one-hour drive of a casino (Foxwoods and/or Mohegan Sun in Connecticut, or those in neighboring/nearby states). However, all Connecticut adults resided within a reasonable two-hour drive of a casino.

Importantly, in the context of this analysis, the aforementioned figures are applicable to legal casinos throughout the United States and, as such, do not include wagers on illegal gaming activities, nor lotteries, horse racing or charitable gaming. Therefore, we believe these figures may be directly applicable to activities at existing and/or potential casinos that New Yorkers may patronize within the local market, regional market(s), and/or throughout the United States.

Annual GGR per Casino Gambler

Our modeling indicates an annual net GGR per casino gambler of \$821 for the adult population residing in the Capital Region. We believe this value is a reasonable estimate, as compared to the average derived US value in recent years. Per data assembled by Spectrum from various state and federal agencies, as well as the American Gaming Association, we have

¹¹ Spectrum Gaming Group, “Gambling in Connecticut: Analyzing the Social and Economic Impacts,” June 22, 2009; http://www.spectrumgaming.com/dl/june_24_2009_spectrum_final_final_report_to_the_state_of_connecticut.pdf

assembled nationwide casino GGR, as well as participants, over the most recent five-year period available:

Figure 8: US casino GGR, visitation and annual GGR per casino gambler (2008-12)

Year	GGR (\$B)			Casino Gamblers (millions)	Participation Rate	GGR / Gamer
	Commercial	Native American	Total			
2008	\$36.2	\$26.7	\$62.9	54.6	25.0%	\$1,152
2009	\$34.3	\$26.5	\$60.8	61.7	28.0%	\$985
2010	\$34.6	\$26.5	\$61.1	54.8	25.0%	\$1,115
2011	\$35.6	\$27.2	\$62.8	59.7	27.1%	\$1,053
2012	\$37.3	\$27.9	\$65.2	71.6	32.0%	\$911
5-Year Avg.	\$35.6	\$27.0	\$62.6	60.5	27.6%	\$1,035

Source: American Gaming Association, National Indian Gaming Commission, various state agencies

As illustrated, over the last five years nationwide, commercial and Native American casino GGR averaged over \$62 billion annually, while there was an average of 60.5 million casino gamblers (casino participation) annually. This yields an average GGR per gamer, per year, of \$1,035 over the five-year period.

Our derived GGR per casino gambler (for the Capital Region) of \$821 is 79.3 percent of the national average result between 2008 and 2012. The difference may reflect GGR leakage to other jurisdictions that are beyond the boundaries utilized in our modeling (such as GGR from these adults destined for Las Vegas or elsewhere outside of the Northeast US). Or the value may be suppressed due to the types and availability of casino offerings currently existing in the Capital Region, elsewhere in New York, and/or in nearby states; that is, many casinos throughout the region may have limited gaming and non-gaming offerings, thus relying extensively on lower-spending day-trip players.

The 2006 *Harrah's Survey* estimated the average number of visits annually to a casino was 6.1. Spectrum has no reason to believe that this figure would have declined since then, given the continued proliferation of casino gaming throughout the United States. Additionally, per the 2009 report that Spectrum prepared for the State of Connecticut, a comprehensive survey of 1,427 Connecticut residents found that the average number of casino visits per resident exceeded 12 annually at a time when every Connecticut adult resided within a two-hour drive of a casino and 40 percent resided within a one-hour drive.¹²

Therefore, we believe that our assumption of GGR per casino gambler (and by establishing reasonableness to number of casino visits that correspond to this value) is reasonable.

¹² "Gambling in Connecticut"

Ramp-Up Period

Our gaming revenue projections do not include adjustments for a ramp-up (nor ramp-down) of operations. In our experience, many new casinos experience some degree of revenue ramp-up during at least their first two years of operations, when marketing initiatives and customer trial and retention contribute to early growth in the business. Such a ramp-up should not be considered inevitable, as some properties open strongly.

For some properties, however, the first two years tend to be significantly weaker than the third year, when operations generally stabilize and revenue growth slows to a growth level nearer the rate of inflation (absent significant marketing events, expansion or competitive changes). However, the likelihood, as well as the effects, of a ramp-up period may be more pronounced for a new casino that enters into an area/region/market where casinos already exist and a competitive operating environment exists.

Disclaimer

It should be noted that despite our drive-in (or local) market gaming revenue projections resulting from our gravity modeling exercise, actual market and property performance can be subject to industry internal and external factors. From an internal industry perspective, competitive marketing and operational strategies, targeted and timely capital reinvestment, and customer perceptions all influence potential performance. From an external point of view, competition for patron discretionary income from other leisure and recreational activities and the general state of the economy may influence spending habits of gaming patrons. In essence, our gaming revenue projections herein are illustrative and may be influenced by a variety of factors (aside from gravity modeling, or quantification of adults by drive-time calculations alone).

Some of these factors may include, but are certainly not limited to, the following:

- Demographic considerations:
 - Differences in age, affluence and other demographic factors
 - Locating a casino or casinos in close or closer proximity to gamblers and/or areas where casino participation can be induced/increased
 - Saturation issues
- Traffic considerations (real or perceived):
 - Ease of access and parking
 - Traffic conditions, such as rush-hour impacts

- Bridge and tunnel crossing, tolls and related issues
- Difference(s) in product offerings, appeal, and/or size and scope of competing casinos within the market and/or region (i.e., need to compete with resort-style casinos in Atlantic City and/or Connecticut among others)
- Deviations in marketing programming, advertising campaigns, and/or promotional allowances, etc. among casinos in a market
- Branding, brand recognition, loyalty programs, etc.
- Proximity to, or synergies with, complementary attractions
- Level of comfort, safety, and security associated with a casino and/or nearby area(s) – whether real or perceived
- Level of capital investment
- Macro-economic conditions

Gaming Revenue and Related Projections

This section shows our gaming revenue projections/impacts, resulting from our modeling. Under each scenario we show our expected case, along with our low and high ranges of projections resulting from our modeling. Additionally, we show our projected, resultant source of GGR (i.e., New York vs. out of state) and annual casino patrons for the Capital Region, while we show direct gaming taxes/fees from Capital View. Unless otherwise noted, all projections/impacts are shown for first full year of operations, assumed to be 2017 (or Year 1).

It is our understanding (and assumption) that a Capital View casino would have 1,506 slots and 56 table games, along with a 100-room hotel and other related non-gaming gaming amenities. We assume casino operations at VLT-only Saratoga Casino and Raceway remain at status quo.

Our modeling indicates that GGR at a new Capital View casino would be approximately \$216.7 million annually (expected case), within a range of \$207.4 million to \$225.9 million. As a result of this new casino, our modeling indicates GGR at Saratoga Casino and Raceway would be \$90.3 million annually, reflecting a decline of 48.2 percent from the LTM March 2014 GGR level. Overall, these two casinos in the Capital Region would combine for \$306.9 million of GGR annually (expected case), within a range of \$297.7 million to \$316.2 million annually.

In terms of net gaming revenue, our modeling indicates these two casinos in the Capital Region would generate \$282.9 million annually (expected case), within a range of \$274.4 million to \$291.5 million. Our modeling indicates net slot revenue would grow to \$246.3 million annually (expected case), which would be a 55 percent increase over the LTM March 2014 level for Saratoga Casino and Raceway, while \$36.6 million of the net gaming revenue would be from table games (and new to the market).

The results of our modeling are shown in the following subsections and tables.

Expected Case

Figure 9: Projected revenue for Capital Region (expected case, annual)

Gross Gaming Rev. (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
Capital View	\$216.7	\$0.0	\$216.7	n/a
Saratoga Casino and Raceway	\$90.3	\$174.4	(\$84.1)	(48.2%)
Capital Region	\$306.9	\$174.4	\$132.5	76.0%
Net Gaming Rev. (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
Capital View	\$200.7	\$0.0	\$200.7	n/a
Saratoga Casino and Raceway	\$82.3	\$158.9	(\$76.7)	(48.2%)
Capital Region	\$282.9	\$158.9	\$124.0	78.0%
Net Slot Rev. (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
Capital View	\$164.1	\$0.0	\$164.1	n/a
Saratoga Casino and Raceway	\$82.3	\$158.9	(\$76.7)	(48.2%)
Capital Region	\$246.3	\$158.9	\$87.4	55.0%
Table Games Rev. (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
Capital View	\$36.6	\$0.0	\$36.6	n/a
Saratoga Casino and Raceway	\$0.0	\$0.0	\$0.0	n/a
Capital Region	\$36.6	\$0.0	\$36.6	n/a

Source: Spectrum Gaming Group

Figure 10: Projected source of GGR for Capital Region (expected case, annual)

Source of Gross Gaming Rev. (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
New York	\$273.9	\$174.1	\$99.8	57.3%
Other States (imported to NY)	\$33.0	\$0.3	\$32.7	11478.2%
Capital Region	\$306.9	\$174.4	\$132.5	76.0%

Source: Spectrum Gaming Group

Under this scenario, two casinos in the Capital Region would serve to increase GGR (and net gaming revenue) for New York by attracting incremental visitation from out-of-state adults (compared to status quo, or from the existing VLT-only Saratoga Raceway and Casino). Under our expected-case, our modeling indicates GGR from out-of-state adults (to two casinos in the Capital Region) would increase by \$32.7 million annually.

Figure 11: Projected gaming patrons to Capital Region (expected case, annual)

Patrons	Proj. w/ Expansion	Baseline	Var. #	Var. %
Capital View	244,664	0	244,664	n/a
Saratoga Casino and Raceway	113,108	221,428	(108,320)	(48.9%)
Capital Region	357,772	221,428	136,343	61.6%

Source: Spectrum Gaming Group

Under the expansion scenario, if the average patron has six visits to a Capital Region casino annually then the average GGR per patron per visit would be \$143. However, if the average patron has between 9 and 12 casino visits annually, then this GGR per patron per visit range would be \$71 to \$95 (which we believe is highly likely and reasonable).

Figure 12: Projected direct gaming taxes/fees from Capital View (expected case, annual)

Direct Gaming Taxes/Fees for Capital View (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
Tax (Slots @ 45%)	\$73.8	\$0.0	\$73.8	n/a
Tax (Tables @ 10%)	\$3.7	\$0.0	\$3.7	n/a
License Fees (for Problem Gambling)	\$0.8	\$0.0	\$0.8	n/a
Total	\$78.3	\$0.0	\$78.3	n/a

Source: Spectrum Gaming Group

The following table shows the our gaming revenue projections, along with direct gaming taxes/fees, from Capital View over the first full ten-years of operations (i.e., assumed to commence with CY2017).¹³

Figure 13: Projected gaming revenue and direct taxes/fees for Capital View for first 10-years of ops (expected case, annual)

Projected Gaming Rev./Taxes/Fees (\$M) for Capital View	GGR	Net Gaming Rev.	Direct Gaming Taxes/Fees
Year 1	\$216.7	\$200.7	\$78.3
Year 2	\$221.7	\$205.4	\$80.1
Year 3	\$226.9	\$210.2	\$82.0
Year 4	\$232.3	\$215.1	\$83.9
Year 5	\$237.7	\$220.2	\$85.8
Year 6	\$243.3	\$225.3	\$87.8
Year 7	\$249.0	\$230.6	\$89.8
Year 8	\$254.8	\$236.0	\$91.9
Year 9	\$260.8	\$241.6	\$94.1
Year 10	\$266.9	\$247.2	\$96.2
CAGR	2.34%	2.34%	2.32%

Source: Spectrum Gaming Group

¹³ The projections for the 10 forward-looking periods are based on forecasted growth in the Consumer Price Index (at 2.02 percent per year) coupled with projected adult population growth for all adults residing with a two-hour drive of the Capital View site (at 0.32 percent per year) – which results in an organic growth rate of 2.34 percent annually.

Low Case

Figure 14: Projected revenue for Capital Region (low case, annual)

Gross Gaming Rev. (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
Capital View	\$207.4	\$0.0	\$207.4	n/a
Saratoga Casino and Raceway	\$90.3	\$174.4	(\$84.1)	(48.2%)
Capital Region	\$297.7	\$174.4	\$123.3	70.7%
Net Gaming Rev. (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
Capital View	\$192.1	\$0.0	\$192.1	n/a
Saratoga Casino and Raceway	\$82.3	\$158.9	(\$76.7)	(48.2%)
Capital Region	\$274.4	\$158.9	\$115.5	72.7%
Net Slot Rev. (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
Capital View	\$157.1	\$0.0	\$157.1	n/a
Saratoga Casino and Raceway	\$82.3	\$158.9	(\$76.7)	(48.2%)
Capital Region	\$239.3	\$158.9	\$80.4	50.6%
Table Games Rev. (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
Capital View	\$35.0	\$0.0	\$35.0	n/a
Saratoga Casino and Raceway	\$0.0	\$0.0	\$0.0	n/a
Capital Region	\$35.0	\$0.0	\$35.0	n/a

Source: Spectrum Gaming Group

Figure 15: Projected source of GGR for Capital Region (low case, annual)

Source of Gross Gaming Rev. (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
New York	\$266.1	\$174.1	\$92.0	52.8%
Other States (imported to NY)	\$31.6	\$0.3	\$31.3	10986.7%
Capital Region	\$297.7	\$174.4	\$123.3	70.7%

Source: Spectrum Gaming Group

Under this scenario, two casinos in the Capital Region would serve to increase GGR (and net gaming revenue) for New York by attracting incremental visitation from out-of-state adults (compared to status quo, or from the existing VLT-only Saratoga Raceway and Casino). Under our low case, our modeling indicates GGR from out-of-state adults (to two casinos in the Capital Region) would increase by \$31.3 million annually.

Under the expansion scenario, if the average patron has six visits to a Capital Region casino annually then the average GGR per patron per visit would be \$139. However, if the average patron has more between 9 and 12 casino visits annually then this GGR per patron per visit range would be \$69 to \$92.

Figure 16: Projected direct gaming taxes/fees from Capital View (low case, annual)

Direct Gaming Taxes/Fees for Capital View (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
Tax (Slots @ 45%)	\$70.7	\$0.0	\$70.7	n/a
Tax (Tables @ 10%)	\$3.5	\$0.0	\$3.5	n/a
License Fees (for Problem Gambling)	\$0.8	\$0.0	\$0.8	n/a
Total	\$75.0	\$0.0	\$75.0	n/a

Source: Spectrum Gaming Group

The following table shows the our gaming revenue projections, along with direct gaming taxes/fees, from Capital View over the first full 10 years of operations (i.e., assumed to commence with CY 2017).¹⁴

Figure 17: Projected gaming revenue and direct taxes/fees for Capital View for first 10 years of ops (low case, annual)

Projected Gaming Rev./Taxes/Fees (\$M) for Capital View	GGR	Net Gaming Rev.	Direct Gaming Taxes/Fees
Year 1	\$207.4	\$192.1	\$75.0
Year 2	\$212.3	\$196.6	\$76.7
Year 3	\$217.3	\$201.3	\$78.5
Year 4	\$222.4	\$206.0	\$80.3
Year 5	\$227.6	\$210.8	\$82.2
Year 6	\$232.9	\$215.7	\$84.1
Year 7	\$238.4	\$220.8	\$86.0
Year 8	\$244.0	\$226.0	\$88.0
Year 9	\$249.7	\$231.3	\$90.1
Year 10	\$255.5	\$236.7	\$92.2
CAGR	2.34%	2.34%	2.32%

Source: Spectrum Gaming Group

¹⁴ The projections for the ten forward-looking periods are based on forecasted growth in the Consumer Price Index (at 2.02 percent per year) coupled with projected adult population growth for all adults residing with a two-hour drive of the Capital View site (at 0.32 percent per year) – which results in an organic growth rate of 2.34 percent annually.

High Case

Figure 18: Projected revenue for Capital Region (high case, annual)

Gross Gaming Rev. (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
Capital View	\$225.9	\$0.0	\$225.9	n/a
Saratoga Casino and Raceway	\$90.3	\$174.4	(\$84.1)	(48.2%)
Capital Region	\$316.2	\$174.4	\$141.8	81.3%
Net Gaming Rev. (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
Capital View	\$209.2	\$0.0	\$209.2	n/a
Saratoga Casino and Raceway	\$82.3	\$158.9	(\$76.7)	(48.2%)
Capital Region	\$291.5	\$158.9	\$132.6	83.4%
Net Slot Rev. (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
Capital View	\$171.1	\$0.0	\$171.1	n/a
Saratoga Casino and Raceway	\$82.3	\$158.9	(\$76.7)	(48.2%)
Capital Region	\$253.3	\$158.9	\$94.4	59.4%
Table Games Rev. (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
Capital View	\$38.2	\$0.0	\$38.2	n/a
Saratoga Casino and Raceway	\$0.0	\$0.0	\$0.0	n/a
Capital Region	\$38.2	\$0.0	\$38.2	n/a

Source: Spectrum Gaming Group

Figure 19: Projected source of GGR for Capital Region (high case, annual)

Source of Gross Gaming Rev. (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
New York	\$281.8	\$174.1	\$107.7	61.8%
Other States (imported to NY)	\$34.4	\$0.3	\$34.1	11969.7%
Capital Region	\$316.2	\$174.4	\$141.8	81.3%

Source: Spectrum Gaming Group

Under this scenario, two casinos in the Capital Region would serve to increase GGR (and net gaming revenue) for New York by attracting incremental visitation from out-of-state adults (compared to status quo, or from the existing VLT-only Saratoga Raceway and Casino). Under our high case, our modeling indicates GGR from out-of-state adults (to two casinos in the Capital Region) would increase by \$34.1 million annually.

Under the expansion scenario, if the average patron has six visits to a Capital Region casino annually then the average GGR per patron per visit would be \$147. However, if the average patron has more between 9 and 12 casino visits annually then this GGR per patron per visit range would be \$74 to \$98.

Figure 20: Projected direct gaming taxes/fees from Capital View (high case, annual)

Direct Gaming Taxes/Fees for Capital View (\$M)	Proj. w/ Expansion	Baseline	Var. \$	Var. %
Tax (Slots @ 45%)	\$77.0	\$0.0	\$77.0	n/a
Tax (Tables @ 10%)	\$3.8	\$0.0	\$3.8	n/a
License Fees (for Problem Gambling)	\$0.8	\$0.0	\$0.8	n/a
Total	\$81.6	\$0.0	\$81.6	n/a

Source: Spectrum Gaming Group

The following table shows our gaming revenue projections, along with direct gaming taxes/fees, from Capital View over the first full 10-years of operations (i.e., assumed to commence with CY2017).¹⁵

Figure 21: Projected gaming revenue and direct taxes/fees for Capital View for first 10-years of ops (high case, annual)

Projected Gaming Rev./Taxes/Fees (\$M) for Capital View	GGR	Net Gaming Rev.	Direct Gaming Taxes/Fees
Year 1	\$225.9	\$209.2	\$81.6
Year 2	\$231.2	\$214.1	\$83.5
Year 3	\$236.6	\$219.2	\$85.4
Year 4	\$242.2	\$224.3	\$87.4
Year 5	\$247.8	\$229.6	\$89.4
Year 6	\$253.6	\$234.9	\$91.5
Year 7	\$259.6	\$240.4	\$93.6
Year 8	\$265.7	\$246.1	\$95.8
Year 9	\$271.9	\$251.9	\$98.0
Year 10	\$278.3	\$257.8	\$100.3
CAGR	2.34%	2.34%	2.32%

Source: Spectrum Gaming Group

¹⁵ The projections for the ten forward-looking periods are based on forecasted growth in the Consumer Price Index (at 2.02 percent per year) coupled with projected adult population growth for all adults residing within a two-hour drive of the Capital View site (at 0.32 percent per year) – which results in an organic growth rate of 2.34 percent annually.

Geographic Sources of Visitation

We project 244,664 unique patrons annually will visit Capital View casino and will generate approximately 2.27 million patron trips (i.e., number of patron days visiting the casino).¹⁶ If we assume all patrons to a Capital View casino mimic the geographic capture per our gravity model (and from within a two-hour drive) we quantify such patron volumes by quadrant – or direction from Capital View (assuming a vertical north/south line and horizontal east/west line were drawn through the location). This is shown in the following table.

Figure 22: Projected gaming patrons and trips to Capital View, by direction (expected case, annual)

Direction (from Capital View)	Patrons (Unique)	% of Patrons (Unique)	Patron Trips (Days)	% of Patron Trips (Days)	Avg. Trips / Patron
Northeast	46,549	19.0%	361,831	15.9%	7.8
Northwest	111,853	45.7%	1,206,130	53.1%	10.8
Southeast	36,658	15.0%	259,582	11.4%	7.1
Southwest	49,604	20.3%	444,597	19.6%	9.0
Grand Total	244,664	100.0%	2,272,140	100.0%	9.3

Source: Nielsen SiteReports, Microsoft MapPoint 2013, Mile Charter, Spectrum Gaming Group

As illustrated, our modeling indicates nearly 65 percent (or the majority) of casino patrons would come from north of Capital View and would generate 69 percent of patron trips annually. Our modeling indicates approximately 35 percent of casino patrons would come from south of the location and generate 31 percent of patron trips annually. On a quadrant-by-quadrant basis, our modeling indicates the bulk of visitation (at 45.7 percent) would come from northwest of the Capital View location, while these patrons would generate 53.1 percent of all patron trips annually.

The following table is in same format as previous, albeit it shows sources of casino patrons and respective number of patron trips annually (by direction) from within a reasonable one-hour drive of Capital View.

¹⁶ We used database metrics provided by Saratoga Casino and Raceway as a proxy in determining number of patron trips coupled with our knowledge and experience of US casino markets. In this analysis we assume patrons residing within a 30-minute drive of Capital View would have an average of 12 trips annually, patrons residing within a 30-minute to 60-minute drive would have an average of 8 trips annually, patrons residing within a 60-minute to 90-minute drive would have an average of 4 trips annually, while any patrons residing beyond a 90-minute drive from Capital View would have an average of 2 trips annually.

Figure 23: Projected gaming patrons and trips to Capital View from within a one-hour drive, by direction (expected case, annual)

<u>Direction (from Capital View)</u>	<u>Patrons (Unique)</u>	<u>% of Patrons (Unique)</u>	<u>Patron Trips (Days)</u>	<u>% of Patron Trips (Days)</u>	<u>Avg. Trips / Patron</u>
Northeast	30,390	15.7%	318,332	15.0%	10.5
Northwest	104,757	54.2%	1,183,617	55.7%	11.3
Southeast	20,792	10.8%	215,605	10.1%	10.4
Southwest	37,417	19.4%	407,019	19.2%	10.9
Grand Total	193,356	100.0%	2,124,573	100.0%	11.0

Source: Nielsen SiteReports, Microsoft MapPoint 2013, Mile Charter, Spectrum Gaming Group

The following table (in same format as previous) shows sources of casino patrons (by direction) from beyond a reasonable one-hour drive of Capital View.

Figure 24: Projected gaming patrons and trips to Capital View from beyond a one-hour drive, by direction (expected case, annual)

<u>Direction (from Capital View)</u>	<u>Patrons (Unique)</u>	<u>% of Patrons (Unique)</u>	<u>Patron Trips (Days)</u>	<u>% of Patron Trips (Days)</u>	<u>Avg. Trips / Patron</u>
Northeast	16,158	31.5%	43,499	29.5%	2.7
Northwest	7,096	13.8%	22,513	15.3%	3.2
Southeast	15,866	30.9%	43,977	29.8%	2.8
Southwest	12,187	23.8%	37,578	25.5%	3.1
Grand Total	51,308	100.0%	147,567	100.0%	2.9

Source: Nielsen SiteReports, Microsoft MapPoint 2013, Mile Charter, Spectrum Gaming Group

The following table shows our casino patron and respective annual trip (days) projections on a county-by-county basis (for New York counties) to the Capital View casino per our modeling – and sorted in descending order by patrons per county.

Figure 25: Projected gaming patrons and trips to Capital View, by NY County (expected case, annual)

NY Counties	Patrons (Unique)			Patron Trips (Days)			Avg. Trips / Patron
	Count	% of Total	Cumulative % of Total	Count	% of Total	Cumulative % of Total	
Albany	72,082	29.5%	29.5%	861,063	37.9%	37.9%	11.9
Capital View	39,759	16.3%	45.7%	468,467	20.6%	58.5%	11.8
Schenectady	27,791	11.4%	57.1%	318,522	14.0%	72.5%	11.5
Saratoga	15,091	6.2%	63.2%	149,035	6.6%	79.1%	9.9
Columbia	8,032	3.3%	66.5%	81,023	3.6%	82.7%	10.1
Washington	4,807	2.0%	68.5%	24,621	1.1%	83.7%	5.1
Dutchess	4,225	1.7%	70.2%	18,425	0.8%	84.6%	4.4
Warren	4,073	1.7%	71.9%	25,677	1.1%	85.7%	6.3
Greene	3,938	1.6%	73.5%	31,254	1.4%	87.1%	7.9
Ulster	3,784	1.5%	75.0%	24,121	1.1%	88.1%	6.4
Montgomery	3,584	1.5%	76.5%	26,431	1.2%	89.3%	7.4
Fulton	2,959	1.2%	77.7%	22,627	1.0%	90.3%	7.6
Schoharie	2,706	1.1%	78.8%	20,854	0.9%	91.2%	7.7
Otsego	2,664	1.1%	79.9%	10,048	0.4%	91.6%	3.8
Oneida	2,076	0.8%	80.8%	4,898	0.2%	91.9%	2.4
Essex	2,067	0.8%	81.6%	4,301	0.2%	92.0%	2.1
Herkimer	1,338	0.5%	82.1%	4,962	0.2%	92.3%	3.7
Orange	1,280	0.5%	82.7%	2,835	0.1%	92.4%	2.2
Delaware	950	0.4%	83.1%	2,677	0.1%	92.5%	2.8
Rockland	819	0.3%	83.4%	1,637	0.1%	92.6%	2.0
Westchester	701	0.3%	83.7%	1,401	0.1%	92.6%	2.0
Chenango	639	0.3%	83.9%	1,278	0.1%	92.7%	2.0
Putnam	556	0.2%	84.2%	1,112	0.0%	92.7%	2.0
Hamilton	264	0.1%	84.3%	634	0.0%	92.8%	2.4
Sullivan	174	0.1%	84.3%	349	0.0%	92.8%	2.0
Madison	126	0.1%	84.4%	252	0.0%	92.8%	2.0
Broome	101	0.0%	84.4%	202	0.0%	92.8%	2.0
<i>Out-of-State (Total)</i>	<i>38,080</i>	<i>15.6%</i>	<i>100.0%</i>	<i>163,434</i>	<i>7.2%</i>	<i>100.0%</i>	<i>4.3</i>
Grand Total	244,664	100.0%		2,272,140	100.0%		9.3

Source: Nielsen SiteReports, Microsoft MapPoint 2013, Mile Charter, Spectrum Gaming Group

As illustrated, our modeling indicates 84.4 percent of casino patrons will come from New York State, while these patrons would generate 92.8 percent of patron trips to a Capital View casino. Our modeling indicates 15.6 percent of casino patrons would come from out of state, while these patrons would generate 7.2 percent of patron trips. Our modeling indicates more than half of casino patrons (at 57.1 percent) would come from three counties (Albany, Rensselaer, and Schenectady), while collectively these patrons would generate 72.5 percent of patron trips to a Capital View casino annually.

Illustrative Market Sizing

Using a 26 percent to 40 percent casino participation rate and a range of \$800 to \$1,200 in average GGR per gambler as benchmarks, we illustrate the GGR potential from the 775,944 adults residing within a reasonable one-hour drive of Saratoga Casino and Raceway only, as well

as the 1.05 million adults residing within a reasonable one-hour drive of either Saratoga Casino and Raceway and/or the Capital View site.¹⁷

Importantly, in the context of this analysis, the aforementioned figures are applicable to legal casinos throughout the United States and, as such, do not include wagers on illegal gaming activities, nor lotteries, horse racing or charitable gaming. Therefore, we believe these figures may be directly applicable to activities at existing and/or potential casinos in the Capital Region of New York, as well as throughout the regional market and/or throughout the United States.

Our illustrative GGR potential figures are shown in the following tables resulting from the intersecting points of casino participation rates and average GGR per gambler. The results shaded in grey indicate GGR (in millions). Additionally, the figures in red indicate the GGR potential at the US average GGR per gambler value (from last five years - between 2008 and 2012).

Figure 26: Saratoga Casino and Raceway – illustrative size of market, one-hour drive only (total GGR)

GGR (\$M)	Illustrative Range of GGR/ Gambler, \$100 increments					US Avg.
Casino Part. %	\$800	\$900	\$1,000	\$1,100	\$1,200	\$1,035
25.0%	\$155.2	\$174.6	\$194.0	\$213.4	\$232.8	\$200.8
27.5%	\$170.7	\$192.0	\$213.4	\$234.7	\$256.1	\$220.9
30.0%	\$186.2	\$209.5	\$232.8	\$256.1	\$279.3	\$240.9
32.5%	\$201.7	\$227.0	\$252.2	\$277.4	\$302.6	\$261.0
35.0%	\$217.3	\$244.4	\$271.6	\$298.7	\$325.9	\$281.1
37.5%	\$232.8	\$261.9	\$291.0	\$320.1	\$349.2	\$301.2
40.0%	\$248.3	\$279.3	\$310.4	\$341.4	\$372.5	\$321.2

Source: Spectrum Gaming Group

If adults residing within a one-hour drive of Saratoga Casino and Raceway were to have the same gaming attributes as US adults in general, the size of this market area would range between \$200 million and \$261 million in GGR annually (between 25 percent and 32.5 percent casino participation, which was the range of US adults over the five-year period of 2008 to 2012). However, if the actual casino participation rate for these adults exceeds 32.5 percent, then the size of this market area exceeds \$261 million of GGR annually and eclipses \$300 million if/when the casino participation rate exceeds 37.4 percent.

Through LTM March 2014, Saratoga Casino and Raceway reported total GGR of \$174.4 million. Therefore, at the minimum 25 percent casino participation rate, and an average of \$1,035 per gambler (i.e., the US average), at least \$26.4 million in GGR was either exported from this market area – or existed as untapped GGR potential. However, if the actual casino participation rate for these adults exceeds 30 percent (which we believe is highly likely), at least \$66.5 million in GGR from these aforementioned adults was either exported or existed as potential GGR.

¹⁷ This casino participation rate (with a ceiling of 40 percent), along with average GGR per gambler is supported by past studies and presented elsewhere in this report.

If a Saratoga casino were to exist at the Capital View site (i.e., 30-plus minute drive south of the existing Saratoga Casino and Raceway) and we expand the pool of adults to those residing with a one-hour drive of both the Saratoga Casino and Raceway and/or the Capital View site there are 1.047 million adults (or 34.9 percent more adults than in the one-hour drive area surrounding Saratoga Casino and Raceway alone). These illustrative GGR potential figures are shown in the following table (and in same format as previous table).

Figure 27: Illustrative size of market, one-hour drive of Saratoga Casino and Raceway and/or the Capital View site (total GGR)

GGR (\$M)	Illustrative Range of GGR/ Gambler, \$100 increments					US Avg.
Casino Part. %	\$800	\$900	\$1,000	\$1,100	\$1,200	\$1,035
25.0%	\$209.3	\$235.5	\$261.6	\$287.8	\$314.0	\$270.8
27.5%	\$230.2	\$259.0	\$287.8	\$316.6	\$345.4	\$297.9
30.0%	\$251.2	\$282.6	\$314.0	\$345.4	\$376.8	\$325.0
32.5%	\$272.1	\$306.1	\$340.1	\$374.1	\$408.2	\$352.0
35.0%	\$293.0	\$329.7	\$366.3	\$402.9	\$439.6	\$379.1
37.5%	\$314.0	\$353.2	\$392.5	\$431.7	\$470.9	\$406.2
40.0%	\$334.9	\$376.8	\$418.6	\$460.5	\$502.3	\$433.3

Source: Spectrum Gaming Group

As illustrated, if adults residing within a one-hour drive of either Saratoga Casino and Raceway and/or the Capital View site were to have the same gaming attributes as US adults in general, the size of this market area would range between \$270 million and \$352 million in GGR annually (between 25 percent and 32.5 percent casino participation, which was the range of US adults over the five-year period of 2008 to 2012). However, if the actual casino participation rate for these adults exceeds 32.5 percent, then the size of this market area exceeds \$352 million of GGR annually and eclipses \$400 million if/when the casino participation rate exceeds 36.9 percent.

Our total GGR projections for two casino properties in the Capital Region (ranging from \$297.7 million to \$316.2 million annually in 2017) clearly comport, and we deem reasonable, when juxtaposed to aforementioned figures and facts under the illustrative market sizing examples (and based only on adults within a one-hour drive time).

Increasing GGR via Addition of Table Games

Spectrum believes the addition of table games to the casino landscape in the Capital Region (and elsewhere in New York) would increase overall GGR, and can also serve to increase slot revenue. While the latter point may seem counter-intuitive (the natural assumption is that new table games would simply cannibalize existing slot play), experience in markets that have added tables to casinos that previously offered only slot machines shows otherwise. This phenomenon can be attributed to two major factors:

- Some new table-game customers (who previously had no incentive to visit a slots-only casino) can be expected to apportion some of their own spending to slots.
- Some of these new customers would be accompanied by other guests – such as a spouse or a friend – who would play slots during these visits.

In our experience, we find slots and table games in a casino are complementary assets.

By way of example, casinos in both Delaware and Pennsylvania had been limited to slots-only prior to May 2010, but then table games were added to all 12 casinos in these states between May and July 2010. Based on the collective results there was an overall increase in GGR of 22.1 percent in the first full year of having table games versus the prior full year, absent table games.

Through the 12-month period ending April 2010 (pre-table games), the 12 casinos generated \$3.09 billion in slot revenue (or total GGR at the time). Through the 12-month period ended July 2011 (the first full annualized period when all 12 casinos had table games for the full duration of period), the same 12 casinos generated \$3.26 billion in slot revenue (an increase of 5.6 percent over the period without having table games). Table games revenue at these 12 casinos amounted to \$508 million through the 12-month period ended July 2011.

The overall increase in GGR for both tables and slots between the two periods was 22.1 percent, while table games revenue accounted for 74.5 percent of the GGR growth and slot revenue accounted for 25.5 percent of the GGR growth. Importantly, this growth occurred at a time when other casinos were opening in the region (SugarHouse in Philadelphia, PA and Hollywood in Perryville, MD in September 2010, along with Ocean Downs in Worcester, MD in January 2011).

Non-gaming Revenue Projections for Capital View

Our non-gaming revenue projections for Capital View are based on benchmarking respective operating data from three separate casino entities (all in New York and Connecticut), as reported for LTM September 2013, and then applying such applicable benchmarks to such assumed and/or projected operating metrics for Capital View. The three separate casino entities (“peer group”) are:

- Mohegan Tribal Gaming Authority which operates Mohegan Sun in Uncasville, CT;
- Mashantucket Pequot Gaming Enterprise which operates Foxwoods Resort Casino in Ledyard, CT;
- Seneca Gaming Corporation which operates three casinos in western New York (i.e., Seneca Niagara Casino & Hotel in Niagara Falls, Seneca Allegany Casino & Hotel in Salamanca, and Seneca Buffalo Creek Casino in Buffalo).

All data presented (and derived and/or utilized by us) from each of the aforementioned operators is based on their most recent Annual reports (Form 10-K per the United States Securities and Exchange Commission).

Hotel and Related Revenue

Our expected-case results are primarily based on direct application of the benchmarks from the peer group to Capital View hotel capacity, while our low- and high case results are based in a deviation of ± 10 percent in average hotel revenue per occupied room from the benchmark per peer group and then applied to Capital View metrics. This is illustrated in the following table (and in current dollars).

Figure 28: Projected hotel and related revenue/metrics for Capital View

Projected Hotel Operations, Annual for Capital View	Mohegan Sun (CT)	Foxwoods (CT)	Seneca Gaming Corp. (NY)	Total/Avg. (of Competitive Set)	Projected - Capital View		
					Low	Expected	High
Avg. Rooms available (Daily)	1,200	1,943	971	4,114	100	100	100
Rooms available (Annual)	438,000	709,195	354,425	1,501,620	36,500	36,500	36,500
Rooms Occupied (Annual)	415,000	664,750	331,033	1,410,783	34,292	34,292	34,292
Occupancy rate	96.8%	93.4%	93.4%	94.0%	94.0%	94.0%	94.0%
Average Daily Rate ("ADR")	\$94	\$94	\$99	\$95	\$85	\$94	\$104
Rev. per Available Room ("REVPAR")	\$91	\$88	\$92	\$89	\$80	\$89	\$97
Total Rooms Rev. (\$M)	\$39.0	\$62.5	\$32.7	\$134.2	\$2.9	\$3.2	\$3.6
Other Hotel-related Rev. (\$M)	\$1.9	\$2.4	\$0.0	\$4.3	\$0.1	\$0.1	\$0.1
Total Hotel Rev. (\$M)	\$40.9	\$64.9	\$32.7	\$138.5	\$3.0	\$3.4	\$3.7
Avg. Hotel Rev. per Occ. Room	\$98	\$98	\$99	\$98	\$88	\$98	\$108
Sources:	Respective Annual Report(s) for LTM Sept. 2013				n/a		

Source: Spectrum Gaming Group

As illustrated, we project a 100-room hotel at Capital View could reasonably generate \$3.4 million of hotel and related revenue annually (expected and in/ current dollars) based on an overall occupancy rate of 94 percent and specifically benchmarked to four regional Native American casinos having hotel operations; however, this range of revenue would be \$3 million to \$3.7 million under our respective low- and high case scenarios.

Food & Beverage Revenue

Our expected-case results are primarily based on direct application of the benchmarks from the peer group to Capital View GGR (at expected case), while our low- and high case results are based on application of such benchmarks to our low- and high case GGR projections for Capital View. This is illustrated in the following table (and in current dollars).

Figure 29: Projected food and beverage revenue/metrics for Capital View

Projected F&B Operations, Annual for Capital View	Mohegan Sun (CT)	Foxwoods (CT)	Seneca Gaming Corp. (NY)	Total/Avg. (of Competitive Set)	Projected - Capital View		
					Low	Expected	High
Meals served	2,798,000	3,630,000	4,400,000	10,828,000	949,263	991,489	1,033,715
Avg. price per meal served	\$16.15	\$20.85	\$14.81	\$17.18	\$17.18	\$17.18	\$17.18
GGR (\$M)	\$994.9	\$892.9	\$666.9	\$2,554.7	\$207.4	\$216.7	\$225.9
Food revenue (\$M)	\$45.2	\$75.7	\$65.2	\$186.0	n/a	n/a	n/a
Other F&B-related Rev. (\$M)	\$14.8	\$0.0	\$0.0	\$14.8	n/a	n/a	n/a
Total F&B Rev. (\$M)	\$60.0	\$75.7	\$65.1	\$200.9	\$16.3	\$17.0	\$17.8
F&B Rev. as % of GGR	6.0%	8.5%	9.8%	7.9%	7.9%	7.9%	7.9%
<i>Sources:</i>	<i>Respective Annual Report(s) for LTM Sept. 2013</i>				<i>n/a</i>		

Source: Spectrum Gaming Group

As illustrated, we project Capital View could reasonably generate \$17 million of F&B revenue annually (expected and in current dollars) based on overall GGR of \$219.7 million and specifically benchmarked to three regional Native American casino operators (whereby we are benchmarking to five casinos); however, this range of revenue would be \$16.3 million to \$17.8 million under our respective low- and high case scenarios.

Retail, Entertainment, Other Revenue

Similar in methodology to our hotel and F&B projections for Capital View, we benchmark the actual peer group benchmarks to our projected GGR for Capital View (at expected case), while our low- and high case results are based on application of such benchmarks to our low- and high case GGR projections for Capital View. This is illustrated in the following table (and in current dollars).

Figure 30: Projected retail, entertainment, and other revenue for Capital View

Projected Retail, Entertainment, Other Rev., Annual for Capital View	Mohegan Sun (CT)	Foxwoods (CT)	Seneca Gaming Corp. (NY)	Total/Avg. (Competitive Set)	Projected - Capital View		
					Low	Expected	High
Retail, Entertainment, Other Rev. (\$M)	\$108.5	\$69.6	\$39.7	\$217.8	\$17.7	\$18.5	\$19.3
GGR (\$M)	\$994.9	\$892.9	\$666.9	\$2,554.7	\$207.4	\$216.7	\$225.9
Retail, Ent, Other Rev. as % of GGR (\$M)	10.9%	7.8%	5.9%	8.5%	8.5%	8.5%	8.5%
Sources:	Respective Annual Report(s) for LTM Sept. 2013				n/a		

Source: Spectrum Gaming Group

As illustrated, we project Capital View can reasonably generate \$18.5 million of retail, entertainment, and other revenue annually (expected and in current dollars) based on overall expected GGR of \$216.7 million and specifically benchmarked to three regional Native American casino operators (whereby we are benchmarking to five casinos); however, this range of revenue would be \$17.7 million to \$19.3 million under our respective low- and high-case scenarios.

Total Non-Gaming Revenue

Based on our segmented non-gaming revenue projections, the following tables show the three key revenue groups on a consolidated basis projected over the first full 10 years of operations (i.e., assumed to commence with CY2017) under each of our three scenarios. The projections for the 10 forward-looking periods are based on forecasted growth in the Consumer Price Index (at 2.02 percent per year) coupled with projected adult population growth for all adults residing with a two-hour drive of the Capital View site (at 0.32 percent per year) – which results in an organic growth rate of 2.34 percent annually.

Expected Case

Figure 31: Projected non-gaming revenue for Capital View over first 10 years of operations (expected case)

Projected Non-Gaming Revenue (\$M), Annually for Capital View	Total Hotel	Total F&B	Retail, Ent., Other	Total Non-Gaming
Year 1	\$3.7	\$18.7	\$20.3	\$42.7
Year 2	\$3.8	\$19.1	\$20.7	\$43.7
Year 3	\$3.9	\$19.6	\$21.2	\$44.7
Year 4	\$4.0	\$20.0	\$21.7	\$45.7
Year 5	\$4.1	\$20.5	\$22.2	\$46.8
Year 6	\$4.1	\$21.0	\$22.8	\$47.9
Year 7	\$4.2	\$21.5	\$23.3	\$49.0
Year 8	\$4.3	\$22.0	\$23.8	\$50.2
Year 9	\$4.4	\$22.5	\$24.4	\$51.3
Year 10	\$4.5	\$23.0	\$25.0	\$52.5
CAGR	2.34%	2.34%	2.34%	2.34%

Source: Spectrum Gaming Group

Low Case

Figure 32: Projected non-gaming revenue for Capital View over first 10 years of operations (low case)

Projected Non-Gaming Revenue (\$M), Annually for Capital View	Total Hotel	Total F&B	Retail, Ent., Other	Total Non-Gaming
Year 1	\$3.3	\$17.9	\$19.4	\$40.6
Year 2	\$3.4	\$18.3	\$19.9	\$41.6
Year 3	\$3.5	\$18.7	\$20.3	\$42.5
Year 4	\$3.6	\$19.2	\$20.8	\$43.5
Year 5	\$3.6	\$19.6	\$21.3	\$44.6
Year 6	\$3.7	\$20.1	\$21.8	\$45.6
Year 7	\$3.8	\$20.6	\$22.3	\$46.7
Year 8	\$3.9	\$21.0	\$22.8	\$47.8
Year 9	\$4.0	\$21.5	\$23.4	\$48.9
Year 10	\$4.1	\$22.0	\$23.9	\$50.0
CAGR	2.34%	2.34%	2.34%	2.34%

Source: Spectrum Gaming Group

High Case

Figure 33: Projected non-gaming revenue for Capital View over first 10 years of operations (high case)

Projected Non-Gaming Revenue (\$M), Annually for Capital View	Total Hotel	Total F&B	Retail, Ent., Other	Total Non-Gaming
Year 1	\$4.1	\$19.5	\$21.1	\$44.7
Year 2	\$4.2	\$19.9	\$21.6	\$45.7
Year 3	\$4.3	\$20.4	\$22.1	\$46.8
Year 4	\$4.4	\$20.9	\$22.7	\$47.9
Year 5	\$4.5	\$21.4	\$23.2	\$49.0
Year 6	\$4.6	\$21.9	\$23.7	\$50.2
Year 7	\$4.7	\$22.4	\$24.3	\$51.3
Year 8	\$4.8	\$22.9	\$24.9	\$52.5
Year 9	\$4.9	\$23.5	\$25.4	\$53.8
Year 10	\$5.0	\$24.0	\$26.0	\$55.0
CAGR	2.34%	2.34%	2.34%	2.34%

Source: Spectrum Gaming Group